Bombay Provincial Banking Enquiry Committee 1929-30

Volume IV

EVIDENCE



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CONTENTS

		Pages
	QUESTIONNAIRE	i-ix
	Evidence of—	
1	Karachi Indian Merchants Association and Buyers and Shippers Chamber, Karachi	1-29
2	Mr. Chanderbhan Taveri, Karachi	30-37
3	Mr. C. K. Thadani, Inspector, The Sind Central Co-operative Bank, Ltd., Karachi	38-51
4	Mr. Hatim A. Alavi, Karachi	51-56
5	Mr. Durgadas B. Advani, Managing Director, Mercantile Co-operative Bank, Karachi	56-61
6	Mr. Allahdino Md. Sidik Memon, District Honorary Organiser, Co-operative Societies, Durro, Karachi	61-65
7	Mr. E. L. Price, C.I.E., O.B.E., Karachi	65-74
8	Mr. N. A. Bechar, M.L.C., Karachi	74-80
9	Mr. N. D. Mallik, late Director of the Sind Central Co-operative Bank, Ltd., Karachi	80-90
10	Khan Bahadur Gul Mahomed Abdul Rahman, Deputy Director of Agriculture, Sind	91-104
11	Khan Bahadur Nur Nabi Ghulam Nabi, B.A., Deputy Collector, Shah Bunder, Karachi	104-116
12	Mr. Tayabali A. Alavi, Karachi	116-120
13	Mr. Lalchand Navalrai, M.L.A., Larkana	120-128
14	Sir M. de P. Webb, C.I.E., C.B.E., Karachi	129-134
15	The Sind Central Co-operative Bank, Ltd., Karachi	134-149
16	Sayed Mahomed Kamil Shah, M.L.C., Hyderabad	150-154
17	Mr. Noor Muhammed, B.A., LL.B., M.L.C., Hyderabad	155-161
18	Rai Bahadur Pritamdas, Honorary Secretary, Sind Divisional Co-operative Institute, Hyderabad	161-203
19	Khan Bahadur Azimkhan, Deputy Registrar of Co-operative Societies, Hyderabad	204-229
20	Mukhi Dayaram, Hyderabad	229-235
21	Mr. Gopaldas Jhamatlal, Chairman, Co-operative Institute, Hyderabad	236-245
22	Mr. Kevalram Dayaram Shahani, Director, Sind Central Co-operative Bank, Ltd., Hyderabad	245-255
23	Mukhi Gobindram Pritamdas, Hyderabad	256-267
24	Mr. K. Bulchand, Chairman, Khudabadi Bhaibund Co-operative Credit Bank, Ltd., Hyderabad	268-274
25	Syed Rakhial Shah, District Honorary Organiser, Co-operative Societies, Hyderabad	275-277
26	Haji Kamaluddin, Hyderabad	277-280
27	Hyderabad District Central Co-operative Bank, Ltd., Hyderabad ..	280-290
28	Seth Haji Mohammed, District Honorary Organiser, Co-operative Societies, Tando Allahyar, Hyderabad	291-294
29	Kazi Ghulam Kadir, Sukkur	295-297
30	Seth Dwarkadas Ramchand, Sukkur	297-302
31	Khan Saheb Amir Bux Khan, President, Taluka Board, Sukkur ..	302-305

		PAGES
32	Khan Bahadur Abdul Hamidkhan Khudadadkhan, President, Sukkur Co-operative Bank, Sukkur	306-312
33	Mr. J. B. Chandiram, Proprietor, Silk Weaving Factory, Rohri, Sind.	312-317
34	Mr. Bhojraj M. Ajwani, Sukkur	317-321
35	Mr. Virumal Begraj, Chairman, Urban Co-operative Bank, Sukkur ..	322-326
36	Seth Chandiram Verhomal, Sukkur	326-333
37	Khan Sahib Sardar Kaisarkhan, Chairman, Bozdar Co-operative Society, Sukkur	333-335
38	The Shikarpur Shroffs' Association	336-364
39	Mr. Lalchand Teckchand, Shikarpur	364-368
40	The Shikarpur Grain Sale Society	369-378
41	Khan Saheb Allahbuksh Khan, M.L.C., Shikarpur	378-383
42	Mr. S. Hajanshah, Shikarpur	384-386
43	Mr. J. G. Ridland, Secretary and Treasurer, Imperial Bank of India, Bombay	387-405
44	Dr. W. Burns, D.Sc., Ag. Director of Agriculture, Bombay Presidency	405-411
45	The Provincial Co-operative Bank, Bombay	412-454
46	Professor H. L. Kaji, M.A., B.Sc., I.E.S., Bombay	454-470
47	Mr. J. Abott, I.C.S., Collector, Dharwar	471-475
48	Mr. Fakirappa L. Lakshmeshwar, Member, Divisional Board of Agriculture, Dharwar	475-482
49	Mr. T. T. Midiraddi, Dharwar	482-489
50	Rao Saheb C. S. Shirahatti, Managing Director, Co-operative Cotton Sale Society, Hubli	490-512
51	Professor S. G. Beri, M.A., B.E.S., Karnatak College, Dharwar ..	512-539
52	Mr. D. L. Patil, Chairman, Reddi Communal Co-operative Bank, Ltd., Dharwar	539-549
53	Rao Bahadur K. R. Valvekar	550-569
54	Mr. K. B. Ankalgi, The Ankalgi Bank, Ltd., Dharwar	570-583
55	Mr. S. S. Salimath, Deputy Director of Agriculture, Dharwar ..	583-597
56	Mr. S. V. Shevade, Cotton Superintendent, Dharwar	598-604
57	Mr. C. B. Huli, Assistant Registrar, Co-operative Societies, Dharwar	605-625
58	Mr. R. S. Patil, Agricultural Organiser, Dharwar	625-637
59	Mr. M. M. Basrur, Manager, Karnatak Co-operative Institute, Dharwar	637-644
60	The Karnatak Central Co-operative Bank, Dharwar	644-657
61	Mr. M. S. Kulkarni, District Honorary Organiser, Co-operative Societies, Gadag	657-661
62	Mr. M. S. Doddamani, Dharwar	661-665
63	Mr. D. K. Gunjikar, B.Com., Manager, Southern Maratha Urban Co-operative Bank, Ltd., Dharwar	666-675
64	Rao Saheb V. P. Chavdi, Gadag	675-678
65	Mr. N. P. Bhagwat, M.A., LL.B., Assistant Registrar, Co-operative Societies, Belgaum	679-696
66	Rao Saheb V. V. Shirgaokar, B.Ag., Belgaum	696-712
67	Mr. V. M. Bakre, Honorary Secretary, Belgaum District Co-operative Institute, Belgaum	712-717
68	Mr. S. S. Patel, Sankeshwar	717-718
69	Mr. C. N. Sidhanti, Belgaum	718-720
70	Mr. M. N. Dhor and Mr. R. F. Koler, Nerlee	720-722

		Pages
71	Rao Bahadur B. A. Palekar, M.B.E., District Deputy Collector, N. D., Belgaum	723-736
72	The Belgaum District Central Co-operative Bank, Ltd. ..	736-748
73	Mr. V. V. Nadig, Huzur Deputy Collector, Belgaum	749-758
74	Rao Bahadur M. L. Patil, Bail-Hongal, Belgaum	758-765
INDEX		767-780
GLOSSARY OF INDIAN TERMS		781-783

CLASSIFICATION OF WITNESSES EXAMINED.

1. Government Officials.

		Pages
1	Abdul Rahman, Khan Bahadur Gul Mahomed, Deputy Director of Agriculture, Sind	91-104
2	Abott, Mr. J., Collector, Dharwar	471-475
3	Azimkhan, Khan Bahadur, Deputy Registrar of Co-operative Societies, Hyderabad	204-229
4	Beri, Professor S. G., M.A., B.E.S., Karnatak College, Dharwar ..	512-539
5	Bhagwat, Mr. N. P., M.A., LL.B., Assistant Registrar of Co-operative Societies, Belgaum	679-696
6	Burns, Dr. W., D.Sc., Ag. Director of Agriculture, Bombay Presidency	405-411
7	Ghulam Nabi, Khan Bahadur Nur Nabi, B.A., Deputy Collector, Shah Bunder	104-116
8	Huli, Mr. C. B., Assistant Registrar, Co-operative Societies, Dharwar	605-625
9	Nadig, Mr. V. V., Huzur Deputy Collector, Belgaum	749-758
10	Palekar, Rao Bahadur, B.A., M.B.E., District Deputy Collector, N. D., Belgaum	723-736
11	Patil, Mr. R. S., Agricultural Organiser, Dharwar	625-637
12	Salimath, Mr. S. S., Deputy Director of Agriculture, Dharwar ..	583-597
13	Shevade, Mr. S. V., Cotton Superintendent, Dharwar	598-604

2. Representatives of Commercial Bodies.

1	Buyers and Shippers Chamber, Karachi .. .. .. Mr. C. A. Buch, Vice-Chairman. Mr. Haridas Lalji, Honorary Secretary.	1-29
2	Karachi Indian Merchants Association .. .. .. Seth Doongersey Dharamsey. Mr. T. K. Jeswani.	1-29

3. Representatives of Bankers and Money-Lenders.

Joint Stock Banks.

1	Imperial Bank of India. Bombay .. .. .. Mr. J. G. Ridland, Secretary and Treasurer.	387-405

Other Bankers and Money-lenders.

1	Ankalgi, Mr. K. B., Dharwar	570-583
2	Dayaram, Mukhi, Hyderabad	229-235
3	Lalchand Teckchand, Mr., Shikarpur	364-368
4	Mudiraddi, Mr. T. T., Dharwar	482-489
5	Pritamdas, Mukhi Gobindram, Hyderabad	256-267
6	Ramchand, Seth Dwarkadas, Sukkur	297-302
7	Shikarpur Shroffs' Association	336-364
8	Taveri, Mr. Chanderbhan, Karachi	30-37

4. Representatives of Co-operative Organisations.

1	Advani, Mr. Durgadas B., Managing Director, Mercantile Co-operative Bank, Karachi	56-61
2	Ajwani, Mr. Bhojraj M., Managing Director, Sukkur Urban Co-operative Society, Sukkur	317-321
3	Alavi, Mr. Hatim A., Director, Sind Central Co-operative Bank, Karachi	51-56
4	Alavi, Mr. Tayabali A., Chairman, Mercantile Co-operative Bank, Karachi	116-120

		Pages
5	Allahbux Khan, Khan Saheb, M.L.C., Chairman, Shikarpur Zemindari Bank, Shikarpur	378-383
6	Allahdino, Md. Sidik Memon, District Honorary Organiser, Co-operative Societies, Karachi	61-65
7	Bakre, Mr. V. N., Honorary Secretary, Belgaum District Co-operative Institute, Belgaum	712-717
8	Basrur, Mr. M. M., Manager, Karnatak Co-operative Institute, Dharwar	637-644
9	Bechar, Mr. N. A., M.L.C., Managing Director, Urban Co-operative Bank, Karachi	74-80
10	Begraj, Mr. Virumal, Chairman, Urban Co-operative Bank, Sukkur..	322-326
11	Bulchand, Mr. K., Chairman, Khudabadi Bhaibund Co-operative Credit Bank, Ltd., Hyderabad	268-274
12	Chaugule, Mr. A. P., Chairman, Belgaum District Central Co-operative Bank, Belgaum	736-748
13	Chavdi, Rao Saheb V. P., Chairman, Gadag Sale Society, Dharwar ..	675-678
14	Gunjikar, Mr. D. K., B.Com., Manager, Southern Maratha Urban Co-operative Bank, Ltd., Dharwar	666-675
15	Hajanshah, Syed, Chairman, Shikarpur Co-operative Credit Society, Shikarpur	384-386
16	Hyderabad District Central Co-operative Bank, Ltd. .. .. Rai Bahadur Pritamdas, Managing Director. Mr. J. K. Thadani, Manager.	280-290
17	Jhamatlal, Mr. Gopaldas, Chairman, Co-operative Institute, Hyderabad	236-245
18	Kadir, Kazi Ghulam, District Honorary Organiser, Co-operative Societies, Sukkur	295-297
19	Kaisarkhan, Khan Saheb Sardar, Chairman, Bozdar Co-operative Society, Sukkur	333-335
20	Kaji, Professor H. L., M.A., B.Sc., I.E.S., Representative of the Urban Co-operative Societies, Bombay	454-470
21	Karnatak Central Co-operative Bank, Dharwar .. .. Rao Bahadur Patil, Chairman. Mr. H. H. Simur. Mr. S. G. Godhi.	644-657
22	Khudadadkhan, Khan Bahadur Abdul Hamidkhan, President, Sukkur Co-operative Bank, Sukkur	306-312
23	Kulkarni, Mr. M. S., District Honorary Organiser, Co-operative Societies, Gadag, Dharwar	657-661
24	Mahomed, Seth Haji, District Honorary Organiser, Co-operative Societies, Tando Allahyar, Hyderabad	291-294
25	Mallik, Mr. N. D., Late Director of the Sind Central Co-operative Bank, Ltd., Karachi	80-90
26	Noor Muhammed, Mr., B.A., LL.B., M.L.C., Chairman, District Central Co-operative Bank, Hyderabad	155-161
27	Patil, Mr. D. L., Chairman, Reddi Communal Co-operative Bank, Ltd., Dharwar	539-549
28	Patil, Rao Bahadur M. L., District Honorary Organiser, Co-operative Societies, Bail-Hongal, Belgaum	758-765
29	Pritamdas, Rai Bahadur, Honorary Secretary, Sind Divisional Co-operative Institute, Hyderabad	161-203
30	Provincial Co-operative Bank, Bombay .. .. .. Dewan Bahadur A. U. Malji. Mr. D. V. Gokhale.	412-454
31	Rakhial Shah, Syed, District Honorary Organiser, Co-operative Societies, Hyderabad ..	275-277

		Pages
32	Shahani, Mr. Kevalrám Dayaram, Director, Sind Central Co-operative Bank, Ltd., Hyderabad	245-255
33	Shikarpur Grain Sale Society .. .. Aga Gul Hassan Khan, Managing Director. Sheikh Ghulam Mahomed, Chairman.	369-378
34	Shirahatti, Rao Saheb C. S., Managing Director, Hubli Cotton Sale Society, Dharwar	490-512
35	Sind Central Co-operative Bank, Ltd., Karachi .. .. Mr. B. S. Jagtiani, Accountant. Mr. C. K. Thadani, Inspector.	134-149
36	Thadani, Mr. C. K., Inspector, Sind Central Co-operative Bank, Karachi	38-51
37	Valvekar, Rao Bahadur K. R., B.A., LL.B., Chairman, Hubli Urban Co-operative Bank, Ltd., Dharwar	550-569

5. Other Individuals.

1	Chandiram, Mr. J. B., Rohri, Sukkur	312-317
2	Dhor, Mr. M. N., Nerlee, Belgaum	720-722
3	Doddamani, Mr. N. S., Dharwar	661-665
4	Kamaluddin, Haji, Zemindar, Hyderabad	277-280
5	Kamil Shah, Syed Mahomed, M.L.C., Hyderabad	150-154
6	Khan, Khan Saheb Amir Buksh, President, Taluk Board, Sukkur ..	302-305
7	Lakshmeshwar, Mr. Fakirappa L., Member, Divisional Board of Agriculture, Gadag, Dharwar	475-482
8	Navalrai, Mr. Lalchand, M.L.A., Larkana	120-128
9	Patel, Mr. S. S., Sankeshwar	717-718
10	Price, Mr. E. L., C.I.E., O.B.E., Karachi	65-74
11	Shirgaokar, Rao Saheb V. V., B.Ag., Belgaum	696-712
12	Sidhanti, Mr. C. N., Belgaum	718-720
13	Vermohal, Seth Chandiram, Sukkur	326-333
14	Webb, Sir M. de P., C.I.E., C.B.E., Karachi	129-134

BOMBAY PROVINCIAL BANKING ENQUIRY COMMITTEE.

QUESTIONNAIRE.

(The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not to be regarded as exhaustive, nor is it desired that each witness should necessarily attempt to deal with all the questions raised.)

SECTION I.

Agricultural credit and credit facilities for small industries.

1. Describe the present system by which the agriculturist in your district or province obtains finance—

(*a*) for expenses during cultivation,

(*b*) for capital and permanent improvements, and

(*c*) for other special needs, *e.g.*, failure of monsoon, for land revenue, etc.

What are the rates of interest charged in your district or province in respect of advances, the period for which loans are taken, the nature of the security given and accepted (*e.g.*, standing crops, etc.), and other conditions attaching to the grant of such loans ?

Describe the part played in agricultural finance by Government, the Imperial Bank of India, the joint stock banks, co-operative banks, the indigenous banks and bankers, professional money-lenders, merchants and dealers, and other organisations giving credit (*e.g.*, companies trading in fertilisers, etc.).

Can you give an estimate of the total amount of capital required for the various purposes stated above for your district or province ?

Is any information available as to the extent of finance provided annually in kind ?

State defects, if any, in the present system and the reasons for the existence of such defects. Do you suggest any remedies ?

Is there co-ordination among the various credit agencies including Government, and is there scope for improvement in that direction ?

2. Describe the present method of marketing principal crops in your district or province.

What in your opinion are the possibilities of forming pools and of co-operative effort generally in marketing produce ?

Describe the credit facilities required for the financing of products during marketing and the facilities actually existing.

In regard to such facilities is there any special difference as between internal trade and foreign trade ?

What is the part played by the different classes of banks and bankers and merchants and dealers during the process of marketing ?

What are the existing facilities available to the public, including banks and bankers for internal remittance ?

State any defects in the existing system and any suggestions for improvement.

Describe the part played by negotiable instruments in the internal trade of the province.

Have you any suggestions to make for the more extensive use of bills (*e.g.*, by reduction of duty on bills) ?

What are the different classes of *hundis* current in your part of the country ? What are the peculiarities of each ? Please give sample wording.

Have you any suggestions for the amendment of the Negotiable Instruments Act by which the public and the bankers handling *hundis* might be better protected or benefited ?

Are *hundis* emanating from your locality discounted in your local centre, or are they sent to a provincial centre and discounted there, or are they held by middlemen, merchants or commission agents ?

What different kinds of instruments of ownership of goods and produce (*e.g.*, railway receipts) and documents are employed for raising money during the process of marketing ?

Are any difficulties experienced in the use of these instruments and have you any suggestions to make with a view to removing those difficulties ?

What in your opinion are the possibilities of operating licensed warehouses in India either on the lines of the system which exists in the United States of America or otherwise ?

Do you think there is any need for Government assistance in the matter ?

3. In your district what is the value per acre for different classes of land ?

What are the factors affecting such value ? In your reply, please distinguish between—

(*a*) value of land in Government auction for non-payment of revenue ;

(*b*) value of land in the event of sale by court decree ;

(*c*) value of land in purchase by private negotiation.

4. Is there any legal impediment to mortgage of land and agricultural holdings in your province ? Are there any land mortgage banks or agricultural banks in your province or any other banks for the provision of long term credit ?

State what you know of their method of work and of raising capital.

If no such institution exists in the province suggest the lines on which such institutions could be established and worked to the advantage of the landholders and tenants of your province.

Do you suggest any measures for—

(*a*) improvement in the record of rights and title of ownership so as to simplify reference, and to avoid possibilities of disputes and counterclaims by parties other than those who are the clients of the bank,

(*b*) simplification of the process of foreclosure and sale by the mortgage bank in the event of non-payment,

(*c*) reduction of costs of reference to the record of rights and of registration of records and of the process at law so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters ?

Should the working capital of the proposed mortgage bank be derived largely from—

(*a*) deposits,

(*b*) funds from central institutions, or

(*c*) debenture bonds ?

Should debenture bonds carry any Government guarantee either for principal or interest or for both ?

If so, what measures would you suggest to secure Government against unnecessary loss ?

On what terms should agricultural mortgage banks raise monies under each of the above-mentioned heads, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses ?

Please state any other suggestions for the adequate provision of long term credit against sound security.

5. In order to devise measures for the increase of credit facilities to the agricultural classes it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes.

Do you know of any such estimate for a village or for a district in your province, or for the whole province ?

In what manner can such an estimate be obtained with reasonable accuracy ?

In such an estimate please distinguish between :—

(*a*) the amount of debt with land as security which is in the form of a registered mortgage,

(*b*) the amount of debt which is concealed in the form of a judicial sale to circumvent the provisions of Acts, such as the Dekkhan Agriculturists' Relief Act,

(*c*) the amount of debt which is incurred against any other assets, such as the village house, ornaments, ploughs and other agricultural implements, crops and produce, or debt which is given on the general security of all the assets without a specific pledge,

(*d*) the amount of debt on personal credit secured by demand promissory notes or otherwise.

Please state wherever possible the purposes for which the debt was incurred, such as—

(*a*) the repayment of earlier debts,

(*b*) marriage and other social occasions,

(*c*) famine and other kinds of distress,

(*d*) payment of land revenue,

(*e*) growth of the debt by compound interest, interest not having been paid,

(*f*) seeds and manure,
(*g*) improved agricultural implements,
(*h*) sinking of wells and agricultural improvements,
(*i*) purchase of land or bringing into cultivation fallow lands,
(*j*) construction or acquisition of houses.

Please indicate also to whom this debt is largely due and whether the creditors are Government, banks, co-operative societies, or indigenous bankers and professional money-lenders.

State what you know of the rates of interest charged, the methods used for calculating it and for enforcing the payment of the debt.

Do you think a large number of people, who are efficient farmers, are being turned into tenants for a period, or tenants-at-will, through the process of the enforcement of the old debts and landed property passing on into the hands of the creditors ? Distinguish between the conditions in irrigated tracts, the famine zone and areas not generally liable to famine.

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

6. Give some idea of the number of small subsidiary industries allied or supplemental to agriculture existing in your province, such as rice milling, dairy farming, *gur* making, garden produce, cotton ginneries, sugar refineries, hand spinning, etc.

Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his produce ?

Can you suggest any enterprises which may give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income and to raise his standard of living ?

What would be the best method of securing working capital and proper marketing facilities for such enterprises ?

What financial machinery do you suggest for this purpose ?

6A. Are there any small industries not necessarily allied or subsidiary to agriculture, *e.g.*, weaving, existing in your district or province ? If so, have you any suggestions to make regarding them, on the lines mentioned in question 6 above ?

7. State what you know of the relations that exist between the co-operative banks and the other banks in the country, namely, the Imperial Bank of India, the joint stock banks and the indigenous banks.

Describe any existing difficulties in the matter of finance in the case of co-operative societies, both in regard to short and long term capital.

Can you give an estimate of the amount of extra capital required for financing the Co-operative Movement in your district or province ?

Is there any competition in your district or province between the co-operative banks and joint stock banks ?

If so, to what extent and in what direction ?

Have you any views regarding the possibility and desirability of granting financial concessions in order to stimulate the growth of the Co-operative Movement (*e.g.*, by extension of special exemption from income-tax to genuine co-operative societies, inclusion of debentures issued by provincial co-operative banks in the list of trustee securities, etc.) ?

To what extent has the Co-operative Movement succeeded in meeting the financial needs of the agriculturist, the small trader and the industrialist in your district or province ? How far, in your opinion, is the Movement capable of meeting the financial needs of these classes ?

8. How far, in your opinion, is the provision of credit facilities affected by existing legislation and legal procedure ? Have you any suggestions to make regarding improvements in this respect ? In particular, what do you think of the effect of the working of the Dekkhan Agriculturists' Relief Act on the facilities for obtaining credit ? Do you think this Act requires modification, and if so, in what directions ?

9. Can you state why the Usurious Loans Act is not being availed of in this province ? What measures would you suggest for greater use being made thereof ?

Would you suggest the enactment of legislation such as the English Money-lenders' Act or the proposed Money-lenders' Bill for the Punjab ?

SECTION II.

Indigenous Banking.

(*Note.*—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the exchange banks, joint stock banks and co-operative banks. It includes any individual or private firm receiving deposits, dealing in *hundis* or lending money.)

1. State what you know of the functions of the indigenous bank or banker in your district or province enumerating all kinds of business the bank or banker transacts.

2. How and to what extent does an indigenous bank or banker in your district or province assist in financing agriculture, trade and industry ?

3. State what you know of the organisation of the indigenous banking system in your district or province with regard to—

(*a*) the amount of capital invested.

(*b*) the volume of their business.

(*c*) their expenses, and

(*d*) the relations between one indigenous bank and another and between indigenous banks and other banks in the country, viz., the Imperial Bank of India, the joint stock banks and the co-operative banks,

(*e*) the adequacy of the facilities afforded by the Imperial Bank to indigenous bankers.

4. State what you know of the various forms of *hundis* and other credit instruments used by the indigenous banks and bankers and the

extent of their use. Give sample copies of any of the *hundis*, promissory notes, deposit receipts, etc., used in your locality.

5. State what you know of the indgenous bankers' methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

What are the means by which the indigenous banks and bankers provide themselves with funds to meet their demands ?

What are the rates of interest allowed on various kinds of deposits received by them ?

6. Is it the general practice with indigenous bankers to insist on advances being drawn in the shape of commodities purchased through them or repaid in goods sold through their agency ?

What are the rates of interest either in money or in kind which the agricultural community has to pay at present to the indigenous banker ?

In what manner do you suggest these rates could be brought down by better organisation ?

Would the reduction of such rates confer great benefit on the agricultural community and increase its resources thereby leading either to an improvement in the standard of living or enabling them to spend more on agricultural improvements, better agricultural implements, etc. ?

After making allowance for the legal expenses, management charges, losses through default and losses through foreclosure, can you give an idea of the net return to the indigenous banks and bankers on their capital ?

7. Is there a prejudice in your locality against the indigenous bankers ?

Are these bankers sufficiently protected in law ?

Is there any legal or other facility which can be extended to them ?

Are the dealings of this class of bankers with their clientéle conducted on sound lines ?

If not, indicate the existing defects, making suggestions for remedying them.

8. Would you suggest any means of making this class of bankers more serviceable to the community ?

Could you suggest any means by which the indigenous banking system in India could be improved and consolidated ?

Do you recommend any special facilities to be given to this class for this purpose ?

What is the general system of accounts keeping and to what extent are accounts open to inspection or verification by customers ?

What do you think would be the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for giving publicity to the same ?

9. Please state whether the indigenous banks and bankers are able to meet all demands for accommodation or whether they are obliged to refuse any either on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital ?

10. How, in your opinion, should the indigenous banking system be linked with the central money market and provincial capitals ?

Would you suggest the establishment of a branch of a joint stock bank, or a branch of a central reserve bank, or a local bank with local directorate, or an urban co-operative bank, in each district with which the indigenous banking system may be connected ?

In what manner could such a bank inspire the confidence of the indigenous bankers and be able to utilise the local knowledge and experience of the latter ?

How is the competition of such a bank with the indigenous bankers to be avoided ?

11. Do you think there is a large amount of money in the districts in the hands of indigenous bankers which does not find employment throughout the year ?

Do you think that owing to this cause any large amount of money is flowing to the provincial capital either for long or for short periods ?

Do you think any kind of improvement in the organisation of lending or borrowing can be made by which these funds instead of flowing to the provincial capitals would find remunerative employment in the districts and thereby benefit the districts ?

SECTION III.

Investment Habit and Attraction of Capital.

1. What are the existing banking resources in the province ?

Can you state the amount of additional capital, if any, required ?

What are the means or institutions in existence for encouraging savings and investment habit ?

What has been the influence of co-operative societies and banks, insurance companies and provident societies in this respect ?

Are the public provided with full facilities for the investment of their savings ?

Can the existing facilities be improved in any way or extended in the smaller interior places ?

Can you suggest ways in which persons unwilling to earn interest on deposits can be induced to render their savings available for the economic development of the country ?

Can you give any useful information in regard to the habits of the people of India to invest in silver and gold and land ?

2. Are postal cash certificates popular in your district or province and can any steps be taken to increase their popularity ?

Do present interest rates of cash certificates require revision and do existing terms of issue in any way need change ?

Do savings banks afford all possible facilities to the public ?

What classes of population resort to such forms of investment ?

Can anything be done to attract other classes ?

Have you anything to say regarding the alleged competition of Government with banking institutions and bankers in regard to

deposits by their attractive rates on postal cash certificates and treasury bills ?

3. State the existing facilities for purchase and sale of Government securities afforded by Government, the Imperial Bank of India and other banks. Are you in favour of granting any special facilities to the small agriculturists and the small investors of the country to take up some form of Government security ? If so, state what special facilities you recommend ?

State the existing facilities for purchase and sale of securities other than Government securities, afforded by the various financial agencies.

Can you indicate clearly the habits of various groups of people in your district or province with reference to monies which come into their hands by sale of produce or through any other cause ? Where do they keep this money and for what purposes and in what manner do they use it ?

Do the farmers lend to fellow agriculturists and on what terms ? How do they invest surplus money in a prosperous year ? Give any information you can regarding the amount, growth and distribution of capital among the indigenous population.

4. State what you know about the growth of cheque habit.

What has been the effect of the abolition of stamp duty on cheques ?

What classes of population use cheques ? Have you any suggestions to make for further promoting the cheque habit (*e.g.*, payment of Government servants and bank employees by cheques) ?

Have you any suggestions to make regarding the use of vernacular scripts in banking ?

5. Do you support the view that the banking and investment habit in India is of very slow growth ?

If so, to what causes do you attribute it ?

Have you any suggestions to make regarding the various possible means of educating the people of the country to invest their savings in productive undertakings (*e.g.*, propaganda by Government in regard to Government loans for capital expenditure, etc.) ?

As far as you know, what has been the result of the opening of new branches in recent years by the Imperial Bank of India ?

Have you any knowledge of investment trusts ? Do you advise the formation of such bodies in this province or your district ?

SUPPLEMENTARY QUESTIONNAIRE.

1. Describe the part played by the different classes of banks and bankers and importing and exporting firms in financing of foreign trade of India during the following stages :—

(*a*) Export Trade :—

(*i*) From the village to the *mandi*.

(*ii*) From the *mandi* to the exporting ports.

(*b*) Import Trade :—

(*i*) From the importing ports to the distributing centres in India, such as Amritsar, Delhi, Cawnpore, etc.

(*ii*) From the distributing centres to the consumer.

2. What are the terms on which the financing of trade during the above-mentioned stages is done ? Are any difficulties experienced in connection with such financing and have you any suggestions to make for removing those difficulties and for improving in any way the existing financial facilities available for the movement of imported and exportable articles ?

3. It has been suggested that the grower of produce in India does not get the full value for his produce owing to the speculative buying and selling activities of firms and companies who deal in the export trade and the control of prices by these and other bodies. What are your views on this suggestion ? Please supplement your views by any facts and figures within your knowledge. Have you any observations to make with a view to ensuring a better return to the growers of produce in India ?

MINUTES OF EVIDENCE

TAKEN BEFORE THE

BOMBAY PROVINCIAL BANKING ENQUIRY COMMITTEE.

Tuesday, January 14th, 1930.

KARACHI.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.
Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. J. N. R. MEHTA.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Seth HAJI ABDULLA HAROON (*Member, Indian Central Banking Enquiry Committee*).

KARACHI INDIAN MERCHANTS ASSOCIATION AND BUYERS AND SHIPPERS CHAMBER, KARACHI.

Replies to the Questionnaire:

AGRICULTURAL FINANCE.—(*a*) *The Present Position.*—The universally impecunious agriculturist, whether a cultivator or a small *khatedar*, has on most occasions to resort to borrowing. It may be expenses for cultivation or improvements or the necessity arisen by failure of crops. On all these occasions the financing agency is the same. More than 90 per cent. borrow, and the *sowcar* and the *zemindar* between them accommodate about 85 per cent. of the loans. In this regard an enquiry into the borrowings of the cultivators of cotton in Sind was held by a committee deputed for the purpose by the Indian Central Cotton Committee, Bombay. This report "An Investigation into the finance and marketing of cultivators' cotton in Sind " amongst other things states as under :—

" (1) The cultivators are mostly in heavy and chronic state of indebtedness.

(2) Their principal source of borrowing is the *sowcar* who charges them rates of interest between 18¾ per cent. and 75 per cent. and in addition receives small services or small benefits in kind by way of grain, grass, or seed, cotton.

(3) The cultivators are in most cases bound down, as a condition of their getting loans, to sell *kapas* through or to the *sowcar* or money-lender ; and so they lose all control over the rates of sales."

The report further states that very often the *sowcar* removes the crop and sells it himself to recover the loan, that early and unfavourable sales are forced upon the cultivator and that the cultivator often finds it difficult to obtain loans with the result that heavy interest usually varying from 18¾ per cent. to 37½ per cent. has to be paid by the cultivator. The

cultivator has, besides, to allow a large margin to the village shopkeeper or *sowcar* on his purchases of necessities, seed, etc., and sale of crop. The growth of co-operative societies, increasing competition among the growing number of shopkeepers and the rising standard of intelligence among the peasantry are tending to reduce the profits of the *sowcar*. In recent years, repeated failures of crops have hit the *sowcar* badly, but the position is not better. The cultivators still remain a helpless customer paying heavy interest.

The reasons for this dependence, helplessness, lack of credit and the heavy interest paid are :—

(1) The precariousness of agriculture and, therefore, the lack of a safe security on the part of the cultivator to offer, the most usual form of security being the crop.

(2) The illiteracy of the cultivator.

(3) Lack of adequate financial facilities for agriculture as well as cultivators. The problem of agricultural finance is, therefore, not merely one of finance but of agriculture and literacy as well. We deal, however, only with the financial aspect as your Committee are concerned only with that.

The borrowing of the cultivator is mainly confined to the growing period of the crop, though it continues all the year specially in case of failure of crop. It is estimated that most of the cultivators, say, more than 90 per cent. of them, have recourse to borrowing. The total crop in Sind being on average worth about 16 crores of rupees, we feel that about one-fourth of the amount, *i.e.*, rupees four crores approximately, is loaned to the cultivators for current agricultural operations. This would mean borrowing *per capita* of 5 lakhs of cultivators, at about rupees 80 per head or on the basis of the total cropped area of 40 lakhs acres at rupees 10 per acre. This, in our opinion, is roughly a fair estimate of annual borrowings by the Sindhi agriculturists. These figures account for the labourers and sub-tenants also. If, as is usual, two or three work together on the land, the borrowing is usually by one man and in that case, much more than rupees 80 is borrowed per head. Again, the small *khatedar*, who is entitled to the proceeds of the entire crop, has a large borrowing capacity. Two lakhs of such *khatedars* borrow large sums. In their cases the borrowing is slightly larger per acre. But it is also true that several of the *khatedars* do not borrow and the loans are directly made to the cultivator tenants on their farms.

It is, therefore, estimated that the borrowing per crop in Sind is approximately as follows :—

Crop.	Average.	Finance required.	
	Acres.	Rs.	
Rice	10,00,000	125	lakhs.
Bajri	9,00,000	65	,,
Jowar	6,00,000	45	,,
Wheat	5,00,000	60	,,
Cotton	4,00,000	65	,,
Gram	2,00,000	12	,,
Oil seeds	3,00,000	22	,,
Miscellaneous	1,00,000	6	,,
Total ..	40,00,000	4	Crores.

Karachi Indian Merchants Association and Buyers and Shippers Chamber.

The agricultural population, the value of the crop raised and the amount of the borrowing by cultivators for current agricultural operations every year in each of the seven districts in Sind would be proportionate to the net cropped area. The following figures may give a rough indication :—

District.	Area cropped.	Agricultural borrowings.
	Acres.	Rs.
Karachi	3,50,000	35,00,000
Hyderabad	6,00,000	60,00,000
Thar and Parkar	9,00,000	90,00,000
Nawabshah	5,00,000	50,00,000
Larkana	6,50,000	65,00,000
Sukkur	4,50,000	45,00,000
U. S. Frontier	5,50,000	55,00,000
	40,00,000	4,00,00,000

The rates of interest charged are usually between 18·75 per cent. to 37·50 per cent. An average of 25 per cent. would be fairly correct. The security is anything, *e.g.*, live-stock, crop, land, domestic property and sometimes personal. The loan is usually secured with interest in the cropping season whoever is the creditor.

The financing agencies of the agriculturist are mainly as under :—

	Percentage of borrowings.	Average interest.
	Per cent.	
Sowcar	75	18¾ to 25 per cent.
Zemindar	10	18¾ per cent.
Co-operative Societies	10	10 to 12 per cent.
Miscellaneous (including Government) ..	5	6¼ to 7½ per cent.

Now it may be mentioned that the figures and the percentages mentioned above are very roughly calculated. Only approximate guesses could be made in spite of close observance of actual conditions of agriculture in Sind.

The position of the agriculturist is mainly a helpless one, though in Sind it is slightly better owing to scarcity of agricultural labour, which places the cultivator in a comparatively better position with regard to treatment both as a tenant and as a borrower than in other provinces.

Agricultural credit is in no way organized except that there are regular shopkeepers in every village, traditionally called *sowcars*, who finance agriculturists and supply necessities to them and often buy their crop in repayment of loans.

The operations of co-operative credit societies are very strictly limited by their small resources and strict conditions of lending. The Government advance a very small amount every year as *taccavi*.

It may also be stated that there is often a fixed *taccavi* which a *zemindar* advances to his *hari* without interest. It is estimated that the peasantry and small *khatedars* in

Sind pay on an average every year interest of one crore of rupees (calculated at 25 per cent. on 4 crores of rupees only).

The debt is usually incurred for expenses of cultivation and upkeep of the family of the cultivator. A bad season combined with heavy interest often puts the cultivator into a position of indebtedness from which he finds it difficult to come out, because the margin of the savings is very small even in good years, even if indeed he has actually laid aside something for a rainy day.

Doubtless this considerably impairs the incentive of the cultivator to work, mars chances of improvement of land and thus retards the progress of agriculture. The indebtedness of the peasantry and the high rates of interest paid are the greatest curse of this country.

In some rare cases, interest as high as 75 per cent. or 100 per cent. is also charged and Pathans are known to charge even 200 per cent. or 300 per cent. interest in several cases, mostly in urban areas.

Besides purely agricultural work, dairy farming and cattle rearing is the industry closely allied to agriculture in Sind. In the Kohistan and Thar Division of the Karachi and Thar Parkar districts, where agriculture is very precarious, the inhabitants are chiefly nomadic cattle and camel breeders. To these people agriculture is a subsidiary industry. Milch cattle are usually looked upon as reserve of the peasant in times of scarcity. If the crop fails on account of locusts, the grain is eaten away but the stalks remain. These provide fodder for the *hari's* cattle which produces milk that enables him to get along. The importance of this will be realized when it is known that almost a million acres are sown with *bajri* crop and about 600,000 acres are sown with *juar* crop every year. Besides the Indus banks provide a very fertile place of fodder in the winter months when there is very little of *rabi* crop. Thousands of peasants take their cattle there for pasture and *ghee* making. Milk supplied to Sind towns and villages is a paying and steady business which is a good side industry for cultivator. This industry is not only expected to be important but is inevitable in view of the Lloyd Barrage prospects. Indeed, in the opinion of Mr. T. F. Main, the Director of Agriculture, it is essential in the interests of Sind agriculture. Having come to the conclusion that removal of the *kalar* menace in Sind under Barrage conditions by cultivation of *berseem* is most essential, the Director asserts that " in Sind Dairying appears to be one of the forms which a system of mixed farming may take ". That subsidiary industries are important in Sind will be clearly realized from the fact that the value of crops in Sind varied from 11 crores in 1918-19 to rupees 24½ crores in 1916-17. The relative importance of the milk and *ghee* and cattle rearing industry may be realized from the fact that various kinds of cattle increased in Sind as follows :—

Year.	Number of cattle.
1905	17,09,000
1909	21,06,000
1915	21,78,000
1919	18,20,000
1924	23,25,000

The decrease in 1919 was due to removal of cattle to other regions owing to absence of grazing in the rainless year of 1918-19. The Sindhi drink milk in large quantities. The

desert and unirrigated parts of Sind are pastoral tracts in which the keeping of cattle is the principal occupation of the population. Next in importance are the industries of wood work and toy making of a simple and crude nature, wool spinning and weaving, mat weaving, work in forests, cutting and sale of fuel wood, etc.

1. OUR RECOMMENDATIONS.—Agriculture being the main and most important industry of the country affecting the life and prosperity of the large mass of the population, very much cheaper, easier and ampler finance ought to be made available for it. The co-operative banking finance should be centralized.

2. As the co-operative banks are financing the key industry of the country and as that industry is uncertain, the said banks should be helped by the Imperial Bank of India, in case of need against suitable co-operative bank securities endorsed in their favour. This obligation of the Imperial Bank of India should be made statutory.

3. The *sowcar* being the chief financing agent of the agriculturist, fills a very important place in agricultural economy. It would be essential to limit his exactions, but it would be both impracticable and wrong to try to eliminate him altogether.

4. The best way to achieve the object would be to increase the number of co-operative societies and the amount of their capital employed in lending to their members and extending the limit of accommodation per borrower. The *sowcar* is already reducing his exactions owing to competition from the growing number of *sowcars* and the growth of co-operative societies. If the co-operative societies in Sind could have a capital of about two crores to lend to cultivators at present, they would bring down the *sowcars'* rate of interest to about 15 per cent. which a cultivator will have to pay for some decades to come. Gradually more and more money would, however, be required for the co-operative credit societies.

5. Another way to improve the credit of the cultivator is improvement in his land for which he may be cautiously but liberally financed. Without such improvement it would be difficult to improve his credit much and for long. For this purpose, the co-operative credit societies must strictly co-operate with the co-operative agricultural development societies which must be started. The latter societies are essential for the success of the credit societies themselves.

6. More credit or cheaper credit or ampler credit are no good to a cultivator in his present illiterate position unless he is educated as to the use of the money made available to him. For purchases of his necessities, seed and implements and sales of his produce, the cultivator must be aided by co-operative organizations. For his credit and land improvement also he must be aided by co-operative organizations. The cultivator at present has neither education nor initiative. Indebtedness often kills these, as also his ambitions. It would be impossible, however, to have him spoon-fed for long. Co-operation under the circumstances is the only and the best remedy.

7. Two constructive suggestions we have to make in this connection which we deem to be very important, viz.—

(*a*) INSURANCE OF CROP AND CATTLE, AND (*b*) STARTING OF LAND MORTGAGE BANKS.—At present, though livestock and the crop are securities against loans to cultivators, they are not secured against death of cattle and failure of crop. Consequently much less credit is available to the cultivator and the rates of interest paid are higher because the *sowcar* must provide for contingencies. To improve this a co-operative insurance scheme

for *Sind* should be sketched and initiated. With insurance policies in their hands, the three kinds of co-operative societies referred to above, *viz.*, for credit, sales, and purchases and agricultural improvement, could easily lend more freely with larger limits and greater security. At present, if a peasant loses his cattle by scarcity of fodder or water, flood, disease or theft, not only does the security disappear but he himself falls into debt for years. In such a case the *sowcar* considers his money lost, which he tries to recover by charging higher rate of interest to others. With the four-fold co-operative organizations suggested above to help him, the cultivator could be made a much safer party to lend to.

Co-operative insurance may be semi-Government to start with, like the co-operative credit societies, but it may gradually be left to business enterprise like other insurance work. Co-operative insurance of crop and cattle is quite feasible, the maximum insurance per acre, per crop and per cultivator being limited and assessment of damage or loss to crop be made by careful process within recognized limits. We feel this kind of insurance would be a great boon to India and help to attract capital and enterprise on the land.

8. LAND MORTGAGE BANKS on co-operative lines would be a great relief to land owners and aid to other co-operative societies. These banks may give long-term loans for redemption of old debts and for agricultural improvements of all kinds. These may be financed to the extent of, say, 33 per cent. by the Government directly or through the Imperial Bank, 33 per cent. by members, *i.e.*, *khatedars*, and the rest by public bond holders and depositors. It would be worth while investigating into this subject thoroughly, and even calling for a report from experts. For the success of these banks, it is essential that the return on their shares be, in the first instance, guaranteed by the State for a number of years and scrutiny and auditing of their accounts and investments be made by the State. If the valuations of lands mortgaged be also insured against depreciation in value at the time of the redemption of the loan, the operations of these land banks could be considerably advanced. If in Europe it is possible to insure a smile, a finger and the nimbleness of an actor's leg, it is quite possible to introduce crop and cattle insurance in India on strictly business lines. Insurance would greatly remove the obstacles in the way of co-operative credit and land mortgage, helping the business of finance, agriculture and insurance at one and the same time. It would also provide a safeguard against possible deterioration in quality and value of lands held as security.

In connection with the land mortgage banks, it is very important that the Records of Rights or title to land ownership must in some way be made simple, final and indisputable, so that by a simple process of obtaining a certificate of entry in the register of the district mortgage banks may assure themselves of the safety of the monies lent on the security of land concerned. If the ownership of land mortgaged with the bank is disputed on the grounds of succession, joint family or for any other reasons and the courts hold against the bank's rights, the system of land mortgage banks would collapse. The legislature and Government ought to be approached to simplify the law and the procedure in the matter of establishment of right and ownership of agrarian land. In Sind, instances are not wanting where the title to ownership is disputed even after some decades and matters have gone to courts. If a large portion of the landed property of a land mortgage bank is disputed, it is clear the bank itself cannot work on sound lines. The need of a land mortgage bank on sound lines is very great for Sind

specially in view of Lloyd Barrage prospects. But the technicalities involved are so many that we feel the Government should appoint an expert to study this question with reference to conditions in Sind with a view to start a Sind land mortgage bank as early as possible.

9. We may here state that an efficient and extensive adoption of co-operation is bound to supply the safeguards that are at present unsuccessfully contemplated by legislative enactments such as the Dekkhan Agriculturists' Acts, Loan Acts, etc. The remedy against usury should be positive and help the agriculturist to prosper and should not only negatively protect him. Such negative remedies do not at all ameliorate the cultivator's condition and are successfully evaded by all parties.

10. The best way to encourage cottage industries for subsidiary occupation of the agriculturist is to organise production and sale and finance by co-operative societies. All the operations are to be constantly supervised, adjusted according to market needs and improved by a well-paid supervisor in every group of, say, 25 workmen. Such a supervisor may protect their economic interests, improve their efficiency as workmen, have better articles produced, secure a better price for the finished product and act as intermediary between the co-operative bank and the workmen. The honesty and training of the supervisor would be the most important factor.

11. Whatever help the Government at present gives through *taccavi* advances should be given through co-operative societies. The State should give facilities to co-operative sale societies in getting warehousing facilities at railway stations or principal marketing centres. The Government should help in every way in reducing the working cost of the five kinds of co-operative societies mentioned above and the land mortgage banks. Government should also, at the initial stage, see to careful and efficient staffing of the co-operative agricultural development societies and the co-operative sale and purchase societies. With the growth of education and public spirit, State interference may be gradually withdrawn in course of about ten to fifteen years.

12. At present several crores of public money are locked up in joint stock companies, industrial concerns and sale organizations which have not much to do with agriculture. It is very essential for the country's prosperity to attract such capital for agricultural development. At present capital fights shy of agriculture. The State should do all in its power to improve the steadiness of agriculture and the produce in quantity and quality. The Imperial Bank, the exchange banks, the indigenous *shroffs*, the treasury bills, Government securities and post office cash certificates, all these attract several hundreds of crores of Indian capital. Agricultural banks, confining their activities to financing of agricultural produce, may attract capital that is at present shy. But these banks will never come into existence as business concerns or prosper, unless agriculture as an industry is made a paying one for the cultivator. Every co-operative effort and every financial aid would be valueless, indeed risky, and therefore, very costly as a taxing proposition to the cultivator himself. On the prosperity of the cultivator and the earning capacity of agricultural industry depends ultimately the success of any financing or banking system that may be reared. Otherwise it is bound to collapse in miserable failure. Whatever the financing system, the interests of agriculture itself must be safeguarded first and foremost.

INTERNAL TRADE FINANCE.—The financing of the internal trade includes *inter alia* the financial dealings that help to move the produce and the merchandise from villages to *mandis*, from *mandis* to ports and *vice versa*, those between buyers, sellers and middlemen and the sellers and consumers.

THE PRESENT POSITION IS AS UNDER.—The financial operations in this connection are more or less those that assist sales for home consumptions, and necessary inland movements, those that assist the small wholesale and retail dealers and those that assist movement for ultimate export. In all these operations, the largest part is played by the indigenous bankers, *i.e.*, the *shroffs*. These *shroffs* are often financed by the joint stock banks who rediscount their bills, but they alone are mostly the financiers of the internal trade. The *shroffs* are practically ubiquitous, and have been very efficiently operating '*adat* system' whereas the joint stock banks have branches only in important district towns and thus the *shroffs* are more closely concerned with all internal trade operations. Considering that approximately about half of the total produce of agriculture comes in for internal trade and assuming that only one-half of this is on the move at one time requiring financial aid this may roughly be taken as one-fourth of the total crop value of a given year. This is mostly made available by the *shroffs*. The interest charged for this varies from 6 to 15 per cent. Though the functions of the *shroff* are on the whole identical with those of joint stock banks, the former differ from the latter inasmuch as they usually combine commission agency business with banking. Thus during the internal trade operations, the banker *shroff* often is the consignee of the produce and as such he generally accommodates the *mofussil* constituents to the extent of from 70 to 90 per cent. of the value of the goods in transit. This advance is granted against the railway receipts either by honouring bills drawn by the constituents or through the *shroffs*' own branch or *adat* in the *mofussil*. The period of advance is until the produce covered is sold in the market. The whole transaction is entirely at the account and risk of the constituent. The *shroffs* not only sell the commodities on their constituents' account but often buy on their account commodities like sugar, piece-goods, bullions, articles of import, etc., and finance even these transactions, inasmuch as they grant credit to the constituents till the time of goods purchased for them are delivered to them. The *shroffs* themselves rediscount bills, some of which are eventually rediscounted by the joint stock banks. The part played by the *shroffs* in internal trade finance is therefore very vital.

THE SIND SHROFFS.—The *shroff* is an ancient institution in Sind. The towns of Shikarpur and Hyderabad from times immemorial and (since the beginning of the 19th century) even Karachi have been noted for their *shroffs* whose bills were honoured in far off lands, in Central Asia and other parts of the Continent, when travelling was often insecure, and the means of transport for produce were only caravans and country boats. Even to this date the capital employed by Sind *shroffs* is immense both in Sind and other parts of the country. In fact their operations in places outside Sind are many times more than in Sind. Their methods of business are very economical and their system of accounts extremely efficient. They have very little red-tape about them and their terms of business are easy. The position, importance and profits of these bankers have, however, been considerably undermined through various reasons. This is perhaps because the individual nature of each *shroff's* operations puts him at a disadvantage against concerns which do joint stock banking. In this connection it may be worth while if the *shroffs* combine into guild or limited firms for business on lines of joint stock banks.

SHROFF AND JOINT STOCK BANKS.—The growth and spread of joint stock banks, though replacing the *shroff* in many instances, has on the whole proved a very valuable supplement to them. The endorsing *shroffs* are a vital link between the joint stock banks and their clients. They are in fact as indispensable as vital to the business of the joint stock banks. They are the growth of the soil as the term indigenous would suggest and as such, they

know the affairs of all round them with greater intimacy than can the joint stock banks ever aspire to do. The *shroffs* are themselves vigilantly watched by the banks and the business done through them is mostly sound. For the internal trade, however, the financing done by the joint stock banks is necessarily small. This could be extended profitably, if the joint stock banks could conveniently increase the number of approved *shroffs* and extend the limits of business that could be accommodated through them, of course within the bounds of safety. Recently the banks have extended the practice of making advances directly to clients if an approved *shroff* signs as security and this has worked very well.

THE EXCHANGE BANKS.—The exchange banks play no part in the financing of internal trade. The trade they mostly finance is the foreign exports and imports. This trade happens to be mainly in the hands of big non-Indian import and export houses and the exchange banks reserve their best facilities for these only. Cases are usual where these banks have discriminated between Indian and European clients under the vague plea of credit estimation. The spirit of disparagement of everything Indian, however, is too evident to be disregarded as a possible reason for such discrimination. The case has been publicly mentioned during the oral evidence of a well-known Bombay witness before your Committee where an exchange bank discredited the policies issued by an insurance company on the ground that the company had rupee capital and was incorporated in India. This is hardly fair in view of the fact that these foreign banks draw an enormous amount of deposits from Indians alone. In fact these banks thus obtain greater amount as deposits even than the Indian joint stock banks. According to the Government publication, *viz.*, "Statistical Tables relating to Banks in India" (1929 Issue), the total borrowings of the exchange banks in India were 72 crores as against rupees 63 crores obtained by the latter. In view of the fact that most of these 73 crores are utilized by these banks in the invidious manner described above and were otherwise made available through their foreign offices for the development of trade and commerce of their own country, it is held but just that their borrowings in India should be limited by law. Restrictions should further be applied to the number of branches that they could open in India. They must be made to register their Indian section in India and thus must be obliged to furnish a strictly separate account of their working in India every year. The whole subject must be the subject of legislation requiring the non-Indian banks (or for the matter of that other non-Indian concerns) to obtain a license from the State before they are allowed to open operations in India. This is done in Japan and there is no reason why it could or should not be done in India. The restrictions as projected by the External Capital Committee in another connection should be applied in this connection with justice, and a rupee capital, Indian majority directorate and Indian incorporation should be insisted upon before granting the suggested license to the non-Indian banks. This would effectively stop their present harmful practices of fostering and promoting the trade of their own countries and diverting Indian capital to foreign investments as was attempted in certain cases lately.

It has been said before that these banks discriminate against Indian clients. They do this, because they enjoy a practical monopoly of foreign trade finance, and are further combined into an association of their own and could thus dictate their own terms to Indian merchants dealing with foreign countries. It may also be added that though these banks do not concern themselves with financing of internal trade, it is due to no altruistic motive of allowing the Indian joint stock banks to prosper in that direction. Owing to keen competition amongst themselves, the exchange banks often do try to

make income by extending their activities and discount local bills, advance loans against properties, etc. The rates offered by them are often competitive against stock exchange securities, *Budli Kabalas*, etc., and thus compete successfully with the Indian joint stock banks. The legislation suggested above, therefore, would be the only decideratum if at all the indigenous joint stock banking is to be a prosperous institution in India. In view of the privileges enjoyed by these banks in India, which are unheard of elsewhere, this digression is deemed necessary and just. The capital available and the finances employed in trade are divided between the indigenous and foreign joint stock banks and *shroffs* and the progress of the former affects the operations of the latter, though the *shroffs* are still a very great factor in the internal economy of the country. Whereas the progress or otherwise of the former, *i.e.*, the Indian joint stock banking is amenable to suitable legislation, the progress of the *shroffs* is possible mainly by internal organisation and adoption of modern methods of business. Necessary legislation may help in a few details, but internal organisation alone is the chief reform required amongst the *shroffs*.

LEGISLATION AND BANKING.—The joint stock banks, on the other hand, require protective legislation for their sound progress. One such legislative Act is suggested in connection with non-Indian banks doing business in India. Another important measure that the Legislature should consider in the interest of the progress of the Indian joint stock banks is the reconstruction of the Charter under which the Imperial Bank of India operates. This Bank is not only a banker's bank as it should be. It is also a commercial concern with enormous advantages, that make it a formidable rival to other commercial concerns. Our tentative suggestions under this particular head are :—

1. The ' Free of Interest Deposits ' at present allowed to lie with the Imperial Bank by the Government should be distributed among different Indian banks.

2. The quasi commercial bodies like the port trust, railways, municipalities, etc., must be obliged by law to distribute their deposits as above.

3. The Imperial Bank should be made to close its unremunerative branches forthwith.

4. All Imperial Bank branches at places where other Indian banks have branches should also be closed except in large cities like Karachi, etc. Another legislative measure required to protect Indian banks was suggested by such an eminent authority as the Chief Justice Sir Amberson Martin of the Bombay High Court who in disposing of a criminal application for revision No. 387 of 1927 said *inter alia* " There are certain provisions here and in England which impose a check on persons desiring to put the criminal law in motion in other respects and it may be that a similar check might be usefully imposed as regards section 282, at any rate as regards Banking in India." The section refers to the Indian Companies Act. We suggest that legislation on lines of the English Vexation Indictments Act of 1859 and costs in Criminal Cases Act of 1908 should be introduced in India.

Legislation might help *shroffs* if the *hundi* is standardised and brought within the meaning of a negotiable instrument. This would really mean standardisation of usages and customs governing *hundis* throughout India. Such standardisation though difficult should not be impracticable and when achieved the *hundi* is likely to be the most popular document with all concerned. At present there is very little to help an outsider to

adjudge and estimate the credentials and usages of several firms of *hundis*. The Federation of Indian Chambers of Commerce and Industry may well take up this matter and suggest a tentative scheme to the Government for suitable legislation. Another legislative Act in this direction should be towards the reduction of stamp duty on *hundis*. The noting of protests on dishonoured *hundis* should be further entrusted to recognised and registered commercial associations and fees for such service should be reduced to a minimum. At present these forms vary and the chief amongst them are *darshani* (sub-divisions being *dhanijog, shahjog, furmanjog, dekhanhar*) and *mudati* (sub-divisions as above except last). These forms have in practice various imports and signify various usages. The banker, for instance, who meets a *shahjog hundi* is responsible for seeing that the amount indicated is paid to a recognised party whereas no such responsibility attaches to a *dhanijog hundi*. *Furman* means order and that explains the *furmanjog*. The *dekhanhar* is a bearer *hundi*. Standardisation of all these forms would be highly desirable. As a matter of fact even cheques of joint stock banks are, it seems, interpreted in a manner of which the trade is often unaware. For example the recent High Court decision that a bearer cheque once crossed becomes an order cheque is a finding strange and unwelcome to trade practices. Confusion in *hundis* then would be very great if their construction is frequently tested by courts. The standardisation is therefore very desirable.

GENERAL.—In conclusion, we have to make a few suggestions regarding certain items referred to in your questionnaire.

Reference has been made to hoarding and it is presumed that in case the presence of hoards is established, methods may be suggested to put their contents into circulation. In this connection we feel that though there may be some grounds for believing in the existence of hoards, much that is talked about it seems to be exaggeration. India is a country of sharp lights and deep shadows, a country where opulence and abject poverty exist together. The gorgeous display of riches affected by certain Indian princes and *zemindars* is no proof against the existence of abject poverty of the millions. Coming to figures, we read with interest a letter addressed by the Chairman of the Indian Merchants' Chamber, Bombay, to the Government of India where it was pointed out that consumption of gold per head per year in India did not exceed rupee one and a few annas in value. This certainly does not prove a hoarding habit. However, a constructive suggestion to induce whatever gold that may exist in such hoards is that gold cash certificates may be instituted. These should be interchangeable with gold only. The motive which prompts manufacture of ornaments will certainly prompt buying of these certificates. But a real remedy for thawing the alleged to be frozen hoards would be adoption of gold standard and gold currency without delay.

A reference has also been made to insurance habit. Insurance as an investment is an exotic transaction to the illiterate masses though investment with a banker is an immemorial habit in the country. Spread of insurance habit, however, will not benefit the country at large, unless Indian insurance is the chief beneficiary of the progress. In order to achieve this our committees would advocate measures on the lines of legislation suggested for foreign banks. Non-Indians insurance companies allied with non-Indian banking have done more for the economic supersession of this country than any other factor, except non-Indian shipping. Our committees finally hope that the Provincial Banking Enquiry Committee will see their way to emphasise some of our recommendations in the interest of agriculture, trade and industry of the country.

Seth D. DHARAMSEY and Mr. JESWANI, M.A., Representatives of the Indian Merchants Association ; and Mr. C. A. BUCH, Vice-Chairman, and Mr. HARIDAS LALJI, Honorary Secretary of the Buyers and Shippers Chamber.

Oral Evidence.

10372. *The Chairman :* Seth Dharamsey and Mr. Jeswani, you are the representatives of the Karachi Indian Merchants' Association ?—Yes.

10373. And Mr. Buch and Mr. Haridas, you are representing the Buyers and Shippers Chamber ?—Yes.

10374. Are all classes of merchants, big and small, represented in your association ?—(*Mr. Jeswani*) : Mostly.

10375. Yours is an association of buyers and shippers ?—(*Mr. Buch*) : That is a misnomer. Ours is an association on the lines of the Indian Merchants Chamber, Bombay, and similar other bodies.

10376. What is the difference in your associations ? Is there a difference as regards membership ?—No ; in fact we have about 100 common members, who belong to both. Out of 334 members, who belong to our Chamber ; about one-third belong also to the Karachi Indian Merchants Association.

10377. The objects of both are same ?—Practically.

10378. I take it that your members are in touch with agricultural conditions ?—Many of them are.

10379. On the question of agricultural finance, you say that the cultivator has on most occasions to resort to borrowing from the *sowcar* or the *zemindar*. Will it be correct to say that the village cultivator usually sells his produce to the village *sowcar* (*Mr. Jeswani*) ?—Yes.

10380. And where the *zemindar* is the financier ?—He does not sell it to the *sowcar*.

10381. Where does he sell it ?—Mostly in towns.

10382. Speaking about the dependence of the cultivator, why do you say that one of the causes is the lack of adequate facilities ? Is there not sufficient capital available or is the rate of interest high ?—It is a bit of both.

10383. So you think that more capital is required ?—Yes.

10384. You have given us some interesting figures. We would like to know how far they are accurate. You say the total crop in Sind is about 16 crores. Does it vary from year to year ?—Is it a sort of an average ?—Yes.

10385. Then you give some figures for rice, *bajri* and other crops. What is the finance required ? It is about one-fourth of the total gross value of crops.

10386. Is it based on any enquiry ?—On a very large personal experience and also enquiry into the cases of certain *zemindars*.

10387. So your estimate is that about 4 crores are required for current agricultural purposes ?—Yes.

10388. Have you any idea as to what finance is required for land improvement ?—I think it will be about as much or more.

10389. Do they actually spend 4 crores ?—It should be required.

10390. But at present it is not available ?—No.

10391. In your statement, you say : "Agricultural credit is in no way organised except that there are regular shopkeepers in every village traditionally called *soucars* who finance agriculturists". Do you suggest that it is usually the shopkeeper who is usually also the money-lender ?—Yes.

10392. What about the *shroffs* ? Do they not deal directly with agriculturists ?—No.

10393. The town *shroff* finances the village money-lender ?—Yes.

10394. Have you any idea as to what rate of interest the town *shroff* charges ?—The town *shroff* usually charges about 12 per cent. to the village money-lender.

10395. Does the village money-lender usually draw most of his capital from the town *shroff* ?—No ; he has often more than half his own.

10396. In your written statement, you speak about the Pathans charging 200 or 300 per cent. interest. Are there many Pathans in Sind ?—Yes.

10397. They must be financing people who have no credit ?—Yes, and also many agriculturists, pastoral tribes and cartmen.

10398. As regards dairy farming and cattle rearing, is it an important secondary industry ?—Yes.

10399. Is it organised ?—No.

10400. Is it possible to organise it ?—Yes.

10401. In what way ?—I have suggested in the end that it ought to be organised on co-operative lines.

10402. Coming to your recommendations, you say that very much cheaper, easier and ampler finance ought to be made available for agriculture. Have you any suggestions to make as to how agricultural finance could be made cheaper, easier and ampler ?—It may be made cheaper, in my view, only by a system of co-operative credit, and it could be made easier and ampler by concentrating on agricultural improvement because the greatest difficulty at present is the lack of proper security on the part of the agriculturist. If you advance money to the agriculturist without knowing whether he is solvent or not, you are risking the whole Co-operative Credit Movement. When you lend your money, you must make sure that it must return to you.

10403. Your third recommendation is that the *soucars*' exactions should be limited. There again, have you any practical suggestions to make ? I cannot think of a negative remedy, but the positive remedy would be to help the co-operative credit system.

10404. You speak about co-operative agricultural development societies. What should be the object of these societies ? Should it be the improvement of land ?—Yes, and helping the agriculturist to get better quality and better quantity of produce from the land.

10405. In your statement, you make an important suggestion about insurance of crops and cattle. Do you think that, in the first place, the agriculturist would be willing to pay the premium that would be necessary ?—I do not think it would be difficult ; it will be, in my opinion, less difficult than what took the department to interest them in co-operative credit.

10406. We will separate the two, namely, the insurance of crop and the insurance of cattle. Taking the insurance of crop first, do you think that any insurance company would be able to take the risk ?—Insurance is now found everywhere. For instance, fire insurance was a risky business, still the business went on. And, I think that it is not after all such a risky business as it appears to be, though, of course, the percentage would be higher than in the case of human life. But I think it is the only way of making the co-operative credit system a safe system, otherwise you will find some day the system collapsing. Unless the risk of the agriculturist is insured, the credit system will never go far.

10407. But you will want a big organisation for crop insurance. If the crop fails, somebody will have to go and assess the loss ?—Yes, it will be just like what is done in fire insurance. The State makes remission of lakhs or even crores of rupees as land revenue, and that money should be made available for insurance societies, because the crop being insured, the State receives regular land revenue, and the State would not lose thereby.

10408. When you speak about agricultural banks in your written statement, what sort of banks you are referring to ?—Entirely agricultural banks, *i.e.*, banks, which might help the industry of agriculture. For instance, the bank might finance certain *zemindars*, it might finance those dealing in seeds and manure.

10409. Will it be a joint stock bank ?—It will be a joint stock bank, but its only business will be to help the industry of agriculture or finance various operations connected with agriculture.

10410. Do you not think that co-operative banks would be in a position to do this sort of work ?—Co-operative banks have a different kind of security to accept and different kind of business to do, and the requirements of this are so much that I do not think one organisation would be enough.

10411. Coming to the question of internal trade finance, it might be divided into two parts, finance for export and for home consumption. Take the case of export. You said that the producer sells the produce to the village *sowcar* and the *zemindar* brings it to the market or sends to some commission agent. When the *zemindar* takes it to the market or sends it to the commission agent, does he get the price at once ?—(*Mr. Buch*) : No ; if he sends it to the market town, and if the consignee at the market town acts as an agent, he sends the money when he realises it ; if he is a purchaser, he sends a certain percentage of the price when he receives the documents, and he sends the full price when the goods finally leave his hands.

10412. Does he take any discount for sending the price before he actually receives it ?—Yes ; he gets his agency commission. (*Mr. Haridas Lalji*) : And as purchaser he charges interest.

10413. How is this purchaser or the commission agent financed ? Does he usually have his own capital ?—(*Mr. Buch*) : The purchaser, even though he may have capital, usually consigns the goods in the godowns of banks and the banks advance money against the goods.

10414. Are there sufficient warehousing facilities in places like Karachi ?—No ; even in Karachi we have not sufficient warehousing facilities. There are, however, godown facilities where there are bank branches in important towns of Sind.

10415. In places where there are no bank branches, can the dealer get advances from indigenous bankers ?—Not usually, but at such places he is often a banker himself.

10416. What do you think of the possibility of having licensed warehouses ?—I not only think they are possible but I hold they can be introduced with great advantages to all concerned.

10417. But there will have to be very great control ?—The control can be provided for. Our Chamber for instance can control them.

10418. In the interior too ?—We can organise sufficient number of public bodies and the railways, public organisations and banks might co-operate and run these warehouses under joint control.

10419. It would be not merely a question of storing but also classifying ?—The Chamber can do that very well.

10420. I expect merchants here have dealings both with people in Sind and in the Punjab ?—Yes.

10421. The system is the same ?—Mostly.

10422. You say that the internal trade is mostly financed by indigenous *shroffs*. Has your Chamber any idea as to the amount of capital invested by these indigenous *shroffs* ?—It is very difficult to say. (*Mr. Haridas Lalji*) : In Sind it has been given 4 crores. For the Punjab it is very difficult to say.

10423. Does the indigenous banker also do business on his own account ?—(*Mr. Buch*) : Yes, recently often.

10424. Do you know of instances in which his banking business has suffered on that account by loss in trade ?—(*Mr. Haridas Lalji*) : It should suffer, but we do not know of instances. I think the commission agency would not be incompatible with banking, though, of course, trading would be taking risks.

10425. Do these bankers receive deposits ?—(*Mr. Buch*) : They do.

10426. On a large scale ?—We do not know the exact extent, but the *mofussil* bankers do receive a fairly large number of deposits.

10427. How many classes of *mofussil* bankers are there ?—Shikarpuri and Hyderabadi. Shikarpuri are the best and most ancient *shroffs*. They used to finance all Government expeditions to Persia, Afghanistan and Bokhara. The Hyderabadis are only geographically separated.

10428. Do they do the same kind of business ?—Yes. (*Mr. Jeswani*) : It has been known that the Shikarpuri *shroffs* extended their operations as far as Malaysia and other places along the Caspean Sea. They are also in more intimate touch with other *sowcars'* village and petty shopkeepers than the Hyderabadis.

10429. Are the Hyderabadis to be found in the same provinces as Shikarpuris ?—They are all over India, but not so many. (*Seth Dharamsey*) : These Hyderabadis have curios shops, and financing business is a side business. I have seen many of the Hyderabadis financing the small trader in Kashmere.

10430. You say in your written statement that one of the reasons why the *shroff's* position has been undermined is the individual nature of each *shroff's* operations. Do you think that they would combine ?—(*Mr. Buch*) : It is suggesting a remedy. It is for the patient to take the medicine. (*Mr. Haridas Lalji*) : The combination is absolutely necessary in their own interests. (*Mr. Jeswani*) : I may say that in Bombay

there is a sort of combination of Shikarpuri *shroffs*. Often there are rivalries between them. If one office, say a *shroff*, starts three offices in Bombay, the collective *panchayat* can ask him to close down one or two offices. They can easily co-operate on these lines.

10431. The question is whether they would co-operate for business ?—(*Mr. Buch*) : I do not think they would, but they should. (*Seth Dharamsey*) : I heard from a *shroff* yesterday that in future they would do business by uniting and not under the present method. There is some movement going on at present, and they will combine gradually. (*Mr. Haridas Lalji*) : My suggestion is that they should work on the lines of the association of exchange banks. Where there is common interest, they should work combined.

10432. The question is whether they should combine for doing business or only for safeguarding their own interests ?—I mean to say that they should combine for common interests.

10433. They have an association now ?—(*Mr. Buch*) : In Bombay they have. (*Seth Dharamsey*) : In Bombay we have Shroff Merchants Association and Marwari Chamber of Commerce.

10434. You suggest that joint stock banks should increase the number of approved *shroffs* and extend the limits of business within the bounds of safety. I expect they would do it even now if they could do so safely ?—(*Mr. Buch*) : There is a peculiar kind of atmosphere with banks regulating this use of *shroffs* for managing their business. All the joint stock banks including the Imperial Bank have their own *shroffs*, but very many people who could be utilised by the banks are not utilised often through the shyness of *shroffs*. I know of a Jain merchant of this place who was approached by the Imperial Bank, and was asked whether he would be their *shroff*, and he declined for several reasons. But wherever *shroffs* are available, they should be utilised. It is for joint stock banks to appoint more *shroffs*, though they must look to the safety first. (*Seth Dharamsey*) : These joint stock banks are always advancing larger sums to bigger *shroffs*. They must recognise smaller *shroffs* and advance them money.

10435. Surely, if the joint stock banks think that this would be profitable, they would do it ?—It is profitable, but it is cumbersome. It is worth doing.

10436. You say about exchange banks that their borrowings should be limited in India by law. I expect they receive deposits because their credit is high ?—(*Mr. Buch*) : Possibly, but not necessarily.

10437. So you want to restrict the freedom of depositors also ?—I am afraid that is only an academic way of looking at the question.

10438. What is the practical way ?—The suggestion is made because the credit of the indigenous joint stock banks is, in the first place, not so strong as the credit of the foreign banks, because these foreign banks have a longer standing in the country. The whole question forms a vicious circle. When the indigenous joint stock banks came into existence, they had to compete with a mighty organisation established by these foreign banks, and the foreign banks being human and businesslike naturally tried to attract more business and tried to see that the Indian joint stock banks did not prosper. The indigenous banks could not compete with them successfully. So, our suggestion is only a protective measure. I do not want to do this because I do not want exchange

banks, but I want that the indigenous joint stock banks only should prosper with the capital of the country and with the help of the State, till they can withstand foreign competition.

10439. In your written statement you say : " Whereas the progress or otherwise of the former, *i.e.*, the Indian joint stock banking, is amenable to suitable legislation, the progress of the *shroffs* is possible mainly by the internal organisation and adoption of modern methods of business ". Would you develop that ? What exactly do you suggest ?—My suggestion would be that these *shroffs* should not be satisfied by starting only associations or organisations, but they should form into guilds and several should do business jointly as if they were members of one firm.

10440. That is a joint stock bank ?—Similar to joint stock bank, but more on the lines of a private partnership. They might co-operate for a particular kind of work, so that the evolution of the *shroff* system might finally result into a parallel institution with the joint stock banks ; this is suggestion that the Indian bankers should be indigenous as well as modern. At present the *shroffs* are indigenous and the joint stock banks are modern, and yet we find that both these bodies cannot do without each other.

10441. What is the difference between a joint stock bank and this guild of yours, if the *shroffs* combine ?—After all a guild, that I am suggesting, would consist of a limited number of shareholders or partners, whereas joint stock banks would be subject to innumerable shareholders, who can sell their shares in the open market, which I regard a less safe proposition.

10442. It would be a partnership ?—It would be building up a big house on limited liability principles.

10443. As regards the adoption of modern methods, what methods would you suggest ?—They can adopt the cheque system. They can have audited balance sheets as the private houses on the Continent have, and co-ordinate their practices and functions.

10444. Do you think that the audit of their accounts is necessary ?—Certainly.

10445. *Mr. J. N. R. Mehta :* What is the experience of these private banking companies in England and other places ? During the last ten or twenty years we find that the experience is very sad. Do you think that this would be helpful in India ?—I will put it like this. I know that most of these houses in England and other places, which were private houses, have either become joint stock banks or are extinguished. This is because the principle of limited liability and large shareholdership has been so popular there since the last century, whereas this principle is not so popular in India. At least it is exotic. Besides, England had no indigenous banking to supercede. Their banking system began with goldsmiths, and they came to use the present methods from the beginning, whereas we have indigenous banking system existing since ages and should try to modernise it in the best way possible.

10446. Do these private bankers not turn into speculators in England and other places ?—Yes, they do ; but that can be safeguarded against.

10447. Do you still desire that India should adopt that system ?—Well, India should adopt the better part of it without speculating. (*Mr. Haridas Lalji*) : These private companies also will be limited concerns, and their articles will be such that they cannot speculate. That will be a safeguard.

10448. *The Chairman.* You say in your statement : " The 'free of interest deposits' at present allowed to lie with the Imperial Bank by the Government should be distributed among different Indian banks." But you know that the Imperial Bank is doing certain business for Government. Do you think that this business, which is done by the Imperial Bank, should also be distributed amongst other banks ?—Yes, the Imperial Bank would work on agency system with joint stock banks, and these banks might co-operate in Government work as well. (*Mr. Buch*) : And the analogy will be the financial system of the Moghuls. After Toddermal the system was operated through several *jagat seths*, and we have no grievance about the system on record.

10449. Do you think the system is suitable to modern times ?—Of course with certain modifications it would work.

10450. Another suggestion of yours is that the Imperial Bank should be made to close its unremunerative branches forthwith. If the opening of branches is beneficial to the trade, what does it matter to them whether the shareholders lose or gain ?—In the first place, the Imperial Bank opened branches not because they were looking to the benefit of the trade, but because they were committed to opening a hundred branches. And sometimes the disaster was that in places where the joint stock banks had just sufficient business before, they found the Imperial Bank branch a powerful rival to cope with, and the result was that both the joint stock bank and the Imperial Bank had to suffer.

10451. That is your fourth recommendation. I am referring to your second suggestion. Supposing that the branch of the Imperial Bank is not paying, why should you insist upon closing it ?—Because it is against the interests of the taxpayer, the State having a huge share in the Imperial Bank. I mean the interest that the Government does not receive as the contribution towards the maintenance of the Bank is borne by the taxpayer.

10452. It is the contribution for doing treasury and other work ?—You may take a part of it only as such.

10453. As regards marketing, are there any difficulties in the use of any negotiable instruments in this province ?—There are none, especially because *hundis* are very popular here.

10454. Do you think there is any advantage in making the railway receipt or the bill of lading negotiable instruments ?—There would be no difficulties, because merchants even now often treat them as negotiable instruments for all purposes.

10455. Do you suggest that it would be an advantage ?—Yes, I do.

10456. At present your port trust receipts are negotiable ?—You mean delivery orders ?

10457. Yes ?—They are passed on from hand to hand by endorsement and constitute documents of ownership in practice.

10458. You say that the *hundis* should be standardised. In what way ? What is the present obstacle ?—(*Mr. Haridas Lalji*) : In every city and town there is different usage as regards :—

(1) Time of the presenting of *hundis.*

(2) Time of the paying of *hundis.*

(3) If a *hundi* is not honoured, up to what time the merchant should keep it ?

(4) If it is honoured late, what would be the rate of interest ?

(5) Whether a *hundi* can be honoured on a holiday or not. In some places it is honoured, in other places it is not.

(6) If the *hundi* is not paid on a holiday, whether it should be on a day earlier or a day later.

(7) How many grace days should be allowed ? At some places three days and at other places five days are allowed.

(8) In case of *mudati hundis*, whether it should be paid on a particular day or a day later.

(9) In counting days again there is difficulty of calendars. Whether Gujarati date or English date should be counted.

(10) What should be the interest, if a *hundi* is not honoured and returned back ?

(11) What should be the rate of *nikraman shikrhman* ? Some charge Rs. 2 per cent. and some charge Rs. 2-8, while some do not charge.

(12) If a demand *hundi* is written and if it goes in different towns and reaches the party late, who should be held responsible, if it is not presented at the time it ought to have been presented ?

(13) Similarly, if a *mudati hundi* is not presented at the proper time, but is presented on a subsequent day, who is responsible, and what should be the rate of interest ?

(14) Usage of protesting *hundis*, if it is not honoured. The charge now is Rs. 7 for a *hundi* of Rs. 100 as well as for Rs. 1,000.

(15) If documentary *hundis* are not honoured, the rights of the writer of the *hundi* and of the *shroffs* should be protected.

(16) If a *hundi* is lost, whether a duplicate or a triplicate should be issued, and up to what time it should be given.

I have suggested that by co-operation of different associations and chambers, if one usage is started, it will be a facility.

10459. Are there different usages in one place ?—In Karachi they are different.

10460. And the usage would be different amongst the same class of *shroffs* ?—In Shikarpur it is the same ; in Karachi individual usage is different.

10461. *The Chairman :* Do you want all this to be standardized ?—Yes.

10462. *Mr. Buckley :* With regard to your suggestion about standardization of *hundis*, do you not think that they would be unpopular if they were standardized ? You know that the present system has been found very convenient and it has been followed for over a good many years. You are now suggesting that everything should be standardized. Do you think that this is a good idea ?—I think that if *hundis* are standardized, they will be much more popular. They should be suitable to bankers.

10463. About your suggestion of insurance of crop and cattle, have you any idea of the insurance premia considering the risk involved in it ?—(*Mr. Jesuvani*) : The insurance premia are worked out on a statistical basis. For instance, in a particular area, a company will have to work out how many times the crops have failed and to what extent they have

failed. At any rate in Sind, it might come to 15 to 20 per cent. of the total value of the crop. The maximum will have to be fixed because the produce varies according to the quality of the land.

10464. Have you ever asked for rates from any of the insurance companies which might undertake this risk ?—There is none at present in India.

10465. Amongst your recommendations regarding agriculture you speak about making finance cheaper, easier and ampler, but you say nothing about the ignorance or the apathy or the bad customs of the cultivator. If you provide more easy finance, will your problem be solved ?—I have stated the reasons for it. (*Sheth Dharamsey*) : These things will go hand-in-hand and will improve if finance improves.

10466. About the restrictions on exchange banks, are they intended to affect only new-comers or all the existing non-Indian banks ?—(*Mr. Buch*) : All non-Indian concerns whether they are new-comers or old-established.

10467. *Mr. V. L. Mehta :* About the business of exchange banks in Karachi, have you any idea as to the amount of capital that they raise here and invest it locally ? Is a large percentage engaged in financing the export trade or the import trade ?—I cannot give you figures for Karachi separately, and that is one grievance against them.

10468. What is the general impression ?—The general impression is that Karachi does require a very large amount for financing trade and this amount is supplied through these branches from the central office.

10469. Or is it raised locally by deposits ?—Very large portion is raised locally also.

10470. You say : " Cases are usual where these banks have discriminated between Indian and European clients " ?—Yes.

10471. We are only concerned with the trade from the place of production to the port and from the port to upcountry centres of distribution. In this respect have you any instances of discrimination as against Indian traders ?—Of course exchange banks are mainly concerned with the foreign trade.

10472. But we as a Committee are not concerned with it ?—(*Mr. Haridas Lalji*) : ¼ per cent. is charged for opening credit by local banks. The opening of credit is made in Karachi mostly by Indian merchants who have no offices in England and they have to give ¼ per cent. for the same.

10473. *The Chairman :* Does this refer to import trade ?—Yes ; up to the port.

10474. But Mr. Mehta said that we as a Committee are not concerned with it. Our problem in the case of imports is the finance of yours from port of import to upcountry centres ?—In Sind I have two or three instances. I do not know whether they are relevant.

10475. We are concerned with the trade from the place of production to the port or with the imports from the port to district centres ?—I have one instance, *viz.*, the document drafts. Whether they are in respect of foreign trade or internal trade, your Committee will decide. The rate on the document draft is higher than on the plain draft for England by 1/32 or 1/16 of a rupee. As a matter of fact it should be lower because the bank is fully secure. I can give you instances in Karachi for coastal trade. The Imperial Bank is competing with exchange banks. Their rate is much lower. It is

three annas for raising every demand draft. I think if there is a plain draft on the coastal trade for Madras or for Tuticorin, they will never accept it for three annas, but because it is a document draft and the bank is fully secured, it charges three annas. Here the exchange banks are dealing in foreign trade and the Imperial Bank has no power to do this business. To my information no Indian broker yet is admitted by the foreign exchange banks for the exchange business in Karachi.

10476. *Seth Haji Abdulla Haroon :* Is he allowed to do business with the exchange banks in Bombay ?—Yes ; I am not certain whether he is allowed to do so, but I am told he is.

10477. *Mr. V. L. Mehta :* Turning to your remarks about *shroffs*, I understood you to say, in reply to the Chairman, that you would like the Imperial Bank of India to accept the system of recognising other banks as their agents ?—(*Mr. Buch*) : I would include the indigenous bankers also.

10478. Do you think that this work should be taken up by individual *shroffs* or by a combination of the type suggested by you ?—If there are combinations, so far so good ; but where there are no combinations, *i.e.*, where there are no *shroffs* of magnitude, the local Indian joint stock banks may do this work.

10479. You mean either the local Indian joint stock banks or a combination of *shroffs* can do this work and not individual *shroff* ?—I do not think that there are many individual *shroffs* who are capable of managing it to that extent.

10480. We have received evidence elsewhere that the *shroffs* as a class do not get either from the Imperial Bank or from joint stock banks facilities that they deserve. Is this your experience here ? You say here that they are financed by joint stock banks. I do not know if there is any feeling that they do not get sufficient financial facilities either in Karachi or in places upcountry with which presumably you are connected ?—Those *shroffs* who are doing business in upcountry places are members of our chamber and their feeling is that the facilities given to them were not to the extent that they would desire that they should be.

10481. Both from the Imperial Bank and joint stock banks ?—Yes, because joint stock banks have always certain limits upon their business margin. (*Mr. Haridas Lalji*) : So far as the local *shroffs* are concerned it is a very clear thing to say that the Imperial Bank lending money has been reduced considerably during the last five years.

10482. *The Chairman :* Trade also is depressed ?—Yes ; it is one of the reasons, but there are other reasons also.

10483. *Mr. V. L. Mehta :* What are the other causes ?—They might be reducing the limit in the number of *shroffs*.

10484. *The Chairman :* The Imperial Bank has to look to its safety, has it not ?—Yes ; but the Imperial Bank by making their own condition safe can increase the limit.

10485. *Mr. V. L. Mehta :* With regard to your suggestion about warehousing you said bodies like your Chamber, which are really not business corporations, might be permitted to look to the running of the warehouses ?—(*Mr Buch*) : Quite so.

10486. For the working of warehouses a certain amount of financial responsibility will have to be attached ?—Yes.

10487. In that case how could you bring home the financial responsibility to bodies like your Chamber ?—We actually do take such responsibility. I may quote two

concrete examples, where the local commercial bodies are acting as business organizations. The Karachi Chamber of Commerce looks after the measurement of cargo which has to be shipped and they have been doing this work with a very good remunerative margin successfully for the last so many years and have been controlling it so far as a monopoly. Then again take our cotton trade. The Karachi Indian Merchants Association were controlling it and were acting up to recently as a sort of exchange where they used to receive deposits and pass clearance notes and deliver notes whenever they were due. This accounted for the main fiscal operations of the Association. Recently there has been a body known as the "Sugar Merchants' Committee" and they have also undertaken financial responsibility with regard to their own line of business. These warehouses would only mean therefore an extra department for a Chamber.

10488. Do you think you could do this work in Karachi only or does your Chamber think that it can do this work in *mofussil* centres also?—I say this is worth while attempting and we can organise *mofussil* centres also.

10489. You think that there is no need to start separate co-operative or joint stock organizations for this kind of work?—If there are no Chambers coming forward to do this kind of work, I think the co-operative organization would be the only substitute we would think of.

10490. With regard to agricultural credit you say: "The operations of co-operative societies are very strictly limited by their small resources and strict conditions of lending". Did you not, however, admit that co-operative banks in Sind had plenty of resources?—(*Mr. Jeswani*): Yes, but not enough for doing business on the scale we wish them to do.

10491. Do you think that they have established sufficient credit to enable them to increase those resources if it was necessary without any outside assistance?—Not sufficiently at present in my view because I feel that unless an agriculturist has better security and progressive agriculture as well as the insurance of his produce, I do not think that the co-operative credit system can proceed long.

10492. Do you mean to suggest that this will affect the tapping of resources by co-operative banks?—Unless an agriculturist is a solvent party, no banking system can thrive.

10493. You recommend an increase in the number of co-operative societies. Is there any special impediment in the way of the increase in the number of co-operative societies?—I made this suggestion with a view to finance being given for agriculture on the scale that I wish it should be given.

10494. What is this suggestion you make about centralization of co-oprative banking finance?—This is with a view to give larger credit to co-operative credit organizations in the country.

10495. About this idea of your introducing insurance of crop and cattle will you insure against specific calamities, say like flood or frost, or against general damage to crops?—I would of course like insurance against specific calamities also, but I would generally wish a general insurance policy being issued for a particular area to be cultivated so that if I as a cultivator cultivate an area of 1,000 acres and expect a crop worth Rs. 50,000 a year, I would be very willing as a landlord to give Rs. 10,000 to an insurance company and pay a share of the amount at the end of the year whether my crops fail or

not on the basis of crop insurance. In that case, I would be even getting an advance from the co-operative bank because it does a much safer business. Even if my crop fails, the co-operative bank gets the amount from the insurance company. On the contrary, if my crop fails for one year, I am pushed out for a decade and I, therefore, regard this as a very important recommendation.

10496. About your suggestion regarding land mortgage banks for Sind, do you think that it will be possible, as you have said here, to raise a certain amount of capital from the *zemindars* and the *khatedars*, as you call them ?—Yes, I think so.

10497. Would you be able to raise a fairly large amount ?—Yes.

10498. In the shape of debentures ?—Yes, as well as by way of deposits.

10499. *Mr. J. N. R. Mehta :* Do you think that *zemindars* and *khatedars* will go in for insurance themselves ?—I think they will, and it will be popular in a certain number of years.

10500. In the beginning, you have given some idea of the debts of the agriculturists. It has been represented to us by an important witness that all these debts are mostly new debts or the current debts. Is this your opinion or do you think that a large part is due to the old debt ?—If you notice, I have made a distinction between debts incurred for agricultural operations and debts incurred for failure of crops or handed down from father to son.

10501. My question is whether in your opinion a good deal of the debt of the agriculturists at present is the current debt or the debt of the past ?—The debt of the past is much greater than the debt incurred for current agricultural operations.

10502. *The Chairman :* Is this the case with all classes of people or only with *zemindars* ?—Yes, with cultivators and small *zemindars.*

10503. *Mr. J. N. R. Mehta :* Therefore, you are of opinion that unless something is done for their past debt whatever either through the Co-operative Movement or through any other banking movement is done, would not go far. Can you draw this conclusion ?—Certainly.

10504. About agricultural land mortgage banks you know that in Sind there is a good deal of land under a particular system by which one cannot mortgage or sell his land. What he can do is, he can only mortgage his crop. In that case you would see that there would not be sufficient security. Supposing land mortgage banks are started, would you suggest any legislation ? I mean what would be the security to these land mortgage banks if one cannot mortgage or sell his land ?—In that case the security will not be there. I feel that the Legislature ought to modify all forms of land tenure with a view to suit the security of land mortgage banks.

10505. Coming to co-operative societies, you know that in Sind at least the larger *zemindars* have shirked them. At the same time they do need money for their agricultural improvements on their large holdings. Have you any practical suggestion to make as to how these *zemindars* could be helped with money so that they can improve their lands either through *zemindari* banks or by some other banks ?—I think the one very great [illegible] f these co-operative banks is that they have been started merely as financing agencies. For their ultimate success there must be agricultural development at the initial stage. Unless there is this impetus to agriculture, big *zemindars* will not think that they have a very great advantage in joining a co-operative credit society.

10506. You know in Sind that a good deal of the crop is taken over by the *zemindars* from the *haris* or by money-lenders or *sowcars*. Would you be in favour of legislation by which everywhere marketing homes could be established and under the legislation the *haris* or the *khatedar* will not be bound to hand over the crop to the money-lender or to the *sowcar* ?—Legislation proves usually a negative remedy and often fails and a village *sowcar* has always an ingenious method of getting over it. I think the only remedy will be co-operative marketing.

10507. Coming to the Imperial Bank and *shroffs*, would you be in favour of legislation that each *shroff*, I mean whether individual or partnership or joint stock, should be compelled to get his account audited by licensed auditors ?—(*Mr. Buch*) : My Chamber is against it. (*Mr. Haridas Lalji*) : We have suggested rather to have audit system by private registered limited companies but not of the individual or partnership firms. (*Mr. Buch*) : This question of audit by licensed auditors was raised before the legislature and here all the *shroffs* and associations had opposed it.

10508. *The Chairman :* What is the view of your association ?—Our association has certainly opposed it.

10509. *Mr. J. N. R. Mehta :* Suppose I am a *shroff*, I do not want anybody to interfere with my accounts and yet I deal in crores of rupees and then I am allowed to use—you know several widows do not go to banks and deposit their money with *shroffs*—the money as I like and yet I am a recognised banker in Sind and again after 5 or 10 or 15 years I hand it over to my son and my son speculates, would you in such a case be in favour of legislation ?—I think the example which you quote is very rare. I would suggest some other method than legislation.

10510. *The Chairman :* Have you any method to suggest ?—I have nothing in view at present, but some method can be suggested.

10511. *Mr. J. N. R. Mehta :* But I am told and at least my information is that the *shroffs* would not mind their accounts being audited, but they are afraid of the income-tax. Is it so or not ?—(*Mr. Haridas Lalji*) : Naturally the individual merchant would not like to give up his secrecy. Of course a limited company is bound to give all information and their accounts can be audited as suggested by Mr. Buch.

10512. We are also at least informed that the *shroffs* invest their money wherever they get high interest in any part of the country. They draw the money from Sind and send away a large portion of it to, say, Madras or Rangoon because it attracts larger interests from *chettis* and others. Therefore it is said that the industries in our province suffer. I mean the result is that a province like Sind suffers considerably. Could you suggest certain limitations which could be placed on them ?—It is a question of supply and demand on one side, and on the other side it is a question of interest. Naturally a Sindhi *shroff*, if he could get better interest, might send his money to other places. Similarly joint stock banks also might be getting deposits here and utilising them elsewhere and even at times they might get their deposits elsewhere and utilise them in Karachi. It is, therefore, only a question of supply and demand. I do not think that any limitation by legislation will be useful.

10513. *The Chairman :* Does the Sindhi *shroff* draw most of his capital locally here in Sind or does he get deposits also in other places like Bombay ?—He gets from elsewhere also.

10514. *Mr. J. N. R. Mehta :* Coming to exchange banks, you suggest at certain places that their deposits should be limited. I mean this was one of your suggestions. Is it not limiting the free will of a depositor whether he be an Indian or a non-Indian ?—(*Mr. Buch*) : Perhaps, in the interest of national banking, a *laissez faire* may be sacrificed.

10515. That is not my point. Suppose I consider that my investment is safe in the Canadian Railway or the Pacific Railway, would you still insist upon my sacrifice of liberty ?—Yes, I certainly would, in the interest of national prosperity. You are to invest here in India, sacrificing your free will and free choice which are not national in their character, though your having to do so is an *ultra* remote postulation.

10516. Who is to secure me in case the national interest fails ?—You only suffer with the State.

10517. Would your Chamber attempt at the end that there should be no foreign banks ? Would that be your goal ?—No. Our goal is this that so far Indian banking is in its infancy, it requires a strong fencing and protective measures till it becomes strong enough to bear outside competition. After that all will be welcome because after all free trade is the goal of every businessman . But a good businessman has to see to the larger interests of the country which are really his own interests, and be a protectionist up to a certain limit and up to a certain period. This is what my Chamber wants me to say. (*Mr. Haridas Lalji*) : Take for instance Japan. They have protective measures. (*Mr. Buch*) : I am told that in Canada there is no non-Canadian bank.

10518. Is this your ultimate goal for India too ?—I have not said so.

10519. About the Imperial Bank you say : " All Imperial Bank branches at places where other Indian banks have branches should also be closed except in large cities like Karachi, etc. " Suppose an Indian bank has a branch at Hyderabad, would you like the monopoly of this place to be passed on to the Indian bank branch ?—The Imperial Bank are increasing their branches not because they were necessary for that area but because they had certain commitments, with the result that the joint stock banks have considerably suffered in those places and the indigenous bankers also have considerably suffered. In a country like India, just as Government chooses to give preference in many matters to private enterprise so also where no private enterprise is forthcoming, the Imperial Bank may go and open its branch. Otherwise it should keep itself to doing business which it legitimately ought to do, being a " bankers' bank ".

10520. What is your objection to continuing the Imperial Bank of India as the Bank of India ?—I have no objection.

10521. How do you differentiate ?—It is not I but the Imperial Bank who is differentiating. If the Imperial Bank with enormous funds at its call is going to help the Indian banking in future, I would certainly welcome it. Past experience has, however, bitterly proved that the Imperial Bank management had been very chary in helping Indian joint stock banks, I mean even those joint stock banks that legitimately deserved help. (*Mr. Haridas Lalji*) : I would suggest one thing more. I say that the Imperial Bank should work in co-operation with joint stock banks at such places or they could work on the agency system. It might be a gain to the Imperial Bank and also of some help to joint stock banks. Besides the Imperial Bank can, if legislation allows it in future, work in exchange business, if necessary. It might help the Indian commercial community.

10522. Did your Chamber agree that the Imperial Bank should work through *shroffs* or directly ?—(*Mr Buch*) : This *shroff* system has been introduced so many years ago

and I think it is in the interest of the bank to get endorsement of a *shroff* and it cannot be repudiated now.

10523. No question of repudiation. Suppose the Imperial Bank charges 4½ per cent. and I as a *shroff* knowing this rate and knowing that the money market is tight will charge 9 per cent. thus earning an extra profit of 4½ per cent. Do you still consider that it will be the legitimate work of the Imperial Bank ?—As a remedy for it we have suggested that there should be an improved system of selecting *shroffs*.

10524. My question is : do you think that some limit should be put on the profit of the middleman, who is a *shroff* ?—It depends upon the credit of the merchant who raises money. So far they have been earning 1 or 1½ per cent. and the cases you mention are very rare and this would be due to the credit of the party who raises the money.

10525. Can you suggest a standardized form of *hundis* for the information of this Committee ?—(*Mr. Haridas Lalji*) : I do not speak about the form but I say the practice. I think that instead of suggesting by one individual member of this Chamber, all Commerce Associations should meet together in conference and take up this matter. I mean in other words these Federation of Indian Chambers of Commerce and Industries should take up this matter in order to make a uniform working system in *hundis*.

10526. You know well in Karachi the smaller merchant is the greater sufferer. Owing to the present banking system, he is not able to get any help either from the Indian banks generally or from the Imperial Bank or from the Indian joint stock banks, and as a result he gets eliminated from entering into a larger business. This means that the smaller industry or the smaller trade will not exist in time to come. This is bound to happen in our country as things go on. Has your Chamber any views on this point ?—I quite see your point. Recently co-operative banks are started to help the smaller type of merchants. The Mercantile Co-operative Bank is doing business in this direction, but it has introduced such rules that it becomes difficult for a smaller merchant to pay a higher rate of interest.

10527. Do you think that if such mercantile co-operative banks increase in number, it will be good and useful ?—Yes. Also they will lend money at a cheaper rate.

10528. *Professor Kale* : One of the explanations that was put before us was that deposits are attracted by *shroffs* in Sind and they are utilized elsewhere and apparently this is a disadvantage. But I should like to know whether it is not really an advantage to the people in Sind. The money would otherwise be lying idle and not earning any interest at all ?—(*Mr. Buch*) : I quite see your point because it is after all human nature that wherever a *shroff* gets a good return, he will invest it there, but it will be better if it is utilised here, for Industries can thrive only where finances are available.

10529. I can understand your point if there are trade and industries in Sind, but as there are no industries on a large scale in this part of province, naturally the money is utilized by *shroffs* outside ?—(*Mr. Haridas Lalji*) : Therefore there is a hue and cry for industries to be started in Sind as far as possible.

10530. One of the remarks you have made here in connection with exchange banks is that they are financing international trade also. Can you quote instances where this is done ?—(*Mr. Buch*) : It is in a few instances that internal trade is financed by them. Sometimes exchange banks as between themselves have competition and if they find that they can make some extra income by investing their money in the internal trade

movement they do so. Their clients who are interested in foreign exports and imports are also interested in the internal trade.

10531. You mean that they indirectly finance internal trade ?—Yes, even so.

10532. You say that the free of interest deposits at present allowed to lie with the Imperial Bank by the Government should be distributed among different Indian banks. Would you stick to this suggestion even if we have a Central Reserve Bank such as people want because Government's work will have to be done by some Central Organization and a certain remuneration will have to be paid for it ? You make the suggestion because you think that the Imperial Bank is not working as satisfactorily as it should from the Indian point of view ; but if a Reserve Bank were to be started would you object to this Bank performing all these operations ?—We put this suggestion because our hopes about the Central Reserve Bank to materialise as the people want are rather poor. But if the Reserve Bank comes into being as the people want, we may reconsider this recommendation.

10533. With regard to co-operation you suggest that it would be desirable for a big central co-operative bank in Bombay to lend to societies here ?—(*Mr. Jeswani*) : I do not say that. I say that the co-operative finance in the Presidency might be centralized.

10534. If you centralize the finance in that way, do you think that the Provincial Bank would be able to exercise that supervision over the loans and the utilization of the loans as a local bank can do ?—Even the Provincial Bank will have the advantage of the local organization by funds, etc.

10535. But do you not think that if you want the Co-operative Movement to proceed satisfactorily, there should be more decentralization rather than centralization and that the local people should be trained and educated to supervise their own affairs ?—The centralization of finance does not militate against local efficiency or local working and concentration.

10536. But are you in favour of centralization because you think that the local funds are inadequate ?—No. If there is a co-operative credit bank in a little village and if the bank is better managed and command better deposits, the depositors knowing that it is a branch of the co-operative bank, it will be a great advantage to the Provincial Bank. (*Seth Dharamsey*) : What I mean is that there should be co-ordination because if there is a Central Bank in Bombay it will supervise also the Provincial Banks.

10537. What I am putting to you is that it would not be in that case co-operation in the real sense of the word because the local people would not be able to manage their own affairs as they would manage them otherwise ?—(*Mr. Jeswani*) : The Provincial headquarters will only become a strength to local organizations by additional supervision and advice and better training on co-operative lines at Bombay or central places. I would go further and say that there ought to be a central co-operative bank for all-India. It may have a training college so that there might be an uniform kind of training. Just as a branch of the Imperial Bank in a little town commands more credit than the branch of any other bank because it is an all-India organization and has the State backing, so also I want an all-India co-operative bank on such lines so that [illegible] a large credit.

10538. Therefore you say that because money would be more largely available there should be centralization ?—Also there would be the advantage of training, experience and additional supervision.

10539. But will you not get these things from your supervising unions at any time rather than from a central organization which is at a distance of 1,000 miles away from here ?—I think that this sort of centralization will help the Co-operative Movement on sound lines, otherwise if there is provincial decentralization, in one province it will develop in one way and in another province it will develop in another way.

10540. Do you make this suggestion because you think that conditions in Sind are special ?—No ; I make it for all-India.

10541. Do you not think that the Co-operative Credit Movement in Sind is hampered to a certain extent on account of the fact that a very large number of cultivators are tenants and not peasant proprietors and, therefore, their credit is very small ?—The Co-operative Movement acts as far as it can.

10542. *Mr. Kamat :* About this chronic indebtedness of agriculturists in Sind you emphasize the point of having more finance and more credit societies ?—Yes.

10543. Is there a possible solution in some other direction ?—The tenant here is more fortunately situated than in other parts. I have admitted that the tenant is better treated because the supply is smaller than the demand and the *zemindar* would fall into line with any system which gives him larger credit for his needs or for his tenant's needs.

10544. But Sind is also more favourably situated than other districts in the Presidency and there should not be this chronic indebtedness because you have here larger holdings and the precariousness of rainfall is not very much felt as is the case in some other districts. Has the *batai* system anything to do with the chronic indebtedness ?—Yes ; it has something to do.

10545. Is there no other way out of this *batai* system ?—I think a share in the produce of the land is, on the whole, a better return to the *hari* than any fixed monetary return.

10546. Then another feature in this province of agriculture is perhaps that large holdings are concentrated in the hands of a few *zemindars*. Is this also one of the reasons why a *hari* remains indebted so much ?—No ; there are several other things. Here the tribal chiefs and others own very large estates and have to engage men in large numbers and they have to have some system between a *zemindar* and a *hari*. The reason for indebtedness is usually illiteracy as also the unsteadiness in agriculture and the apathy of the *zemindar* to look after his tenant.

10547. Your solution is to have more credit societies. Taking one district, say Karachi district, as a typical district so far as the progress of the Movement is concerned, after ten years' working we find that there are only 3,000 members and 76 societies in one district whereas the population depending on agriculture is something like two lakhs. How do you account for this thing ? Take for instance the *khatedars*. There are 15,000 *khatedars* in Karachi and out of them only one-fifth have joined the Movement. And so far as the *haris* are concerned in all these 76 societies, we find that there are only a few hundreds ?—The Co-operative Movement has appealed on the whole to *khatedars* as well as to cultivators. It is a question lastly of the department reaching them and their knowing the advantages of this co-operative system and also to a large extent it is due to the limitations because credit cannot be advanced to every one and there is also, I am told, elaborate red-tape. I think, taking the figures of the population, it has progressed well enough considering the illiteracy of the small cultivator. (*Mr. Buch*) : I may add that the *haris* are practically appendages and chattels to *zemindars*.

Karachi Indian Merchants Association and Buyers and Shippers Chamber.

10548. Is there anything in the relations under the present system between the *zemindar* and the *hari* which accounts for the *hari* being out ?—The tenant is a tenant-at-will.

10549. Has he no incentive for any improvement of the land ?—Generally he is not a man interested in the development of the land.

10550. Even where societies have been formed do you think that the *sowcar* still dominates ?—He dominates less. The existence of societies has tended to reduce the number of *sowcars*.

10551. The Indian Central Cotton Committee Report says that nearly 80 per cent. of the finance is supplied by *sowcars* on very very bad terms ?—I take a good deal of exception to the inference of Central Cotton Committee Report. They have come to conclusions which are wrong in my view. I know the agricultural conditions better than any of them know. I would challenge their figures for per head and per acre. Per acre I think they have put about Rs. 300 and odd. You can understand that an acre of cotton does not produce even so much worth. How could a *sowcar* lend so much because the total produce does not exceed Rs. 50; I think it is Rs. 127 per acre. You cannot expect the *sowcar* to advance more than what the total gross value of a tenant's share of produce is. It may come to Rs. 25 or 30. Now, therefore, the tenant cannot expect the *sowcar* to lend him so much as mentioned in that Report.

10552. Apart from this figure of Rs. 127, do you challenge their general conclusion ?—This is the chief conclusion.

10553. Coming now to the question of insurance of cattle, is there any cattle epidemic here as a result of which cattle die ?—Occasionally there is what is called rinderpest.

10554. In view of such dangers do you think that insurance of cattle is a feasible proposition ?—I may tell you that insurance of cattle cannot succeed without the support of the Government or the local authorities or the Agricultural Department in trying to take preventive measures against these disasters.

10555. That is the reason why I ask if cattle insurance a feasible proposition ?—I think it is feasible as a business proposition. In spite of cholera and other epidemics life insurance is going on. Perhaps the premia will have to be large in the case of cattle insurance.

10556. *The Chairman :* You will agree that the export trade is very important in the interests of the producer and it is almost entirely financed by exchange banks ?—Yes.

10557. If you put difficulties in the way of the exchange banks do you not think that the export business will suffer ?—No ; the export trade will be conducted and I hope, and am sure, that the local banks will be able to open branches in Hamburg and in England on the Continent.

10558. This will take time ?—Yes.

10559. And in the meantime, if restrictions are placed, the terms will not be as favourable as at present ?—Perhaps not. (*Mr. Haridas Lalji*) : A local bank has started a branch in England.

10560. Which Bank ?—The Central Bank.

(The witnesses withdrew.)

Mr. CHANDERBHAN TEVARY, Manager of Messrs. Nanemal Banarsidas, Karachi.

MEMORANDUM.

In our market the following forms of *hundis* and promissory notes are current :—

(1) Promissory note.

(2) *Jamakharchi* receipt.

(3) 61 days *mudati hundis*.

(4) D/D *hundis*.

There are different rates of interest charged on the above *hundis*. In busy season the rate of interest is from 6 per cent. to 9 per cent. while in slack season it goes down from $4\frac{1}{2}$ to $7\frac{1}{2}$ per cent. The rate of interest is charged according to the financial position of the party borrowing money. The good parties and *shroffs* always pay a very small rate of interest, *i.e.*, 3 per cent. to 6 for the money deposited with them.

In our market the firms, who receive loans on *hundis* and promissory notes, invest such money in their business concern and considerable money is invested in cotton and grain business. Such merchants have to advance from 75 to 90 per cent. to their upcountry agents who send their goods for selling in Karachi market. The grain merchants can receive 75 per cent. from the exporting firms also on presentation of the railway receipt for the goods already sold to such firms.

The system of getting loans on promissory notes by the mercantile community has been introduced in the market for the last few years and the system of writing *hundis* is being abolished by the leading merchants. A good *shroff* or merchant would not prefer to receive loans by executing paper *hundis*, though he will be willing to write a promissory note on one anna stamp. By this system the dealers are saved from the stamp duty. There will be great facilities if promissory notes and *hundis* can be used for payment of various goods bought in the market or imported from other countries.

The postal cash certificates, fixed deposit receipts of the banks and pay slip of banks in lieu of bills for collection should be treated as negotiable instruments and be allowed to be used in payment like cheques.

SAVINGS BANK.—There are good facilities from the savings banks, but the limit of the deposit money in the post office savings bank account is very small. Generally the servants of Government and of private firms take advantage of the savings banks.

The stamp duty on the *mudati hundis* should be reduced so that the practice of writing promissory notes now-a-days instead of *hundis* may be discouraged. The abolition of stamp duty on cheques has been greatly appreciated by the mercantile community and many merchants have commenced to open their accounts with the banks. There will be further facilities if the vernacular character is introduced in banking.

Co-operative banks should be opened in good number, as far as possible, in every district and town, and directors should be taken from local merchants and bankers.

The recent opening of the branches of the Imperial Bank has proved useful for the mercantile community to some extent, but more benefits are expected if agencies may be opened in each and every *mandi*. Such agencies may be entrusted to bankers of such villages who shall be willing to work on a small commission.

The Imperial Bank does not at present accept bills for collection from the merchants who are not their customers and those who have not got accounts with that bank and, therefore, the merchants at port cannot take due advantage of the branches of the Imperial Bank at many places.

Mr. Chanderbhan Tevary.

The Imperial Bank does not allow interest on current account as others do, few merchants can keep their current account with this bank.

IMPORT AND EXPORT.—The banks finance only big firms in export or import of their goods. For export they negotiate fully the bills of the European firms and some leading Indian firms on presentation of full set of documents, B/L and policies, etc. Good facilities are given generally to the European firms, while for middle class merchants the banks do not accept the bills in D/D. By such restrictions the middle class merchants are not encouraged to the export trades. We suggest that banks could advance at least 75 per cent. to middle class merchants against their invoice value; as for the import trade the banks do not freely finance the Indian firms. They give documents on trust receipt to some big firms. No facilities are given to middle class merchants. The charges of the banks for goods cleared and stored by them for the importers (who do not want to retire their bills before maturity) are very heavy; therefore the importers have to sell the goods under compulsion at *bundar*. The banks charge weekly godown rents at six to eight times higher than the ordinary rates. The clearing charges of the banks are treble the ordinary rates of the market. The import business cannot be prosperous unless the banks give facilities to the importers by giving accommodation of their goods in their godown at very nominal rate of godown rent. They should give further facilities by allowing the storage of goods in their godowns after due date of bill by paying 25 per cent. as advance and charging a reasonable rate of interest, not more than 6 per cent. The goods imported from the foreign countries and supplied to the distributing centres are not properly financed by the local banks. The banks do not make advances generally to all merchants against the railway receipt and charges for B/C and D/D are very heavy. According to our suggestion the ¼ per cent. is quite sufficient for B/C and D/D.

1. Specimen of D/D.

To

Seth————— — —

Read B. C. from Seth we draw a *hundi* on you for Rs. double of B . Please pay at sight through any merchant or bank according to the usual market custom.

(Signed)

Dated

2. Form of Mudati hundi.

61 days *Khara* after this date we jointly and severally (or I) promise to pay Seth or order the sum of Rs. for the value received in cash.

(Signature of executor of *hundi*)

3. Form of promissory note.

We promise to pay on demand to Seth or order the sum of Rs. for the value received in cash.

(Signed)

Dated

Place

From such place read B. C. from Messrs.

we have received Rs. from you to-day (or you deposited with us) which we by acknowledge. This *pahuch* has been written on date

AGRICULTURAL.

(1) The *sowcars* and *shroffs* making advances to the agriculturists should be allowed to cause recovery of their debts like the co-operative banks.

(2) The Reserve Bank may be opened for encouraging local industries and flourishing the business and improvement of agricultural credit, etc. But the management of the same should be in the hands of the Indian bankers and merchants. Branches and agencies of such bank should be opened in all the important towns and *mundees*. This bank should help the *mofussil sowcars* by advancing them against the agricultural securities. A list of approved *shroffs* should be compiled in consultation with the local bankers.

INDIGENOUS BANKING.

(1) The court fees for filing a suit to recover the amount of *hundis*, promissory notes and money-at-call, etc., should be nominal. We suggest that a stamp of Rs. 10 only should be sufficient to file a suit for any amount over Rs. 200 lent in any of the above manners. In case of less than Rs. 200 a stamp of Rs. 5 should be sufficient.

(*b*) Such cases should not take a considerable time to end. But must be disposed of within one to two months by the Law Courts.

(*c*) Attachment before judgment in such cases, if so desired by the plaintiff, must be granted without any obstacle by the Law Courts on production of the draft.

(*d*) In such cases, facilities must be provided to execute the decrees in a Native State without any delay and further expenses.

(2) Full amount of *hundis*, promissory notes, trade bills and money-at-call, etc., should be paid in case of the payments of the dividends of the insolvents' properties by the courts.

(3) It has been experienced that in many cases the insolvent parties obtain money on the promissory notes and *hundis* up to their last day and this causes a severe loss to the banking business. Such practice must be stopped under law. A merchant having lost all his capital must not be allowed to trade under any circumstances and should be severely dealt with under the law.

(4) The protest charges made by the notary public, at present, should be reduced to Re. 1 only per draft irrespective of any amount, as well as some distinguished Indian bankers should be authorised to note the protest with or without the above fee as they like.

IMPORT AND EXPORT.

(5) In case of advancing money against the exporters' or suppliers' B/L or railway receipts, the banks make an immediate demand of money from the drawer if the documents are not honoured at once by the consignee at the destination. This practice involves lot of difficulties to the drawers. The banks must retain the drafts at least for three days after presentation and in case of dishonour, the banks should give a week's time to the drawer for repayment of the money advanced. The usual interest may be charged to the parties concerned.

(6) The railway receipts and delivery orders should be treated under negotiable instruments.

(7) The banks charges of bills for collection, etc. should be reduced.

Mr. Chanderbhan Tevary.

Oral Evidence.

10561. *The Chairman ;* Mr. Tevary, you are the Manager of Messrs. Nanemal Banarsidas and Company ?—Yes.

10562. Where is your headquarters ?—At Delhi.

10563. Have you branches all over the country ?—One in Bombay and one in Karachi.

10564. What is your main business ?—Import and export of iron and steel.

10565. You also do commission business ?—Yes, in iron and steel.

10566. Do you get deposits from people in Karachi and Bombay ?—We trade on our own capital ; we never borrow. We do not take deposits.

10567. Do you advance on promissory notes ?—We advance on promissory notes, on *hundis* and on *jamakharach* receipts.

10568. As regards *hundis*, do you issue *darshani* or *mudati hundis* or both ?—We take *mudati hundis*, but do not issue any.

10569. 61 days ?—Yes.

10570. Do you take them for a longer period ?—No.

10571. Is *mudati hundi* now less popular than before ?—Yes.

10572. Why is it so ?—On account of stamp duty.

10573. Is it the main reason ?—Yes.

10574. Is it not on account of confidence ?—No. There is another thing also. Until these promissory notes were introduced, some big merchants used to buy *mudati hundis*.

10575. When the promissory note is signed, is there any understanding that the money will not be asked for a certain number of days ?—Yes, in some cases.

10576. You say that there are different rates of interest charged on *hundis*. Is there a different rate on different kinds of *hundis*, or does it depend on the credit of the person ?—It depends on the credit.

10577. Does your rate correspond with the Imperial Bank rate ?—Yes, but it is not always so.

10578. Does the market rate differ from the Imperial Bank rate ?—Yes.

10579. Does it rise or fall according to the Imperial Bank rate ?—There is no such principle.

10580. You have no dealings with the Imperial Bank for remittance or anything of that sort ?—No ; because they do not accept bills for collection, and we have no current account with them because they allow us no interest on current account.

10581. You say that the abolition of stamp duty on cheques has led to an increase in the use of cheques. Do people use cheques for all kinds of transactions ?—Yes ; formerly we used to pay in cash, but after the abolition of stamp duty on cheques we pay by cheques.

10582. Are cheques issued by indigenous bankers on one another ?—No ; they are issued on joint stock banks.

10583. Do you think that the opening of the branches of the Imperial Bank has been beneficial ?—It has done some good.

10584. Has the indigenous bankers been benefited by the opening of the branches of the Imperial Bank ?—To some extent.

10585. Do you want that the Imperial Bank should have agencies everywhere ?—Yes, and the agency should be given to *sowcars* and *shroffs*, and they will be willing to work on a very small commission.

10586. You say that at present banks do not give facilities to middle class merchants. What do you mean by middle class merchants ?—People worth up to Rs. 30,000.

10587. Where do they borrow from now ? Do not the indigenous bankers give them facilities ?—Yes.

10588. What is the system at present ?—We give advance to middle class merchants, who import their goods.

10589. What advantage would they get if the joint stock banks were to give them advances ?—Our idea is that they have a lot of money, and they would be able to advance at a smaller rate of interest.

10590. You say in your statement : " The banks charge weekly godown rents at six to eight times higher than the ordinary rates." Will you develop that ?—In case of iron and steel one man had to pay one rupee per ton a week, while we can store the goods at four annas per ton for a month.

10591. Are there private godowns of the banks ?—Yes.

10592. Is there no competition amongst the banks ?—Generally they charge the same rates. In some cases they make some reduction.

10593. How is the rate fixed ?—The rate is fixed per ton.

10594. *Mr. J. N. R. Mehta :* You gave an opinion that it would be better if the Imperial Bank had agencies. But what would be the security to the Imperial Bank ? Supposing I am to act as an agent at Doronaro or some other place, what would the Imperial Bank expect of me as an agent ?—Advance money to agriculturists, accept *hundis* and send remittance.

10595. Handle cash also ?—Yes.

10596. They would expect some security ?—I think that could be arranged ; but when there is a known party, there is no need of a security.

10597. You are a banker. Do you appoint agencies or branches ?—We have banking agencies, but we never require any security. We give agencies to those whom we consider to be good parties and on whom we rely.

10598. You say in your statement : " The Imperial Bank does not at present accept bills for collection from the merchants, who are not their customers and those who have not got account with the bank." Do you suggest that the Imperial Bank should do so or should be made to do so ?—Yes, the Imperial Bank should accept such bills for collection.

10599. Do you also suggest that the Imperial Bank should give interest on the current account ?—Yes.

10600. What is the ulterior motive in your mind when you suggest this. Why do you not suggest that the deposits should go to, say, the Punjab Bank or the Central

Bank ?—I suggest this because the Imperial Bank has more branches than other banks. Generally, we give our bills for collection to local banks, such as the Punjab National Bank, the People's Bank of Northern India and the Central Bank. But where there is no branch of these banks, we give them to the Imperial Bank.

10601. You are a banker, and you are in a fortunate position, because you only lend. But there are other private bankers who lend as well as receive deposits. Would you agree in case a suggestion is made that such private bankers should issue their audited accounts and balance sheet ?—Yes.

10602. *Mr. Buckley :* Since how long has the system of getting loans on promissory notes instead of *hundis* been going on ?—For about five years.

10603. What is the reason for it ?—The reason is that the merchants can save stamp duty.

10604. So, if the stamp duty is abolished or reduced, do you think that they would go back to the old system of *hundis* again ?—Yes.

10605. What is the idea behind your mind when you say : "The postal cash certificates, fixed deposit receipts of the banks and pay slips of banks in lieu of bills for collection should be treated as negotiable instruments" ?—At present we cannot transfer the fixed deposit receipt or the pay slip that we receive from the bank in lieu of bills for collection. It will greatly facilitate us if they are made negotiable.

10606. Would you like them to be circulated much the same like the cheques or *hundis* ?—Like *hundis*.

10607. What is in your mind when you say that the middle class merchants are not encouraged by banks in their export trade ? Would you develop that and give us an instance ?—Suppose an ordinary merchant has to export 500 tons of seeds or anything of that sort to Liverpool or some other place. Now he has a capital of only Rs. 30,000. But he must invest at least Rs. 50,000 for that purpose, and naturally he would require some accommodation from the bank, but the banks do not generally finance freely these middle class merchants, with the result that they have to limit their business and cannot export in large quantities.

10608. Do you mean, in so many words, that the bigger firms get all the finance and the smaller men get none ?—The bigger firms get enough finance from banks and smaller men very little.

10609. *Seth Haji Abdulla Haroon :* When you say that the small man should be advanced by banks for exporting the goods, on what security should the bank advance ?—They should advance against the bill of lading.

10610. Do you mean to say that exchange banks are not negotiating these bills ?—They are not generally negotiating these bills ; they are not advancing even up to 75 per cent.

10611. To those who have sufficient letter of credit the banks advance, but the banks refuse to others who have no letter of credit ?—In case of letter of credit the banks will pay the full amount ; but where there is no letter of credit, banks should advance freely.

10612. Should it not depend on security ?—Yes, it depends on the sound position of the parties.

10613. A firm may give a bill of lading for Rs. 50,000 or a lakh, and the bank knows very well that the firm is worth only Rs. 30,000. If the bill is not honoured, the bank

will suffer ?—There are very rare cases in which the bank will suffer. I do not think there is risk in advancing up to only 75 per cent. of the market value of goods.

10614. I am a commission agent of cotton and I am exporting some cotton upcountry, and to some parties I advance 80 per cent. and to some even 90 per cent., but to some I do not advance even 75 per cent., because I know I cannot recover from such people ?—Then there should be some special limit laid down, which may be from 70 per cent. to 80 per cent. according to the credit of the parties.

10615. *Mr. V. L. Mehta :* In your statement you have referred to the rates of interest on *hundis* and lendings and borrowings. Does this relate to business amongst indigenous bankers themselves or to rates of interest on lendings to outsiders ?—Yes, only among *shroffs*.

10616. In Bombay we were told that the rate of interest is fixed by some association, the Shroff Association or the Marwari Chamber of Commerce or bodies like that. Who fixes the rate of interest here ?—According to the requirements. No body fixes the rates here.

10617. Or are you guided by the rates of interest fixed in Bombay ?—No.

10618. Do most of the persons, who do business here, also have business in Bombay ?—Yes.

10619. Would there be drawing in Bombay and receiving money from Bombay ?—We do not do it; others do it occasionally.

10620. Would they charge interest at rates fixed here or at the Bombay rates ?—In Bombay the rate on *khata peta* is 9 annas; here it is 7 annas 9 pies.

10621. If there is a Karachi *shroff* who has his account with a Bombay *shroff*, what rate would he be charged ?—According to the Karachi market rate in case of remittances from Karachi, and *vice versa*, at the Bombay rate.

10622. Do you have occasion to remit money to Bombay or to upcountry centres ?—We remit sometimes to Bombay and Delhi.

10623. Through what agency you make these remittances ?—Generally we send half currency notes and *hundis*.

10624. You do not use the Imperial Bank or any other agency ? Do you find their terms onerous ?—No, because we have no account with the Imperial Bank.

10625. If you pay money to them here and want it in Delhi, they would not mind ?—We find that remitting money through currency notes and *hundis* is cheaper.

10626. In places like Karachi would firms like yours have large dealings in Government securities ?—We have invested a lot of money in Government securities, but generally bankers and merchants would not.

10627. What is the practice ? Do they give orders to a broker here, or do they deal direct in Bombay ?—We write to our bank to purchase Government loans for us to a certain extent.

10628. Is that system satisfactory ?—Yes.

10629. With regard to the post office savings banks, you suggest an increase in the limit of deposits; in the interest of what class of people do you advocate that ?—For middle class people, salary earners and the people of that type.

Mr. Chanderbhan Tevary.

10630. But are the savings banks in any way helpful to the indigenous banker, not here but in upcountry centres ?—I do not know.

10631. In any case, you do not think that they compete with you ?—No.

(The witness withdrew.)

The Committee then adjourned till 11 a.m., on Wednesday, the 15th January 1930.

Wednesday, January 15th, 1930.

KARACHI.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLE
Professor V. G. KALI
Mr. B. S. KAMAT.

Mr. J. N. R. MEHTA.
Mr. V. L. MEHTA.

MR. K. P. MASANI (*Secretary*).

Seth HAJI ABDULLA HAROON (*Member, Indian Central Banking Enquiry Committee*).

Mr. C. K. THADANI, Inspector, the Sind Central Co-operative Bank, Ltd., Karachi.

MEMORANDUM.

There is no particular system by which the agriculturists obtain finance for their needs. For expenses during cultivation they are generally financed by village *sowcars* and by co-operative credit societies, wherever such societies exist. *Zemindars* also make advances to their *haris* for their current agricultural operations. For capital and permanent improvements, although Government advances *taccavi* loans through co-operative agency, the amount of such loans is not large and the agriculturists for this purpose also have recourse to the *bania*. For special needs, *e.g.*, failure of crops or for land revenue, there is no special source of supply, but in such cases co-opertive societies grant extensions.

The rates of interest charged by *sowcars* vary from 12 to 50 per cent. With *sowcars* there is no question of the period of loan as all their clients have running accounts with them. The security is generally the agriculturist's character or rather simple mindedness and sometimes land and standing crops.

The co-operative financing agencies charge the credit societies interest at the rate of 8 per cent., while the societies in turn charge their members at the rate of 1¾ pies per rupee, *i.e.*, about 10½ per cent.

Beyond advancing *taccavi* loans for capital and permanent improvements through co-operative banks, and in case of calamities, *e.g.*, floods, frosts, etc., remission of land revenue and *taccavi* loans, Government plays no part in agricultural finance.

The Imperial Bank of India and joint stock banks scrupulously avoid to do anything in the matter of agricultural finance.

In Sind, I know of no trading company, dealing in fertilizers, making advances of their commodities to agriculturists on credit. The village *bania* does lend in kind, seed, manure, etc., to his agricultural clients.

Co-operative banks in Sind are, according to my calculation, supplying 10 per cent. of the total finances required by the agricultural population in Sind for their current cultivation operations.

There are about 40 lakhs of acres under cultivation in Sind and taking on the average Rs. 15 as necessary for cultivation of an acre of land, the total finance required for crop raising in Sind comes to be about Rs. 6 crores. There is no co-ordination worth the name among the various credit agencies in Sind. I would suggest following points for consideration so far as the co-operative system of financing is concerned :—

I. I would suggest centralisation of finances of all co-operative banks in Sind. This suggestion if accepted would

(*a*) result in co-ordinated and well-thought-out and safe policy being followed by all the co-operative banks,

(*b*) give co-operative banking a better status and credit in the market,

(*c*) make available for agriculturists credit at cheaper rates than at present,

(*d*) give impetus to the development of co-operative non-credit work in Sind,

(*e*) facilitate the starting of the work of a land mortgage bank,

(*f*) make possible employment of better and well qualified staff in co-operative banks.

II. Co-operative banks at present are not based on sound basis. These institutions accept short-term deposits and finance a very uncertain industry with consequent uncertain repayments. The Imperial Bank of India, which enjoys Government resources, should be under a statutory obligation to finance co-operative banks against the security of promissory notes of co-operative credit societies—that are based on unlimited liability basis—endorsed in their favour. This would make co-operative banks more secure, and hence less rigid, in the matter of recoveries when crops fail. At present the Imperial Bank of India has sanctioned a cash credit of one lakh of rupees for the Sind Central Co-operative Bank only. And this too, they can withdraw any moment. No other co-operative bank in Sind receives accommodation from the Imperial Bank. Unless co-operative banks are sure to receive, in case of need, help from a State bank or State-aided bank, they will have to maintain very large fluid resources which would either hamper their work or make them unprofitable.

III. Co-operative banks should be exempted from income-tax being assessed on income from investment in Government securities. The word "Profit" in the Income-tax Act is being interpreted in a wrong sense which is detrimental to the interests of the banks.

IV. To expedite recoveries from liquidated societies, I would suggest that auditors, while acting as liquidators, should be given powers under the Land Revenue Code.

V. At present there is a delay of about a fortnight in money being received by the financing agency from its constituent society through a sub-treasury. So the profit intended to accrue to the societies from the system of remittance transfer receipts is nullified by the interest, for about 14 days, that their remittances take to reach the financing agency. This could be remedied by allowing all sub-treasuries to issue remittance transfer receipts on all district treasuries.

VI. Audit fees charged by Government from co-operative banks are too heavy, and these banks should be allowed to have their accounts audited by competent professional auditors. This would make a good saving to co-operative banks whose profits are already slender.

VII. The co-operative credit societies, which form the basis of the whole co-operative financial structure, need to be organized on business basis. It is necessary to keep record of members' holdings, expenses of cultivation, net profits, etc., so that

the society and ultimately the bank may know whether their investments are productive or otherwise. This would as well facilitate adequate financing of members.

LAND MORTGAGE BANK.—There is no such bank in Sind. Sind's first great necessity at present is a big land mortgage corporation, because :—

(*a*) 30,00,000 acres of virgin soil in Sind are likely to come under perennial irrigation on account of Sukkur Barrage. If Sindhis are to reap the benefit of this scheme it is essential that some purchasing capacity be provided to them by way of loans from a land mortgage bank for obtaining these lands. Such a bank would benefit the people and at the same time enable Government to realize, as they expect, substantial amounts from the sale of lands on which the whole financial success of the Barrage scheme depends.

(*b*) Co-operative banks accept short-term deposits and confine their activities to only making crop-loans repayable after each harvest. This would not go a long way off to ameliorate the condition of the agriculturist unless he is released from his old debts carrying heavy rate of interest and this could only be done by a land mortgage bank.

As Sind has peculiar problems of its own, has its own language and is far away from Bombay, I do not think that the Bombay Provincial Co-operative Bank, Ltd., can efficiently help in the starting of such a bank in Sind. Either all the co-operative banks be amalgamated into a Sind Co-operative Banking Corporation, Ltd., which institution be entrusted with the work of starting, as its branch activity, land mortgage business ; or I would prefer that an entirely new organization, to do this work, should be started. Land mortgage bank, by the very nature of the business, that it is required to do, cannot depend for its resources on deposits which could only be secured and prudently accepted for short-terms. Therefore, such a bank will have mainly to depend for its funds on flotation of debentures. These debentures could be floated by either the Sind Central Co-operative Bank, Ltd., or if the banks are amalgamated by a future Sind Co-operative Banking Corporation, Ltd. Interest on these debentures ought to be guaranteed by Government and also a substantial portion of the same be purchased by Government. The Imperial Bank of India, as recommended by the Royal Agricultural Commission, should be bound to make advances against the mortgages made by this bank.

Such a land mortgage bank should be registered under the Co-operative Act, for, then it will automatically enjoy all the privileges given by that Act. It is essential that such a bank should be exempted from the operation of the Dekkhan Agriculturists' Relief Act and Land Alienation Act, if any.

Its objects should be fourfold as accepted by the Royal Agricultural Commission.

As such a bank will have to finance probable purchasers of Barrage lands it should be allowed to deal with individuals, and confinement of mortgage loans to co-operative societies or to their members only would defeat the very objects of the bank.

As regards the limit of borrowing of each member there is a difference of opinion and this question being a matter of detail be left to the management of the bank.

I may here mention that Sir Visweswaraya Committee on the Barrage Scheme has suggested that this scheme is too large a financial proposition for the Bombay Government and, therefore, the Government of India should directly connect itself with this scheme and later on share the land revenue from this scheme with the Government of Bombay. It is quite likely that this suggestion might be accepted, in which case I may suggest that the Bombay Provincial Banking Enquiry Committee may discuss with the financial experts of the Government of India the feasibility of transferring

some portion of their Paper Currency Reserve Fund and Gold Exchange Reserve Fund to such a proposed land mortgage bank in Sind. This is not a great demand,f or, if in a place like England, where agriculture is a very minor industry, the British Exchequer, under the Agriculturists' Credit Act, can advance £7,50,000 to the Land Mortgage Corporation there for 60 years without interest, why should not the Government of India advance a portion of its above-mentioned reserves to the land mortgage bank in Sind, specially when such a bank is likely to make a costly scheme like the Sukkur Barrage financially a success, and at the same time make the country prosperous and yield more land revenue to the Government.

The interests of the Government could be safeguarded by having nominees of the Government on the board of directors of that bank.

Lastly, I suggest that as the land mortgage bank in Sind is likely to be of very large dimensions " efficient management is essential, and unless this is assured, no step forward should be taken " as say the Royal Agricultural Commissioners. In this connection, I would suggest that a competent Sindhi conversant with co-operative banking and village economy in Sind be deputed, if possible with Government aid, as recommended by the Royal Agricultural Commission in their report on page 455. to go round and study Jhang Mortgage Bank in Punjab, Dawson's Bank in Burma, Land Mortgage Banks in Germany and specially the Land Mortgage Corporation in England that has been started there last year. The cost of that deputation would not be much, and after about six months of study of these institutions such a man would be fully competent to be entrusted with the work of starting a land mortgage bank in Sind.

Marketing of Agricultural Produce.—Agricultural produce is marketed in Sind in a most primitive manner. The findings of the investigation of the Indian Central Cotton Committee, as shown in their report regarding marketing of cotton in Sind, are fairly accurate. What is true of cotton is true of paddy which is another staple produce of Sind.

Since last two years, the Sind Central Co-operative Bank and the Co-operative Department have been endeavouring to start Co-operative Sale Societies. In paddy growing areas the societies make advances to the extent of 75 per cent. of the value of paddy stored in their godowns, to agriculturists, who prefer to wait for better prices.

The Imperial Bank, of India, following this example, made advances last year against the security of paddy.

With regard to marketing of cotton, I may say that application of the Bombay Cotton Marketing Act would help the agriculturists very much in selling their produce at good prices. The Sind Co-operative Bank is willing to open branches to finance movement of crops, if the business is organized in some manner.

Oral Evidence.

10632. *The Chairman :* Mr. Thadani, you are engaged in the Sind Central Co-operative Bank, Ltd., as an Inspector ?—Yes, I have to look after the organization and management of sale societies also.

10633. Do you look after all the sale societies in Sind ?—Yes.

10634. How many are there at present ?—There are seven sale societies registered. Besides, our branches have commenced to do some sale business in Badin, Talar and Matli.

10635. Do they take the members' produce for sale ?—The sale business was commenced only last year in the paddy growing area.

10636. Do you offer any facilities for warehousing the produce ?—We have hired out the compound of a ginowner ; we ask the people to deposit their grain there ; we make advances on it and when better prices are available, we sell it.

10637. Who brings the produce ?—The members of co-operative societies bring it ; small *zemindars* as well as big ones bring it.

10638. Do both of them like to hold up their produce for some time ?—Some of them do so.

10639. And even the small *zemindars* are in a position to hold up their produce ?—Yes. We provide them advances to the extent of 75 per cent. of the value of the paddy stored in the ginowner's compound.

10640. What was the result of this system which was introduced, as you say, last year ?—I have experience for two years. In one year the members did get a good price but in the last year they did not get a good price owing to the fall in price.

10641. So it is not always a safe proposition ?—No.

10642. Are there any other agencies who are doing this kind of business ?—Up to the time we commenced our experiment, there was no such agency ; but when we commenced the experiment, the Imperial Bank of India also followed our experiment and made advances last year against the security of paddy in the same area.

10643. Have they been doing much business in this way ?—They would do more business because they finance any kind of individual but we only give finance to members of co-operative societies ; and, besides, they take generally the husking millowner as their guarantee broker. This is a great facility to them and they can accept anybody's grain and give advances.

10644. Do they give advances to only big *zemindars* or do they also give advances to small men also ?—I do not know. Generally the small *zemindars* are not very willing to hold up their produce but the big *zemindars* try to hold it up ; and, also, the Imperial Bank system would facilitate the work of the husking millowners themselves.

10645. This is as regards the sale by your branches. Are the other sale societies doing well ?—We started only the year before last sale societies at Talar, Mirpur Bathoro and at Jacobabad. Two societies do considerable business, while in Jacobabad there are big problems because all the *zemindars* are very big *zemindars* and are connected since good many years with the local *banias* who finance them very freely. So it will take a long time to bring them out of this practice.

10646. The society at Jacobabad has been started without any arrangement for financing the members of co-operative societies for cultivation purposes ?—Simultaneously a *zemindari* bank was started at Shikarpur and it began to finance to the extent of Rs. 5,000. So, we tried to put a condition that those who were financed by the *zemindari* bank should bring their produce to the sale society.

10647. Are the *zemindars* bringing their produce to the sale society ?—We have no means of enforcing this condition.

10648. What you say is that big *zemindars* take their produce to the *bania* and give it to him because they get their previous finance from him. If previous finance is arranged by a co-operative society, do you think that they will bring their produce to the sale society ?—They may do it by and by. We have experience only for the last two years.

10649. As regards the other three societies, did the people who sold their produce through the sale societies get much benefit ?—Unfortunately, last year, the prices went down, but the year before was good.

10650. Did all the people, who sold their produce through the sale societies, hold up their produce for some time ?—No ; not all of them.

10651. As regards those who sold it directly, did they get any substantial advantage ?—We could only engage a broker and see whether he could find a possible market for it.

10652. Did they get any appreciable advantage ?—We reduced the commission charges that the local *banias* charged.

10653. As regards the price, was it the same at all these places ?—At Talar and Badin there was a slight difference in price. The price they got here was a little higher.

10654. What about the weights and measures ?—There are no regular weights and measures.

10655. Do you know whether a cultivator or a *zemindar*, when he sells his produce through a *bania* or through an ordinary local agent, generally gets correct weight and measure, or is he cheated in the matter of weights and measures ?—Because the *bania* himself is the purchaser.

10656. This does not necessarily mean that he cheats in weights and measures. Is such cheating usual here ?—It is very usual.

10657. In your statement, you say that whenever a man borrows from an ordinary money-lender, the security is generally the character. Is it not usually the crop the *bania* expects rather than character ?—By "character" I mean simple-mindedness because I have seen that the agriculturist classes are even paying the debts of their grandfathers.

10658. What I wanted to ask you is whether it is not the crop on which the local money-lender, being on the spot, will have a hold rather than the character of the agriculturist ?—I do not think that he has any legal hold on it.

10659. He may not have a legal hold on it but owing to the cultivator's simple-mindedness, the local money-lender may have a hold on his crop ?—If the agriculturist chose to hold his crop from being taken away by the local money-lender, the local money-lender cannot have access to it. It is only a moral binding.

10660. *Seth Haji Abdulla Haroon :* What is the difference in the rate of sale of crop when sold to the *bania* from whom he borrows money and otherwise ? When he borrows money from a *bania*, the *bania* may say : "I will purchase your crop at one rupee less than the market rate and you are bound to sell the crop to me at this price." Have you any information on this point ?—So far as my experience goes, this happens only in cotton growing areas.

10661. Does he purchase his crop for something less than the market rate ?—Yes.

10662. *The Chairman :* You suggest centralization of finance in the Co-operative Movement ?—Yes.

10663. Do you suggest any centralization in the matter of management or supervision ?—I suggest it in the matter of supervision. Let all co-operative banks be amalgamated together and the boards of the existing co-operative [illegible] serve as advisory bodies to the Central Bank.

10664. But it is not the banks who are responsible for supervision, are they ?—They have their inspectors.

10665. So it is inspection rather than supervision ?—I mean by "supervision", inspection.

10666. What is the disadvantage of the present system ?—There is no co-ordination of policy at all.

10667. What do you mean by co-ordination of policy ? You know that district central banks advance money on the same principles on which any centralized bank, as you propose, would advance ?—Suppose there is a large question of development of undeveloped work, there are certain banks which are not in a position to start branches in *taluka* places. They do not know how to start them. The Sind Central Co-operative Bank may afford to do so, but the district banks do not know what to do. They have no experience of this.

10668. Is it your point that they cannot afford to engage well-trained men ?—For development, they cannot.

10669. But as their work increases, their branches also will increase ?—The board of directors of co-operative banks are not sufficiently well-up in co-operative methods and in taking an initiative in such matters.

10670. On the other hand, would the Centralized Board be so much in touch with societies as a district board ?—The Centralized Board can check an advisory board and guide it.

10671. But an advisory board will be without any responsibility ?—The Central Board may have its one or two representatives on the advisory board and guide it.

10672. *Mr. Kamat :* In what relation would the Central Board be to the Bombay Provincial Co-operative Bank ?—I do not think it possible as it is too far off ; but I certainly think that it would be better in the interests of the Movement if all district banks in Sind are amalgamated with the Central Co-operative Bank.

10673. The Bombay Board should not interfere with your policy ?—No.

10674. *The Chairman :* Have you discussed this subject with any of the present directors of the various district central banks, and if so, do you think they will accept your proposal ?—I know that in Larkana they are against it because they think they will be powerless.

10675. You say further that such centralization will lead to agricultural credit being given at a cheaper rate. Will there be much difference ?—At least there will be a difference of one per cent.

10676. Do you think that people will be able to deposit at lower rates ?—Yes ; and not only that, but we are able to raise capital in the city of Karachi at 5½ per cent. There are district banks, on the contrary, which are borrowing at 6 and 6½ per cent.

10677. Do you think that they are not in a position to reduce their rate to 5½ per cent. ?—No they cannot.

10678. How far would a centralized bank like this be in a position to start land mortgage banks ? Would it get long-term deposits ?—Once we have pooled our resources, we will be getting a greater command over the market. Unless we have sufficiently large assets, we will not command any respect either from Government or from other banks.

10679. Do you think that there is a necessity for such centralization at the present moment in Sind ?—I think so, if we want to develop the Barrage areas and the Movement at present.

Mr. C. K. Thadani.

10680. **You say :** " Unless co-operative banks are sure to receive in case of need, help from a State Bank or State-aided Bank, they will have to maintain very large fluid resources which would either hamper their work or make them unprofitable ". Does not the Sind Central Co-operative Bank get some cash credit from the Imerial Bank ?—Yes, a cash credit of one lakh of rupees only. The Imperial Bank is not bound to give us this sum at any time we need. And this too, they withdraw at any moment.

10681. *Mr. V. L. Mehta :* Suppose a Central Reserve Bank like the proposed Reserve Bank is started and the Imperial Bank continues, would you like to have arrangements with the Imperial Bank or with the Central Reserve Bank ?—I would like to have arrangements with the Central Reserve Bank.

10682. Would you like to have direct connection with it ?—Yes ; because I have dealt later on, while dealing with land mortgage banks, that when the Reserve Bank is established, a certain portion of the resources must be placed at the disposal of the Reserve Bank which may come to land mortgage banks.

10683. *The Chairman :* You suggest audit by non-Government auditors. Do you not think that people have more confidence in Government audit than in private audit, and do you not think that credit would be affected in some way if Government audit is done away with ?—I think the credit of co-operative societies is based upon the impression that they are audited by Government. In our own case we are paying Rs. 1,000 for a week's work and we can get our Bank's audit work done for Rs. 800.

10684. Would not the removal of the Government audit affect the credit of the Bank ?—I do not think so.

10685. Do you want a land mortgage bank for the whole of Sind ?—Yes.

10686. The officer of the bank should have to go round to value lands ?—For valuation we will require some Government aid, if Government wants to help us by way of purchasing debentures or guaranteeing interest.

10687. You want the Government of India to give some money to this land mortgage bank from their Paper Currency Reserve Fund and Gold Exchange Reserve Fund. One can understand your proposal for Government help, but what connection is there between the Currency Reserve Fund and Gold Exchange Reserve Fund and the funds of the land mortgage bank ? Why do you want it from these particular sources ?—Because Government have large resources in these two sources.

10688. But they are kept for a particular purpose ?—They are being utilized for different purposes.

10689. Are they locked up in long-term investments ?—Yes ; I know that some portion of these reserves were utilized for capital expenditure on railways. Why should not they do so in this case also ? It would be a productive investment.

10690. About marketing of agricultural produce, we have been told that an agriculturist here usually sells his produce not in a central place but to the village money-lender or to some local agent or to people coming from outside. Unless people are accustomed to bring their produce to a central place, would the establishment of a regulated market benefit agriculturists ?—I think they will learn to bring their produce to the regulated markets after the application of the Act.

10691. *Mr. Kamat :* In your scheme for a land mortgage bank you propose that the scheme should include some sort of provision for enabling people to buy lands on the Sukkur Barrage ?—Yes.

10692. If people are allowed to buy lands out of the land mortgage funds, how is repayment to be arranged ?—By means of instalments from the produce of the land.

10693. Out of the profits of agriculture ?—Yes.

10694. Spread over a number of years ?—Yes.

10695. Do you expect the profits to be so ample that the cost of the land would be defrayed from the profits in addition to the expenditure of his own ?—The profits will have to be worked out. Experts say that the perennial system of water supply would enable them to have good crops and profits.

10696. Are these land mortgage banks to be independent of control, so far as debentures are concerned, from the central agency in the Presidency proper, *i.e.*, your debentures may compete with any other debentures of land mortgage banks started in the Presidency proper ?—I do not quite follow you.

10697. Suppose you have your own debentures here ; there are debentures also in the Presidency and they can compete with one another. Do you mind this ?—If there is a system by means of which there can be any co-ordinated policy so far as the issue of debentures is concerned, I do not think there will be any objection. We can get them issued at a lower rate of interest.

10698. As for improvements of the land, you know that a land mortgage bank is intended to make loans to carry out improvements also. Do you think the *zemindars'* class, as a class, is inclined to carry out improvements ? Is this the tendency on the part of *zemindars* now ? Do they like to have improvements ?—Yes, because Sind is a country of large holders and not of small holders. If they are properly financed and if there is a proper sort of propaganda, they would go in for improvements.

10699. Quite so. Long-term credit would be useful provided it is utilized for improvements ?—Yes.

10700. I ask you whether there is a tendency on the part of the *zemindars* to give attention towards improvements ?—Some big *zemindars* are thinking like this. There is a tendency on their part to improve the lands.

10701. *The Chairman :* As regards the ordinary cultivator who is usually the *hari*, is he interested in making any land improvement at all ?—Usually the *hari* has no land at all.

10702. Are not most of the cultivators *haris* here ?—Yes.

10703. Are they not interested in improving the land ?—I believe they are not interested. I can give you one instance. In Malir there are small holders who are raising water by means of bullocks.

10704. Are these small holders peasant proprietors or are they *haris* ?—They are peasant proprietors.

10705. Then there is a difference. They will be making improvements, but do you say that *haris* are not interested in improving the land ?—Yes.

10706. *Mr. Kamat :* As a matter of fact they have no lands to retain. Under your scheme, you would give a *hari* lands in the Barrage area and make him a peasant proprietor ?—Yes.

10707. Would you help a *hari* to buy land ?—Certainly.

10708. *Professor Kale :* I have not been able to follow your suggestion about centralisation of finance of all co-operative banks in Sind. Is not your bank a central bank, which deals with co-operative societies and also with district banks ?—Yes.

10709. Is that not a kind of centralisation of finance ?—Not at all.

10710. Then how will you centralise ?—By pooling of the share capital of banks and making one bank of Sind and all the district banks as a sort of branches.

10711. Then you would not develop the local banking at all ?—The banks would not be extinct ; but the Central Board will have all the powers.

10712. In that case their sense of responsibility will disappear ?—What sense of responsibility would disappear ? If they want to serve the Movement, they can serve the Movement as advisory bodies.

10713. There are two ways in which they can serve the Movement, either by directly taking part and by acting as mere advisory bodies. Do you think the latter will be in the interest of the Movement ?—It is in the interest of the Movement that there should be a co-ordinated policy.

10714. I can understand that it will guide the district banks in their policy. But to centralise the management is another matter altogether. Have you any instances of this centralisation anywhere ?—I do not think there would be centralisation of management to the extent you imagine. The Boards will be there, but they will act on the advice of the controlling Board.

10715. You just now said that they would be reduced to the position of mere branches of the central bank ?—Of course ; but the central bank can delegate powers to the district banks.

10716. They will be at the mercy of the central bank. Do you think that would encourage the Co-operative Movement in the real sense of the word, if you retain all powers in the central bank ?—I think this will have to be done for the first ten or fifteen years till we have consolidated and trained local directors.

10717. Do you think the difficulty at the present moment is that they do not get the right type of men in the district ?—Not to that extent.

10718. Do you think that by centralisation of finance, you will be able to train the people in the district later on ?—Certainly.

10719. You suggest that co-operative credit societies need to be organised on business basis, and that record of members' holdings, expenses of cultivation, net profits, etc., should be kept. Who should do it ?—The Secretary should do it.

10720. Do you think he is a man who is capable of doing all this ?—We can give him ruled books in which he has to make entries and ask information from the people.

10721. Do you think it is such an easy task ?—I do not say that it is an easy task ; but a beginning has to be made, if we have to finance members adequately and on sound lines.

10722. Now, with regard to your proposal that the Government of India should take some part in the financing of improvement of land and extension of cultivation in Sind and the Sukkur Barrage area, do you want the Government of India to take a share in the land revenue ?—A Committee under the Chairmanship of Sir Visvesvarayya was appointed, and that Committee suggested that the Sukkur Barrage Scheme is too large a financial proposition for the Bombay Government, and, therefore, the Government of India should directly connect itself with this scheme and later on share the land revenue from this scheme with the Government of Bombay.

10723. And you approve of the suggestion ?—I am not concerned with it.

10724. There will be serious difficulty in that case, because naturally it is accompanied by control if the Government of India were to take a share ?—Even now so far as this scheme is concerned, the Bombay Government is under the Government of India.

10725. That is so far as the loan is concerned ?—Yes.

10726. It might be done in another way ?—I am not suggesting any way. If it is done, I suggest that the Government of India reserves should be placed at the disposal of the proposed land mortgage bank in Sind.

10727. You remember we are going to have a Reserve Bank in one form or another, and the gold standard, and if it is established, your only idea in making this proposal seems to be that the funds of the Government of India should be partly invested in the land mortgage bank. That is the only idea, and you do not mind which securities are placed at the disposal of this bank, whether it is gold standard reserve or the paper currency reserve ?—No ; my idea only is that, why should the funds, that are now being invested either in England or somewhere in railways, not be invested in a bank, which helps agriculture, and which forms the backbone of economic order in India.

10728. So, amongst other investments, you think that the investment in this land mortgage bank should form a part ?—Yes, because it will be a productive investment and will make the whole scheme a success.

10729. But most of these investments in England are short-term investments at the present moment and no money is invested out of these reserves in railways ?—It was done at one time.

10730. That was many many years ago, and the policy was condemned ?—It will be a productive sort of investment.

10731. But this would be a long-term investment ?—Yes.

10732. *Mr. J. N. R. Mehta :* About the centralisation of banks, apart from the present difficulty of the directorate, is it your opinion that the principle will help the Movement as a whole apart from the question of Sind ?—Primarily it will help the Movement, and, therefore, I have suggested it.

10733. The second point is about responsibility. Although the district banks may be advisory bodies, the power of giving loans will be in their hands ?—Yes, the Central Board will delegate that power.

10734. You can say from your experience that the different district banks are not exactly in the same position at all the places ?—Yes.

10735. And, as a result, one district bank is able to do more for a district, while the other district bank is not able to do much, and this could be avoided if there is a centrally co-ordinated system, so that a district which is not able to borrow money can be financed directly by the Central Bank ?—Yes, in fact there are many central banks which finance the district banks.

10736. And the banks will be able to borrow at a lower rate ?—Yes, and ultimately the agriculturists will benefit.

10737. *Professor Kale :* Can they not do it now ?—No.

10738. Why not ?—One more middleman may come in. Suppose a district bank is not able to raise at 5 or 6 per cent. and borrows from our bank, we would charge 7 per cent., because we charge a certain margin of profit.

Mr. C. K. Thadani.

10739. Why should you charge them more ?—We are paying them the rate that we pay to the depositors.

10740. Then where is the advantage ?—The district banks might borrow from their banks.

10741. Then there is centralisation ?—There is no centralisation, because the capital is not one.

10742. *Mr. J. N. R. Mehta :* You are possibly aware that each bank has its own manager or inspector, and that manager or inspector has no further scope. He sits in a particular office, possibly all his life without any incentive ?—Yes, and with no prospects.

10743. Do you think that it would be an advantage if we have a string of branches and centralisation ?—I have written that we shall be engaging a competent staff.

10744. Coming to the sale societies, do you think that a large amount of money will be required by sale societies in time to come, if the progress that we anticipate in our province is made, and that a place like Jacobabad will be requiring ten or fifteen lakhs of rupees at a time ?—Yes, when the things are developed.

10745. And that the Central Bank would be more useful then ?—Yes.

10746. Also that people will have more confidence in an organised bank with a large capital ?—Certainly it will have greater credit in the market.

10747. Coming to the question of *haris* in Sind, do you think that these *haris* should form themselves into co-operative societies with a view to take advantage of any arrangements that the banks may make for financing them for agricultural purposes ?—Yes ; but I think it will require quite a large staff. The whole Co-operative Department will have to be strengthened when the question of Barrage lands will be considered, and then we will have societies to purchase lands for people and supply them for current agricultural purposes.

10748. What is your idea about *zemindari* banks ? Should they be extended considerably or should they be curtailed ?—These *zemindari* banks can naturally function where there are big landholders, because no *zemindari* bank finances an individual, who does not pay more than Rs. 500 assessment. They, therefore, have a limited scope for extension.

10749. Would you recommend that *zemindari* banks should be extended for large holders ?—Wherever there is scope for them, they should be extended.

10750. *Mr. V. L. Mehta :* In your experience in connection with sale societies did you come across instances of forward sales being made by *haris* ?—In cotton growing areas there is the system.

10751. You mean "*jalap*" system, i.e., selling the crop against advances ?—Yes.

10752. Is that system increasing or is it decreasing ?—I cannot say.

10753. But it is very common for cotton growers ?—Yes.

10754. Is that due to the fact that they do not get money from other agencies ?—There are various considerations in the minds of agriculturists at that time. Some imes they think that the price is favourable and in some cases they are in financial stringency.

10755. So, it is not always due to financial stringency ?—I cannot give you the proportion.

10756. But on the whole they stand to lose ?—Yes.

10757. With regard to the issue of remittance transfer receipts, has your bank or any other district bank attempted to get into touch with the Controller of the Currency in Bombay ?—We attempted it with the Treasury Officer here, and he arranged with the Accountant General in Bombay.

10758. That is for Karachi only ?—Yes.

10759. Have you not tried to tackle it with regard to sub-treasuries in districts ?—I think there was some correspondence with the Assistant Registrar, but I do not know what happened.

10760. In your scheme you do not want to provide for any intermediate agency for the land mortgage bank ?—If you want to finance probable purchasers of Barrage lands, I do not think we need any intermediary.

10761. Who will attend to the work of seeing whether the loans are properly utilised, and if the loans are advanced for land improvement, whether the works are carried out or not ?—The bank will do it.

10762. Would it not make the machinery too unwieldy ?—At present we advance and we go and attend to it.

10763. And who will attend to the recovery of instalments ?—The inspectors will do that. And if the land mortgage bank were to be registered under the Co-operative Act, the privileges of that Act will be enjoyed by the land mortgage bank.

10764. In reply to Mr. Kamat you said that there was a desire for land improvement in this division, but I should like to know whether the land improvement loans, made available by Government through co-operative agencies, are being availed of to a large extent either in this district or in any other district ?—There is one difficulty in the system, because the loans are given to the co-operative credit societies, and the societies being responsible are unwilling to assume the liability for large amounts.

10765. You mean it would be better if individuals had direct access. But where there are no co-operative societies, they can get finances through revenue authorities. Are these loans given in large amounts ?—I do not know how much the revenue authorities give.

10766. Have you figures with regard to the extent of business for advances against agricultural produce transacted by your and other co-operative banks in this Presidency ?—No other co-operative bank has done it.

10767. To what extent has your bank done it ?—We have experience of hardly two years. It will come to about two lakhs of rupees.

10768. Has the Imperial Bank, which came in the field later, done much business ?—They must have done more, because we confine our activities to the members of the co-operative society.

10769. *Mr. Buckley :* Has anything been done with regard to redeeming members of societies from indebtedness ?—Not to any large extent.

10770. I see in your statement that the period of fixed deposits does not exceed one year. Has any attempt been made to have deposits for longer period ?—It is not prudent to accept long-term deposits, because the rates are varying. How can we fix the rate for a longer term at a particular stipulated rate ?

10771. Not with the idea of tackling the question of indebtedness ?—Co-operative banks advance short-term loans and not long-term loans.

10772. You have surplus money in your bank. Do you forsee to use this surplus money as soon as sale societies are started ?—Yes, it will be used.

10773. The whole of it ?—Not the whole of it. It will take some time.

10774. *Seth Haji Abdulla Haroon :* You say in your statement that the rates of interest charged by *sowcars* vary from 12 to 50 per cent. Could you suggest any legislation on the lines of the Punjab Money-lenders' Bill or the English Money-lenders' Act ?—I cannot suggest any. I have no knowledge of the working of the English Money-lenders' Act.

10775. You say that there are 40,00,000 of acres for cultivation in Sind and that Rs. 15 are required per acre for cultivation. Can you say approximately the income in Sind per acre ?—It depends on the nature of the crop. Rs. 15 per acre as cost of cultivation is taken on an average.

10776. You suggest the establishment of a land mortgage bank. But have you any idea as to what amount the agriculturists have taken from *sowcars* on mortgage of land ?—There are no statistics available.

10777. Do you not think that at present more than 50 or 60 per cent. lands are mortgaged with *sowcars* ?—I cannot give any exact figure.

10778. You know that many of these cultivators are indebted to *sowcars* and *zemindars* ?—Yes.

10779. So if the land mortgage bank is started, it will require a huge amount of capital ?—Yes, that is why I have written that the land mortgage bank for Sind would be of a very large dimension.

10780. You said your banks give advances against paddy and rice. Are you not giving advances against standing crops ?—No.

10781. Has your store society been successful ?—We made an experiment last year and we got grain worth about Rs. 24,000 for storing.

10782. I think it will be profitable if you advance money on standing crops ?—It will be very difficult. It will require a special staff to go and value the crop.

(The witness withdrew.)

Mr. HATIM A. ALAVI, Karachi.

Replies to the Questionnaire.

SECTION I.

"Agriculturist" includes a *zemindar*, a peasant, a proprietor and a *hari*. Such expenses as a *zemindar* has to incur on agricultural operations are met either from his savings or by loans from co-operative societies or from *banias*. A peasant proprietor generally raises money for cultivation expenses from the village *bania*. The *hari* is financed either by the *zemindar* or by the *bania*—generally by the latter.

Loans for capital and permanent improvement are obtained either from Government by way of *taccavi* or from co-operative societies or from *banias*.

For other special needs, either by sale or mortgage of land with *banias*.

Rate of interest on Government *taccavi* is 6·75 per cent.

Co-operative societies charge 8 to 9 per cent. ; *banias* charge 12 to 25 per cent. for the season for which the loan is advanced.

Government takes personal security or hypothecation of the land to be improved ; co-operative societies take personal security and *banias* take either standing crops or mortgage of land.

Government issues *taccavi* loans to agriculturists generally for improvement of lands, and in times of floods and other calamities for seed, cattle, maintenance, etc.

Co-operative banks advance loans to co-operative credit societies which again advance loans to agriculturists.

DEFECTS.—There is a large percentage of leakage in the grant of *taccavi* loans. This can be avoided if Government grant *taccavi* loans through co-operative banks and societies only. This will encourage the growth of co-operative institutions.

QUESTION 2.—Paddy is the biggest staple crop of Sind. The *zemindars* are financed by the co-operative societies wherever such exist. But in Upper Sind *zemindars* having very large holdings and requiring of larger loans, have necessarily to fall back upon the *bania* who advances loans outwardly at the co-operative rate of interest. But it is generally agreed between him and *zemindars* that the latter should sell their produce through the creditor and it is in this deal that the *bania* makes the bigger profits.

Recently the Co-operative Bank tried to start a sub-society at Jacobabad. One of the big Muslim *zemindars* was induced to bring his crop for sale at the society depot. About two months after this, the said *zemindar's* son was married ; the *bania* through whom he was previously selling his crop went to the *zemindar* and offered him, in cash, Rs. 10,000 as a very humble *nazrana* on this happy occasion. Next time when the *zemindar* had to sell his crop he went back to his friend, the *bania*.

Cotton is mainly the product of Hyderabad, Nawabshah and Thar and Parkar districts. The report of the Central Cotton Committee, Bombay, regarding the marketing of cotton crops in Sind, is an interesting document and can be read with advantage. The needs of Sind in this direction are : the application of the Bombay Cotton Marketing Act and the establishment of cotton sale societies.

Recently, while doing the Flood Relief Work in Thar and Parkar district, a very big cotton growing centre, I came across several cases of the following type :—

A has to pay Rs. 600 as arrears of his assessment. He is unable to pay. The *mukhtiarkar*, contrary to his instructions, is very severe in his demand. It is alleged at his suggestion the *sowcar* turns up at the place and is willing to lend this amount. The *zemindar* does not pass a receipt for Rs. 600 but a contract that he will give the *bania* 100 maunds (at Rs. 6) of cotton of his standing crop. The floods come and destroy this crop. The *bania* demands his 100 maunds or Rs. 1,500 at Rs. 15 a maund which he says is the present rate. The *zemindar* who was unable to pay Rs. 600 is worse off now than before and cannot pay this Rs. 1,500. He is debited with this amount at 25 per cent. interest.

The joint stock and exchange banks come in only when the produce reaches Karachi. The Imperial Bank of late has begun to give some advances to *zemindars*. Where the co-operative societies do not exist (they are so few) the growers either get *taccavi* from the *zemindars* or a loan from *bania*—generally the latter.

Mr. Hatim A. Alavi.

Government can give free grant of land for opening licensed warehouses.

QUESTION 3.—VALUE OF LAND.—The price of land varies from Rs. 30 to Rs. 150 per acre, in our district. The actual price depends on various factors, *e.g.*, quality of water-supply, soil, vicinity to railway or port, kind of crops which can be raised. Rice land is generally the dearest.

No auctions of Government land are held in this district and very rarely any auctions are held in execution of civil court decrees. Price realized on private sales varies according to various factors.

QUESTION 4.—LEGAL RESTRICTIONS.—A large area is held on restricted tenure under which landholders cannot mortgage or sell their holdings, nor can they lease them. The result is stagnation of soil because many holders cannot raise enough capital to make the best use of their land.

The maintenance of the Record of Rights should be carried out by the Sub-Registrar in each *taluka* office and not by *tapedars*. The Sub-Registrar should be attached to the *mukhtiarkar* and he should work under him. *Tapedars* should be supplied with extracts of mutations so as to bring their *jamabandi* books to date from time to time. The *tapedars* should have nothing to do with maintenance.

QUESTION 6.—SMALL INDUSTRIES.—There are practically no subsidiary industries worth mentioning in this district except *gur* making (molasses) which is carried on in Mirpur Sakro *taluka* to a small extent.

There are some rice mills worked by machinery. The number of agriculturists employed in those factories is very small.

In the off season cultivators are employed on clearance of Government and private canals.

There is no hand weaving industry worth mentioning anywhere in the district except in Tatta where *lungis* and other kinds of cloth are made. But this industry employs non-agriculturists only.

QUESTION 7.—STATE HELP FOR BANKS.—Over and above the concessions suggested in the questionnaire, the co-operative banks should enjoy a part of the Government reserve now held by the Imperial Bank. The agriculturists are the backbone of the country, and it is indeed high time that at least a share of what they give to the Government by way of revenue should come back to them in shape of cheap credit.

SECTION II.

I feel that the best way to help them is to associate these indigenous bankers directly with the Imperial Bank. The indigenous banker is a very hardy plant native to the soil, and keeping a human and lively interest with his creditors. If these bankers are linked up with the State-aided banks, that would prove one of the quickest methods of developing banking in this country.

SECTION III.

Wherever the co-operative societies have been formed, they have acted adversely on the none too thrifty habits of the Sindhi *zemindar*. He now gets his loans from the societies for the purpose of cultivation, and from the *bania* for marriage and circumcision ceremonies, etc.

In the rural tracts there are alt[illegible] investing savings. E[illegible] insurance brokers have made no headway with Muslim *zemindars*.

I believe that, if figures were taken out, there would be many hundreds of Muslim Sindhis who have invested in Government securities and are not earning interest. This money can and should be utilized for the educational purposes.

I am very strongly in favour of putting restrictions on foreign insurance companies.

Oral evidence.

10783. *The Chairman :* Mr. Alavi, you are the Director of the Sind Central Co-operative Bank ?—Yes.

10784. You speak about *taccavi* loans and you suggest that it should be given through co-operative banks and societies. Is it not done at present ?—Yes, it is done now.

10785. Do you want any change in the system ? What do you want to be done ?—I want that it should be given through the co-operative societies even to non-members.

10786. Would the society take the responsibility ?—I doubt very much.

10787. That would be the difficulty, would it not ?—Yes.

10788. You speak about a case in Jacobabad society, where a *bania* advanced ten thousand rupees to a Muslim *zemindar.* But the society has not started work ?—No ; it was proposing to start work, but it has not started.

10789. You also mention a case where a man had to borrow Rs. 600 and had to pass a bond for Rs. 1,500. But the *sowcar* would not be able to recover that if he goes to the court ?—Why ?

10790. Because the court will go into the history of the transaction ?—Supposing he has written a bond ?

10791. Do you not know of cases where the court materially reduced the amount though it was written in the bond ?—It is ; but the *sowcar* relies on the ignorance of the man and knows that he will not go to court.

10792. You say in your statement that the restricted tenure comes in the way of raising money ; but even the *haris* can raise money from the *bania* ?—I mean for long-term loans and not for short-term loans.

10793. Speaking about the investment habit, you say : "Whenever the co-operative societies have been formed, they have acted adversely on the none too thrifty habits of the Sindhi *zemindar.*" Do you suggest that they borrow more than they ought to ?—Certainly, I have several cases where suppose a *zemindar* requires Rs. 500, he applies to the society for that loan and, on the strength of that loan application, he borrows 700 or 800 rupees from outside. When he receives Rs. 500 from the society, he returns that amount to the *bania,* and still he remains a borrower to the extent of Rs. 200 or more. He borrows more because there are two sources—the *bania* and the society.

10794. So the unthrifty borrows more ?—Yes.

10795. What is your suggestion to prevent this ?—I think ultimately we all come down to education.

10796. You say in your statement that a great many Muslim Sindhis have invested in Government securities and that they are not earning interest. Do many Muslims

not deposit in banks and take interest ?—When the late Mr. Harachanrai was a Member of the Legislative Assembly, I had a talk with him about this and he said he would enquire from Government. On enquiry he came to know that there was a very large sum of money lying with Government on which Muslims would not take interest. When he asked Government what they did with that money, I understand, Government said that they were making over the money to a Christian mission.

10797. How can that be done ? The man will claim interest at any time ?—He writes down that he does not want to receive interest.

Professor Kale : The money remains with Government.

10798. *Seth Haji Abdulla Haroon :* What is your ground for saying that there is a large amount of money invested in Government securities on which they receive no interest ? Is it merely from the above conversation ?—I think there were questions asked on that.

10799. *Mr. Buckley :* You suggest restrictions on foreign insurance companies. Would you not see them taking more interest in the country ?—Let me put this way. Take the case of Indian shipping. You know that Indian ships owned by Indian companies and manned by European officers are taken up by foreign insurance companies as "B" class ships, whereas ships owned by European companies and manned by European officers are classed as "A" class ships. I want that we should retaliate by having some imposition or restriction on foreign insurance companies.

10800. Instead of retaliation, would you not like to see them taking up other activities. For instance, there is another suggestion put to us, and that is about cattle insurance and insurance against failure of crops. Would you be in favour of that ?—That was what the Indian Merchants' Association stated, but I do not know how far it would be feasible.

10801. Would it not be a good idea to make them have more interest in India ?—Provided they register themselves in India with rupee capital.

10802. *Mr. V. L. Mehta :* You refer in your written statement to land held under restricted tenure. Are instances found in any particular district or throughout the whole of Sind ?—I think it is all over Sind. I know better of Karachi.

10803. You want to link up the indigenous banker with the State-aided bank, that is, the Imperial Bank of India. In what manner would you do that ?—I am against the Imperial Bank opening branches at small towns. If there is a sound *shroff*, or if there is a group of sound *shroffs*, I think, they ought to link them up as agents of the Imperial Bank.

10804. Is that possible in Sind ?—Why not? In Native States that is being done.

10805. *Mr. J. N. R. Mehta :* Mr. Alavi, from your experience of Sind you know that there is a very large number of *haris*, who have to do the work of agriculture for *zemindars*, and that they have no interest in the land. Is it your opinion that the Co-operative Movement has not been able to do much for the *haris* during the last, say, ten or fifteen years, or do you think that the Movement has done some good ?—It is certainly a fact that, as the *hari* has no credit, he does not get finance.

10806. Therefore, do you feel that some kind of special arrangement, co-operative or otherwise, should be made if any good is to be done to the *haris* ?—It ought to be done ; but I cannot suggest, because the bank ought to see to the security.

10807. Do you mean, therefore, that from the security point of view it is almost impossible to help the *haris* ?—Yes ; unless the underlying system is changed.

10808. It has been suggested by several persons to have a land mortgage bank specially with a view to helping the *haris* by giving them loans on instalment system. Do you think the co-operative societies would be well advised to do that ?—Perhaps the Co-operative Movement will be able to do it.

(The witness withdrew.)

Mr. DURGADAS B. ADVANI, Managing Director, Mercantile Co-operative Bank, Karachi.

MEMORANDUM.

Two points in which I feel interested in connection with co-operative banking are : first, the provision of facilities for taking loans, for the small traders in the larger towns, who find it hard to get accommodation from the joint stock or exchange banks, and secondly, the advancing of money to landholders against their produce till it is sold.

With regard to the first point :—

The Mercantile Co-operative Bank was started at Karachi by the end of 1927. In the course of nearly two years ; its working capital has gone up to over six lakhs, and it is rising rapidly. The success of the Bank has been due to the fact that it has supplied a real want. Till the time of the report for the first year 1928-29, the people who took loans, apart from *hundis*, etc., can be classed as follows :—

103 merchants,
58 employees,
14 contractors,
1 chemist, and
2 medical practitioners.

And these numbers have increased considerably since then

There was a demand from Hyderabad (Sind) for opening a branch of our Bank there.

Before deciding upon the question of opening branches, and the places where they are to be started, the directors wanted to have a report after investigation, and we will try to get information and then decide. Meanwhile the Bank at Karachi will grow and get established.

It has been my experience, being connected with the co-operative bank of my own community and the Mercantile Co-operative bank, that some merchants prefer dealing with the latter to the bank of their own community. Personally, I am of opinion that it is better to encourage co-operation on non-communal lines ; and it is, therefore, better to have mercantile co-operative banks at as many places as possible. The small trader and the man who desire to make a living on some local industry deserve to be specially helped ; and a mercantile co-operative bank can do this very well. It is a bank which seems to suit the needs of the urban population.

With regard to the second point :—

It is not an uncommon occurrence for the landholder to dispose of his produce at the earliest possible moment because he is in urgent need of money. And the starting of

branches, at suitable centres, with the object of financing agriculturists till they are able to dispose of their produce at advantageous prices, is a matter which requires investigation. It opens up a field for the work of a bank such as the Mercantile Co-operative Bank. At present the question of disposing of our surplus funds is always before the Board; and the question how far the starting of branches for making advances to agriculturists against their produce will solve the problem of surplus funds, which is common to many co-operative banks, requires careful investigation and consideration. Sale societies exist at the present time in ten places in Sind; but these do not touch even the fringe of the problem, as many of the middle class and even the big *zemindars* are still in the grip of the individual banker, and are often compelled to sell their produce outright to the broker who buys on behalf of the *big merchant*.

The present business connections of the agriculturists with the individual money-lender, and the fact that they are not accustomed to stocking their produce, are factors to be contended against; but it appears very probable that there is a vast field for the work of co-operative banks in making advances to individual landholders against their produce.

The total annual produce of Sind is estimated at, say, 10 crores. Even if we assume only 20 per cent. of this, it would mean that we could advance two crores of rupees to agriculturists annually. The total working capital in the co-operative credit societies and banks at present is 1 crore and 9 lakhs, and this goes mostly to help the ordinary landholder of small means to do his cultivation work. The above figures give a very rough idea of the field that exists for the work of the co-operative banks in the direction of advancing money on the security of produce.

If the big *zemindars* have also to be financed, it is essential to have co-operative banks that will permit of dealing with individuals; and it appears to me that, it would be in the fitness of things, if mercantile co-operative banks could be opened at different centres, so that the *zemindars* as well as the small traders of the town may be able to take advantage of them.

Oral Evidence.

10809. *The Chairman:* Mr. Durgadas, you are the Managing Director of the Mercantile Co-operative Bank?—Yes.

10810. How old is your Bank?—Two years and a quarter.

10811. You are trying to do for the small merchants and traders what the big joint stock banks do for the bigger merchants and traders. Is that correct?—Yes.

10812. Do you make advances against produce also?—Not yet; but we want to do it. We advance against goods.

10813. Where do you keep the goods?—We have our own godowns.

10814. If a merchant wants to keep goods in his own godown?—The godown should be locked up and it should be under our control and the key should be in our possession.

10815. What security do you take in case of advances other than those against goods in godown?—Either we take two sureties or we take property.

10816. Are your deposits short-term deposits?—Mostly we have fixed deposits.

Do you think it is safe to invest any large portion of your capital against security of property?—Our margin is very great, and I take particular care to see the property myself.

10818. But the price of it is not easily realisable ?—The margin is great, so that if we advance Rs. 5,000 we will have property worth Rs. 10,000 or 15,000.

10819. *Mr. J. N. R. Mehta :* Do you not have in addition to that the personal security also ?—No ; when we have substantial property, we do not take the personal security. In some cases we take one surety.

10820. *The Chairman :* Is a substantial part of your investment invested in that way ? —A fair proportion.

10821. Do you do *hundi* business too ?—Yes.

10822. For your own members ?—Of course, they have to be members.

10823. Are you connected with any other bank ?—I am the Chairman of the Hyderabad Co-operative Bank.

10824. Has your bank any connection in or outside the Presidency ?—We tried to have connections with banks in other provinces and also in the Punjab for the purpose of bill collection, but we did not find encouragement, and they do not seem to take interest in the matter. We would like to do this sort of work with banks in the Punjab, and we addressed the Central Bank at Lahore, but they did not seem to take interest in the matter. And if this Committee would make such arrangements, it will help us considerably. We did try, but we have not met with success so far.

10825. Have you any arrears, or do your instalments come in punctually ?—It is a very small percentage.

10826. Do you give cash credit ?—We do.

10827. What is the usual system ?—I have power to grant it up to Rs. 500 for a fortnight. With regard to other credit, the power is with the Board. Mostly we advance by way of loans ; in certain cases, when we deal with merchants, they require overdrafts. Our present limit is Rs. 5,000, and we have increased it to Rs. 10,000. We have applied to the Registrar to sanction the necessary change in our bye-laws.

10828. How does the working of your Bank, so far as advances to small traders and merchants are concerned, compare with the working of the Urban Bank ? Do they finance the same class of people ?—Mostly not.

10829. I expect the other banks, such as communal banks, which you refer to, finance ?—Yes, they do in their own community.

10830. Is there any overlapping ?—No ; we, however, try to find out if a borrower has taken any loan from any other co-operative bank.

10831. Before your bank was started, where did they get their finance from ? Did they get from indigenous bankers or money-lenders ?—They must have somehow managed, but they were in very great difficulty, and the rates of interest must have been very exorbitant.

10832. You say in your statement that you were considering the proposal to open a branch of your bank in Hyderabad. Will your committee be here ?—Yes.

10833. And there would be a separate group of merchants in Hyderabad ?—We would have a local directorate consisting of two or three persons, and they would control the bank in Hyderabad. That is the idea.

10834. Has any such proposal been sent to the Registrar ?—We have not yet settled the point.

Mr. Durgadas B. Advani.

10835. I was wondering whether it is not possible to open a separate bank ?—I think it is better to connect it with our bank as a branch, because it always leads to better results.

10836. Supposing you want finance, would you go to the Central Bank here ?—Yes.

10837. And if the Hyderabad branch wants finance, would they go to the Hyderabad Central Bank ?—They will have correspondence with us, and we will advise them.

10838. As regards the second point in your statement, you speak about advances against produce. What is your idea ?—Our idea is to open branches of our Bank at suitable centres.

10839. But there will be agricultural societies or sale societies and the branches of the Central Bank ?—I think there is scope enough for our Bank, because the advantage of a mercantile bank is that it deals with all classes of people and not only with agriculturists.

10840. Do you deal with agriculturists ?—Not as yet; but, if we open branches at Hyderabad and elsewhere, we can deal with agriculturists.

10841. Would you propose that your branch should open godowns ?—Yes, as near as possible to the marketing centres.

10842. Can the agricultural societies not finance ?—Agricultural societies cannot do, in my opinion, large business.

10843. Sale societies ?—Sale societies have been started, but I do not know how far they can do business. In my opinion the bank of the nature of the Mercantile Co-operative Bank can do more business than sale societies.

10844. But the Central Bank is also opening branches ?—I have heard that; but, in my opinion, there is plenty of scope.

10845. You do not think that the Mercantile Bank should restrict its operations only to mercantile classes and not the agriculturists ?—The agriculturist also is a producer of something, and as such I think we should deal with the agriculturists as well. The central bank and the district bank have more to do with societies, and we have to do more with individuals, and I think this is a way in which we can use our surplus funds.

10846. Is your membership confined to Karachi town ?—At present.

10847. Then you will have to extend it ?—The branches will deal with their respective places.

10848. Very often the question of marketing produce or holding it up is closely connected with the question of advances during cultivation. How will you deal with that ? It is alright if people bring the produce to you and ask for an advance; that would be easy enough. But in Sind everywhere there is some sort of understanding with the man who finances for the sale of the produce through him. That would be a matter which you will have to consider ?—The matter requires a certain amount of investigation.

10849. But if facilities were available, do you think there will be a large number of producers as well as merchants, who would like to hold up their produce ?—I think so.

10850. And that would be an advantage ?—Yes, in most cases.

10851. *Mr. Kamat:* Is it compatible with the objects of mercantile banks to deal with agriculturists and *zemindars* as you propose to do ?—The Mercantile Bank does not mean that we should confine ourselves to merchants only.

10852. But if you lend out to *zemindars*, are you not running a risk ?—We will lend out against marketing produce. We will have always something in hand against which we will advance.

10853. Do you think your six lakhs of working capital would be enough to meet the claims of 103 merchants, if each wants, say, Rs. 5,000 ?—Our capital is rising. It has risen to seven lakhs since the writing of my note. To-day our working capital is Rs. 6,95,000, and we have surplus of nearly one and a half lakhs. We have invested them in Government securities. Then we will have to open branches, and they will bring in a lot of money, and our experience is that the branches supply us with more funds.

10854. But there are other agencies which deal with *zemindars*. Should there be overlapping ?—In my opinion there should not be a bank like the *zemindari* bank. It limits the scope. There should be a general bank.

10855. You are against the *zemindari* Bank ?—I am not against it; but, in my opinion, a bank, which deals with various other people, would work more satisfactorily.

10856. *Mr. J. N. R. Mehta:* Is it your experience that in places like Karachi there are small men who need money, and that the present joint stock banks hardly do anything for them ?—It is very difficult for the small man to get accommodation. The number of merchants, who have taken advantage of our Bank, has risen considerably.

10857. And, therefore, such mercantile banks could do more useful work for smaller merchants ?—Of course.

10858. Do you think that such facilities of advancing to smaller men would mean a good deal of risk or would give a tendency for smaller men to borrow more ?—It is a real help, because we take good security.

10859. And notwithstanding the security, the joint stock banks do not help ?—The borrowers have found it very hard.

10860. *Mr. Buckley:* May I take it that practically all your advances are to individuals ?—In *hundi* business we have two sureties.

10861. I mean advances against crop produce ?—We have two sureties along with the borrower; but when advances are made on property, no signature is taken except one.

10862. What is roughly the percentage of advances against property ?—It is roughly between five and ten per cent. of the total advances.

10863. *Mr. V. L. Mehta:* Are there usance bills used in your Bank's business ?—We have a list of approved merchants and we have limits fixed. Rs. 5,000 is the limit for loans on *hundis*.

10864. Do they find it more convenient than borrowing against promissory notes ?—Yes; we have introduced this system, and they find it convenient.

10865. For what period are the *hundis* issued ?—Three months.

10866. This would not be real trade bills. Would they not be accommodation bills? They are *hundis*; sometimes demand notes also.

10867. You have no advances made against gold and silver ?—No.

10868. What class of people is doing that work at present ?—Probably *shroffs* might be doing it in towns.

10869. Do you not think it is a good business for the Mercantile Co-operative Bank to undertake this business ?—It might be.

10870. *Seth Haji Abdulla Haroon :* You know that there is necessity for facilities for storing the produce in the *mofussil*, so that money could be advanced against the produce in stores or godowns to agriculturists or *zemindars*. There may be two agencies—either Government or private. If private individuals are asked to open these stores, do you think private enterprise would be forthcoming? Do you think your Bank would come forward and help the public in this way ?—I think so. Personally, I would strongly favour it. It is a good thing, at any rate, for the Mercantile Bank.

(The witness withdrew.)

Mr. ALLAHDINO Md. SIDIK MEMON, District Honorary Organiser, Co-operative Society, Durro, District Karachi.

Replies to the Questionnaire.

(A) Present system by which the agriculturists in Sind obtain finance for :—

(*a*) EXPENSES DURING CULTIVATION.—The villages where co-operative societies of more than three years standing exist, the current agricultural needs of the members of those societies are generally satisfied fully by them. In places, however, where the societies are in an initial stage and are of less than about three years standing, or in places where societies do not exist at all, the village *sowcar* is the chief financier. In addition to the exorbitant interest, he usually imposes a condition that the produce of the borrower must be sold to him or through him.

Government *taccavi* for current agricultural operations has generally been discontinued, except, perhaps, in some specified backward *talukas*. In seasons of scarcity, famine, floods or other unforeseen calamities of nature, Government *taccavi*, however, is freely granted all round.

(*b*) CAPITAL AND PERMANENT IMPROVEMENTS.—The village *sowcars* do not advance any loans for land improvement. In years of plenty, the agriculturists generally effect improvements in their lands out of their own savings. Those who have no savings, obtain Government *taccavi* on long-term basis. Such *taccavi* is given to the members of co-operative societies through the societies concerned, while in the case of non-members they get it direct from the *mukhtiarkars*.

(*c*) SPECIAL NEEDS, e.g., FAILURE OF MONSOON, LAND REVENUE, ETC.—In Shah Bunder Division, to which I belong, cultivation is carried on by means of canal water. Rainfall being uncertain, the agriculturists do not depend upon it. If in any year the water in the canals is inadequate or if there are floods or other calamities of nature, *e.g.*, diseases, locust attacks, etc., the condition of the agriculturists becomes very pitiable. The co-operative societies in such years grant extensions to their members as also fresh loans for further cultivation. Government also grants them postponements of *taccavi* instalments. The *sowcars* adding interest accrued to the principal sum, get fresh bonds executed and also give further advances though the rate of interest in such cases is much enhanced.

(B) RATES OF INTEREST CHARGED ON LOANS, NATURE OF SECURITY, ETC.—The rate of interest at which co-operative societies advance loans to their members ranges between 9⅜ to 10$\frac{15}{16}$ per cent. per annum. The rate of interest of the *sowcars* ranges from 18 to 54 per cent. per annum according to the solvency of the borrower, and the nature of the security offered. Loans advanced by co-operative societies are repayable generally out of the crop for which they are advanced.

Sowcars generally give very little cash to the *zemindars* or *haris*. Their advances generally are in kind. The necessaries of life, *e.g.*, cloth, spices, kerosene oil, seeds, etc., are all taken on credit by the *zemindars* and the *sowcar* debits them with the cost thereof at whatever rates he finds convenient to himself. If a *zemindar* requires a big sum as cash loan, say two hundred or upwards, then he is required to execute an outright sale deed for a portion of his land. The moral understanding between the parties, however, is that the land will be restored to the vendor if the amount is repaid with interest during one year's time. It has been found by experience that more often than not the *zemindars* are unable to repay the full amount punctually, with the result that they lose their title to the holding.

(C) WHAT PART IS BEING PLAYED IN AGRICULTURAL FINANCE BY GOVERNMENT, THE IMPERIAL BANK OF INDIA, ETC.—In my Division there is no other financing agency for the agriculturists except the co-operative societies, the local *sowcars* and Government to the extent pointed out above.

I am the Honorary Organiser of Shah Bunder Division which comprises four *talukas, viz.*, Jati, Shah Bunder, Mirpur Bathoro and Sujawal. There are in all 48 societies in that Division with a membership of about 2,000 and working capital about Rs. 4 lakhs. The societies are based on the share system. The nominal value of a share is Rs. 20 payable in 10 instalments of Rs. 2 each. This amount is too small for one year's contribution, and hence each member is required to subscribe for at least 5 shares, *i.e.*, he pays Rs. 10 per year least. The well-to-do members contribute more, and some keep deposits also in societies. Of the total capital of rupees 4 lakhs, about 40 per cent. is the owned capital of societies raised in the shape of shares, deposits and reserve fund, while the remaining 60 per cent. is mostly the loan from the Central Bank, there being a small percentage of Government *taccavi* also in it.

The maximum lending limit is Rs. 500 per member, but in deserving cases permission is accorded by the Deputy Registrar to grant loans up to Rs. 1,000 per individual.

(D) ESTIMATE OF THE TOTAL AGRICULTURAL REQUIREMENTS OF THE PEOPLE.—The total area cultivated during a year in my Division is about 2 lakhs of acres. Taking the average cost of cultivation at Rs. 12 per acre, the total capital required in my Division is about Rs. 24 lakhs. Of this, co-operative societies contribute about Rs. 4 lakhs, *i.e.*, ⅙th of the total amount required. The remaining 5/6ths are being advanced by the *sowcars*. The *sowcars* have thus the upper hand still in rural finance and they are using all possible means to suck out even the last drop of blood of their debtors. The rates of their interest are heavy, and in years of scarcity the debts against the *zemindars* go on swelling by rapid leaps by the accumulation of interest and compound interest. The *bania* maintains false accounts which the illiterate agriculturists cannot follow with the result that, once in his clutches, the *zemindar* is seldom able to extricate

himself. The following, in my opinion, are the remedies against this unpleasant state of affairs :—

1. Multiplication of co-operative societies.

2. Opening of village schools broadcast to make education accessible to every humble soul. This will stop future illiteracy at least, if not the existing one.

3. Opening of branch post offices in all good villages.

4. Opening of a land mortgage bank which may redeem the old debts of *zemindars*.

5. Organization of a *zemindari* bank which may meet the requirements of big *zemindars*.

6. The Deputy Registrar be empowered to sanction loans up to Rs. 3,000 in case of deserving members of the existing societies. Beyond this the powers may be reserved by the Registrar.

7. The financing banks at present restrict their loans to societies within a maximum of one-third of their total assets. This limit should be made more elastic and societies should be given loans up to half of their total assets.

8. Application of the Land Alienation Act to Sind, whereby it may not be possible for the money-lenders to usurp the agriculturists' land.

9. There should be some Government check and control on the *sowcars* to minimize their exploitations, *e.g.*, they should be placed under legal obligation not to charge interest beyond a certain rate. They should also be required to maintain their accounts in some prescribed forms which at least the educated agriculturists may be able to scrutinize from time to time.

QUESTION 2. PRESENT METHODS OF MARKETING THE PRINCIPAL CROPS.—Paddy is the principal crop in Shah Bunder Division. When it is ready, the *zemindars* who have already promised to sell it to the *sowcars* do so. Others also dispose of their produce on the spot, and do not carry it to the market places for sale. Bargains are made with the agents of grain merchants either locally or at market places, and the purchasers make their own arrangements for the transport of produce.

In some cases forward sales are also effected. Before the crops are ready, the *zemindars* enter into forward contracts with the dealers agreeing to give a certain number of maunds of paddy on a particular date at a particular price. The *zemindars* get Rs. 2 per maund as earnest money for the contract. If, however, the *zemindar* requires full value in advance of the quantity promised to be supplied on the future date, the merchants give that also, but the rate offered in that case, is much lower than the current rate of forward sales.

The grain merchants cheat the *zemindars* in prices as also in weights and to remedy this state of affairs co-operative sale societies are a very potent remedy, but unfortunately they cannot be quite useful to the *zemindars* at this stage owing to the following among other causes :—

1. The *zemindars* are accustomed to sell their produce in their own villages and they cannot shake off this habit so easily. Moreover bringing the produce to market places means bagging and transport arrangements which the agriculturists do not or cannot afford to undertake.

2. Several *zemindars* dispose of their produce by contracting forward sales, but co-operative sale societies cannot enter into speculative business.

The sale societies, being business concerns, require much business capacity and skilful management both of which are not available in the *mofussil* villages.

Inspite of the above difficulties a beginning was made last year (December 1928 and January 1929) and some of the *zemindars* of the Mirpur Bathoro *taluka* were induced to sell their produce through the Sind Central Bank's Branch at Mirpur Bathoro. They brought about 4,000 maunds. The rate of paddy being somewhat unfavourable at crop time, the *zemindars* proposed to wait for better prices and were given 75 per cent. of the value of the produce brought in advance. Unfortunately owing to fluctuations in prices the rate existing in December 1928 and January 1929 went on falling and has not risen even up to this day, with the result that the produce is still lying with the branch undisposed of. Thus the first experiment towards joint sale of produce has not proved quite encouraging. It will, therefore, take some time to make sale societies popular in my Division.

Oral Evidence.

(*Summary of the Oral Evidence.*)

" I am a District Honorary Organiser. There are 48 societies in my charge. I have been doing this work for six years. The agriculturists sell their produce to *sowcars*. They get the price of the day. Those who sell while the crop is standing, sell it at a much lower price. There is another difference also in that those people who give their produce in liquidation of their debts do not get a good price. Big *zemindars* get *taccavi* from Government for land improvement. The small *zemindars* do not care. They do improvements with their hands. The *zemindars* give, in turn, the *taccavi* loans to *haris*. The tendency to improve the land is there, but it is a question of finance. The big *zemindars* get *taccavi* from the Government whenever they want it. The *sowcars* do not give money for this purpose. Last year the season was good. The year before the last was very bad. This year there was no water in the beginning, but at the later stage there was more than sufficient water and the land was good. I do not know of any case when two or three years out of four were bad. There is no difficulty for co-operative societies to advance if there is one bad year. The societies have fixed deposits and reserve fund. Fifteen per cent. are deposits. Every year the members go in purchasing shares at the time of the harvest. I say that the opening of branch post offices is necessary for this reason : At present a lot of delay is involved in the receipt of correspondence and papers to co-operative societies or of correspondence with *zemindars*. Therefore, to avoid this delay, branch post offices are necessary. At present the postal savings bank is taken advantage of by Government servants and not by agriculturists. The *zemindars* took advantage of the postal cash certificates during the war time. Now they deposit their money in the branch offices of banks. They get interest. About marketing, I say that people do not take their produce to the market but the purchasers go to them and buy their produce. The petty traders buy the produce and bring it to the husking mill and get it husked and send it to Karachi. Sometimes they sell to big merchants and sometimes they sell direct in Karachi. There is only one *zemindar* who is working in partnership with other merchants and sends his produce direct. I say that the small *zemindars* are benefited by co-operative societies and not the big *zemindars*, whose needs are greater and are not being satisfied. Wherever there are societies of more than three years standing, these societies' members do not borrow from *sowcars* except in very rare cases where a marriage takes place or some such thing happens.

Mr. Allahdino Md. Sidik Memon.

I say that for a bank to finance adequately in the first year is not good. We take proper care in selecting members. We follow the same principle from the very beginning as banks follow.

"So far as my knowledge goes, only Rs. 2,000 have been given from societies. I do not know how much money has been taken from Government directly as *taccavi*. People do know that *taccavi* is available and the procedure is very long. The investigation is done first by the *mukhtiarkar* and then he consults the Agricultural Department. There is no difficulty in getting these people on the spot excepting the time. The people are really afraid of applying for *taccavi* to the *mukhtiarkar*. We get sanction from the Registrar to grant special limits. The usual limit is Rs. 500. We get sanction to the extent of Rs. 750 and ultimately to Rs. 1,000. The Co-operative Movement has satisfied one-sixth of the requirements of a member.

"The *zemindars* borrow from the credit society and, in turn, they finance their own *haris*. So the Co-operative Movement is doing good both to the *zemindar* and to the *hari*. The *zemindar* does not charge any interest to the *hari*. When a *zemindar* finances a *hari* without interest, in lieu of this, he gets two-thirds of the produce—one-third in lieu of the supply of seed and one-third in lieu of the supply of cash. In spite of his getting two-thirds from the *hari* the *zemindar* is in need of borrowing because his crop fails frequently and, therefore, he has not only to look after his own family but to the needs of the *haris* also.

"If a *zemindar* does not finance the *hari* he would not cultivate the land. Though it is said that the *hari* gets only one-third, actually he gets nearly half. At the time of division, there are customs, by means of which his entire share nearly comes to half the produce. If the crop is good, the *hari's* share is enough to keep him well. The Land Alienation Act is necessary because most of the lands owned by Mussalmans should be in the possession of Mussalmans always. The *banias* who lend money should be made to keep a certain regular system and form of accounting."

(The witness withdrew.)

Mr. E. L. PRICE, C.I.E., O.B.E., P. & O. Bank Buildings, Karachi.

MEMORANDUM.

1. I have been in business in Karachi since 1905. My experience has been mainly with shipping, finance and exchange.

2. The growth of banking in Karachi in the past 25 years has been remarkable, not only in the increase in the number of branch banks established here but of their Indian constituents.

3. The habit of cash (instead of cheque) payments, however, still largely prevails.

4. The sums in currency that Indian merchants carry with them, on their persons or wrapped in a cloth, and in their safes, are staggering. I have several times seen over Rs. 1,00,000 so carried in notes. I once had deposited with me Rs. 72,000, in my firm's own cheques, by a merchant who was going out to live in a camp for fear of plague.

He absolutely refused to allow me to bank the money in his name on two grounds, (*a*) he could not write English, (*b*) he would not accept interest as being against *Koranic* Law. He, however, cheerfully accepted my offer to give the interest earned to a Muhammadan charity.

5. I do not know how to deal with the religious objection to interest without which banking cannot exist.

A learned gentleman once told me the *Koranic* injunction was only against greed, blood-sucking, not against ordinary commercial interest. The refusal of commercial interest is undoubtedly a grave handicap to those refusing it and through them to the country, especially where they predominate.

6. Illiteracy in English is a great handicap. The objections to banks cashing cheques signed or endorsed in a vernacular seem to me insuperable except in very special cases where the client can guarantee that no member of his household save himself will handle the cheques. I do not think there are many cases of Indian families illiterate in English where such a guarantee can be satisfactorily given or accepted.

7. There is also the question of " confidence " which has been heavily shaken by the banking swindles of 1913, the subsequent failures of the Alliance Bank of Simla and the Bengal National Bank, and again recently locally by the failure of the Karachi Bank. Ltd. A larger number of failures of banks, however, in the U. S. A. has not impaired the banking habit there.

8. The use of notes rather than coins, however, is a step in the right direction. The objection to notes in country places, however, is a practical one, the fear of loss by vermin or weather damage to the paper.

9. Hoarding of both coins and bullion is common both in Karachi and in the hinterland. The remedy is confidence, education and the lure of interest. It is calculated that, if once gold began to come out of hoard in India, there would be an immediate rise in price levels all over the world.

10. In my experience there is no difficulty for any one, with reasonable security and legitimate objects, to obtain financial accommodation from banks in Karachi, (*a*) for internal trade from the Imperial Bank and the joint stock banks, (*b*) for external trade, or business ancillary thereto, from the exchange banks. Complaints on such heads, that I have occasionally looked into, have all proved to arise from ignorance of sound banking practice.

Oral Evidence.

10871. *The Chairman :* Mr. Price, you are a businessman in Karachi ?—Yes ; we ship hides and skins and have agencies.

10872. And you are also interested in shipping, finance and exchange ?—Yes.

10873. You are also a member of the Karachi Chamber of Commerce ?—Yes.

10874. The views that you express in the note are your personal views ?—Yes.

10875. You say in your statement that the growth of banking in Karachi in the past 25 years has been remarkable and that most people who have credit and security are in a position to get what finance they require for their business. We have been told by some witnesses that joint stock banks and their branches are not in sufficient close touch with the local merchants not only in Karachi but also elsewhere in the Province, and that this is one of the reasons why people who deserve to get finance sometimes do not get it ?—It is not my experience. There is considerable competition in Karachi. You have in Karachi the Lloyds Bank, a very big English bank ; you have the Imperial Bank ; the Mercantile Bank, the Yokohama, the Chartered, the Eastern and the P. & O. Banks, the National Bank, the Central Bank, and you have two other Indian banks—the

Punjab P[illegible] and the Punjab National Bank. Owing to the competition between t[illegible] in Karachi, people of any credit are always in a position to get the finance they require.

10876. But what about the districts ? It is said that the management there is not in close touch with the people ?—I understand this has been put before you that there is a difficulty. I can quite believe it for this reason, if a bank is dealing with a European firm or individual, you will see the European wants financial accommodation in the bank where he will put his affairs very clearly, *i.e.*, his balance sheet, etc. Besides, as a matter of fact, the finance he requires will not exceed half the liquid assets he is putting up. If you come to an Indian gentleman, you will find that he does not want to put in 50 per cent. but wants a far larger proportion from the bank than he puts in himself. This of course the bank does not always give. In these days of fluctuation of prices it is often fair for a bank to require a 50 per cent. margin. Another thing is that the whole civilization of the West is based on the individual. In the East it is not so ; it is based on the family and great complications arise. I know one instance where a European firm had to settle up obligations with a Mahomedan firm and took over some property and everything seemed perfectly alright. Then there turned a girl claimant who apparently had some right which was overlooked. It was overlooked in perfect good faith. But finally they had to pay her out. In the case of a Hindu family every male born is a co-parcener. If you are going to deal with the head of the family, sometimes he has the right to bind the assets even of the minor co-parcener, sometimes not. These complications arise while dealing with Indians.

10877. You think the two points, *viz.*, inadequacy of margin and want of clear title stand in the way of getting financial accommodation ?—Yes. All the losses made by banks in Karachi for years and years have been on Indian accounts.

10878. Do you think that in the branches, as they are conducted at present, the management is in sufficiently close touch with the mercantile community or the banking people ?—I should say so.

10879. You speak about the expansion of banking in Karachi. Would it be correct to say that most of the internal trade is still being financed by indigenous bankers ?—Yes

10880. This being so, do you think that it is possible to bring the indigenous bankers more in touch with the general banking system of the country, *i.e.*, with the joint stock banks ?—I may tell you that my experience of indigenous financiers from the point of view of utility is that their terms are very drastic.

10881. If the rates of the bankers are exorbitant, could not the other banks come in and compete ?—But the chief difficulty for a bank, which works on a commercial rate, is to know its customer, whereas an indigenous *shroff*, though he may be charging high, estimates his risk. If you cannot really estimate the risk, you are not in a position to come in and to curtail the rate.

10882. The question is whether it will be possible for these banks to work through the indigenous bankers and place more financial facilities in their hands ?—The indigenous bankers are at present discounting *hundis* with banks.

10883. In paragraph 3 you say : "The habit of cash (instead of cheque) payment, however, still largely prevails" ?—The other day in Karachi Municipality 21 notes of Rs. 100 each were stolen ; such a loss could not have happened if the towns folk had made cheque payments.

10884. What do you think is the reason for this cheque habit not being on the increase ?—For several reasons.

10885. Is it due to want of confidence ?—I say that the people in Karachi have confidence in leading banks.

10886. It is said that the cheque habit could be more widely introduced if cheques were allowed to be issued in the vernacular ?—I do not think so. When people can sign in the vernacular, they can usually sign in English as well. I remember a case on one occasion where there was a family signature made on a cheque, and it turned out that the man who signed it was their cook and was recognised as a member of the household.

10887. Can any one sign it on behalf of the account-holder ?—I do not think so. Only the person, who is legally entitled, can do so.

10888. Is this procedure common ?—In most of the joint families it is so.

10889. But even if a cheque is signed by one member, does not the bank compare it with the specimen signature ?—I do not know. Personally, if I had my money in a bank which started accepting cheques signed in vernacular, I would at once withdraw it and put it in another bank. It is so difficult to identify the signature. Indians themselves have spoken to me about this.

10890. In Calcutta we found that in one bank they accepted vernacular signatures, but that they had a cashier who took the risk himself ?—It adds to cost. It will not be difficult for an ordinary man to learn to make his signature in English even if he is illiterate.

10891. *Mr. Buckley :* Is there any difficulty for small banks to get into the clearing house ?—I do not know. The bankers' clearing house is a bit cautious about taking a new member. First of all it should know whether he brings a volume of business. Now a new bank coming into the clearing house might have a large proportion of small cheques and thus it will throw everybody into confusion.

10892. Would you agree that not being a member of the clearing house is a distinct handicap to a small bank in popularizing the use of their cheques ?—I am not sure about it. The whole object of the clearing house is to balance dealings in large amounts. I mean if you have a couple of hundreds or thousands of rupees, this sort of business is not suitable to the clearing house.

10893. About the disinclination of certain people who are not taking interest, from your experience do you think that the tendency is now changing to the other direction ?—A Mahomedan gentleman told me the *Koranic* injunction was only against greed, blood-sucking and not against ordinary commercial interest.

10894. We find that a number of them are now placing their deposits in banks. Are they taking interest ?—Yes. I think it will be very useful if you will get the decision by a *moulvi* that the taking and giving of commercial interest is not forbidden.

10895. *The Chairman :* We are told that in the Punjab also people have now begun to take interest and also in Hyderabad ?—I still know a number of old-fashioned Mahomedans who would not care to take interest and they keep their money in their own houses.

10896. So far as the small traders and merchants are concerned, is it paying to joint stock banks to finance them ?—I do not think that it pays anybody.

10897. Do you think that a man, doing business with a capital of Rs. 50,000 or Rs. 1,00,000, if he requires Rs. 5,000 or Rs. 10,000 for his business, will be able to get this sum from a joint stock bank ?—Personally I should think that a business or an industry would be better off without such petty borrowers. I doubt very much if a man with a capital of a lakh of rupees will often need to borrow Rs. 5,000 or even Rs. 10,000.

10898. Would he not require temporary accommodation ?—The sum of Rs. 5,000 or Rs. 10,000 can be raised by him easily.

10899. Speaking about the hoarding habit, do you think that it is diminishing now ?—Supposing a Hindu girl is being married, how can you dower her ? Under the old Hindu system she has first of all no part in the inheritance of her father and again none in that of the family of her husband. If she is to have anything of her own, how can you give it to her ? You can only do it by hanging it on her person when she is married.

10900. Apart from this, is there a tendency to actually hoard money in the house ?—I think the hoarding is mainly due to women. A woman, when she is married, is fully aware that the jewels on her person are her own, and it is ingrained in her that only in this form can she own anything.

10901. You say : " It is calculated that, if once gold began to come out of hoard in India, there would be an immediate rise in price-levels all over the world ". At least an appreciable part of it has come out during the last 3 or 4 years owing to the present depressed state of things ?—No ; I do not believe gold has, but I do believe that rupees have come out.

10902. *Mr. Kamat :* With reference to the present branches of the Im erial Bank and the policy of having branches in the interior, it has been alleged that some of the branches do not pay and, as a matter of policy, it has been said, they should be swept off the field ?—Whose policy ? On account of Government's policy or Bank's policy ?

10903. It may be of both ?—I can understand the Imperial Bank wanting to close its unprofitable branches.

10904. It may be due to the Government's policy or the Bank's, but I ask you should they close the business and leave the field to other joint stock banks where the branch does not pay ?—The whole working of the Imperial Bank is much more a matter of argument than of fact.

10905. Do you come in touch with indigenous bankers ?—Yes.

10906. Have you any experience of them ?—I have known a number of them personally, some of whom have gone into bankruptcy.

10907. And yet there must be very good *shroffs*, who are doing business for a number of years ?—Yes, and they do not advertise themselves.

10908. Now suppose these *shroffs* are to be linked up with the central banking system, have you any idea as to how to link them up ?—They are linked up already by the *hundi* system.

10909. *The Chairman :* You said that several of the *shroffs* went bankrupt. Was it due to their trading on their own account or to their financing other people ?—I think it was due to wild speculation and extravagant living.

10910. *Mr. Kamat :* There is a feeling of dissatisfaction on the part of *shroffs* that they do not get proper treatment from the Imperial Bank and there is a sort of preferential treatment given to European firms ?—I doubt very much whether the European firms

are going much to the Imperial Bank for accommodation. A European firm is mostly doing export and import business and such a firm goes to an exchange bank, because this business forms part of an exchange bank's business. Similarly, in the case of Indian merchants also, who do export and import business, the exchange bank accommodates them. The man who is doing local business goes to the Imperial Bank. He is advanced in rupees. He repays in the same currency. But a merchant, who is buying goods in one currency and selling them in another, must naturally go to an exchange bank.

10911. About modernizing the *shroffs* and bringing them into close touch with banks, have you any idea as to how to modernize these people and their methods whether by legislation or by other restrictions or by compelling them to show their accounts ?—The whole of their business they know well. When losses occur, a *shroff* knows the time when to close it. A *shroff* is the most healthy member of the society because he gives credit where it ought to be given although he charges heavily. He knows his customer well. I distinguish between a *shroff* and a *bania.*

10912. About thrift and banking habit, we have been told that the postal cash certificates have drained away from districts money which otherwise could have been useful to *shroffs* to finance agriculture or internal trade ?—Are you representing that *shroffs* get large sums of money by way of deposits ?

10913. They say that they used to attract deposits from the middle class people or from the mercantile community and that their deposits are now reduced in bulk owing to the postal cash certificates ?—I do not think so. I think it is due to lack of confidence.

10914. Do you think that a *shroff* has lost confidence ?—I do not know, but I find that the firms of *shroffs* who failed had taken many small deposits.

10915. *Professor Kale :* One of your suggestions is that there are too many small traders and that, therefore, they do not deserve any sympathy or help ?—Yes.

10916. , Do you not think that in a country like India we cannot but have small traders especially when you have business on a small scale ?—Yes. I have seen in England the Edgware Road shops struggling for life. They cannot make an economic living. There are too many people trying to do the same kind of business. It is economically bad.

10917. This may be so in big towns, but in the case of small traders who want accommodation for small amounts, is it not necessary that this accommodation should be made available to them ?—From whose point of view ?

10918. From the point of view of the community ?—It is like the Edgware Road shops. It is like employing a dozen men when two can serve the purpose perfectly well.

10919. Are you referring to export business or to the movement of crops in the interior ?—I am not particularly referring to any one thing. I say that too many people waste their time and energy all trying to do the same thing. The number of people whose lives are not economically justified is appalling.

10920. It is true as a general proposition, but taking the conditions of India, shall we not find some remedies to make finance available to trade ?—In India the whole thing is mixed up. Where there are village *banias,* you will find that lending is combined with food-stuff and seed. I do not want to help the *bania* who eats up the country.

10921. But that will smash the whole internal trade ?—I have no love for him. He is a big factor no doubt, but, from what I can make out about the village *bania*, I have no love for him.

10922. What objection is there if the signature on the cheque is in vernacular ?—For business one must have confidence.

10923. If a man who knows the vernacular checks the signatures, will this difficulty that you mention still remain there ?—For business you want confidence and speed and not qualms, hesitation, delays and enquiries.

10924. Why should there be hesitation in deciphering the vernacular signature if Indians who know the vernaculars are in charge ?—You must ask this question of the man who deciphers it.

10925. *Mr. V. L. Mehta :* Are vernacular cheques accepted by any banks here to your knowledge ?—Not to my knowledge. The system would be, I believe, that a man will take it to the Accountant of the bank and write the signature on it, and the Accountant will also sign it, then it will be accepted.

10926. According to the evidence given to us, we have been told that that practice is adopted in Ahmedabad and Bombay. Why should it not be followed here ?—I do not know that banks have not accepted it here.

10927. *Professor Kale :* What do you want to convey when you say in your written statement : " It is calculated that if once gold began to come out of hoard in India, there would be an immediate rise in price-level all over the world ". Will it be an advantage or a disaster ?—At the present time it will be an advantage.

10928. Do you think that the present low level of prices is due to lack of gold ?—Yes.

10929. In England also prices are going down. Do you not think that the power of consumption in the world has gone down ? What is the power of consumption in the world ?—It is appetite, and you limit it without satisfying it.

10930. The War destroyed capital, and therefore, there is depression ?—The losses in the War can be made up in one good season. Look at the present production of the world in everything. It may be anything, a loaf of bread, clothing or a pair of boots, and the people producing loaves and clothing and boots are all clamouring for customers.

10931. So you want more gold to go into the banks and be the basis of credit ?—Yes, if India, instead of hoarding gold, were to mobilise it, the change in the world's prices will be tremendous.

10932. *Mr. J. N. R. Mehta :* When you are talking of smaller men, I think you are thinking of the small money-lenders or *banias*, but what about the small man who wants to get money for business ?—What is his business ?

10933. I mean small trade or industry or business ?—What capital is he putting out himself ?

10934. Say five or ten thousand ?—How much is he entitled to borrow if he puts in ten thousand ?

10935. Say half of that ?—It seems to be a very big proportion. I think it would be very reasonable for such a man to take a partner.

10936. *The Chairman :* Supposing he wants Rs. 2,500 ?—I think for a man having really Rs. 10,000 of his own in liquid form, it would not be unreasonable to borrow Rs. 2,500.

10937. *Mr. J. N. R. Mehta :* What would you suggest then ? There seems to be no hope for a small man ?—Obviously it is to extend the Co-operative Movement, and the remedy is to encourage the people to deposit money with the bank instead of keeping in their houses.

10938. *Mr. Buckley :* You say in your statement : "The use of notes rather than coins, however, is a step in the right direction ". How do you regard the abolition of the one-rupee note ?—I think it is a great pity that it was abolished. It was a very useful thing. I think it was abolished at the instance of Lord Inchcape. But I think that it was worth retaining.

10939. You make a reference to the loss of confidence owing to the failure of certain banks. Have you any suggestions to make as to how that can be avoided ?—The failure that I had in mind was the failure in 1913 of the Indian Specie Bank. Had the rules been observed and if a plain statement had been made showing what silver they were holding, it would have been perfectly plain that gambling was going on in the bank. How can you legislate against fraud ? You may have Companies Acts or Banks Acts, but if managers and directors still keep fictitious accounts, how can you prevent them ? The thing that will prevent frauds in banking is a very high standard of conduct and honesty on the part of those conducting the bank.

10940. Have you any suggestions to make for increasing the use of *hundis* and other negotiable instruments ?—As far as *hundis* go, I think the *hundi* circulates like anything. It is all over the place.

10941. We were told by certain witnesses that the use of usance *hundis* is decreasing ?—I was thinking of demand *hundis*. A man dealing in Karachi sends down a demand *hundi* against the railway receipt. A usance *hundi* is after all nothing but a disguised form of borrowing money.

10942. Would you be in favour of railway receipts being made negotiable instruments ?—No, I would not.

10943. Why not ?—It has been definitely ruled in law that the railway receipt is not a negotiable instrument, and I think it would be fair for all concerned that it should be so kept. In the case of a ship's bill of lading it is quite different ; the goods are alongside the steamer, they are properly checked over the taffrail and the mate's receipt is carefully prepared. There is the responsibility of the ship's captain or the ship's agents and owners. Compare that with the railway receipts that are issued at these *kutcha* upcountry stations where they have principally one man on the whole station and there is no real check. Swindles would be common. If you make the railway receipt a negotiable instrument, you simply pave the way for frauds.

10944. *Seth Haji Abdulla Haroon :* The present practice is that some merchants treat them as negotiable ?—That is only between two friendly parties. That is a very different thing from its being a general negotiable instrument. Besides, the forms of railway receipts are such that if a railway receipt changes hands indifferently, there is every posibility of fatting the figures.

10945. *Mr. Buckley :* What is your opinion as regards the practice of a bank charging commission on cheques drawn on its own branch in another town ?—For small sums they charge four annas per cent. It is a charge made not because it is a cheque on another branch of the bank but because the branch is in another town.

Mr. E. L. Price.

10946. **Do you think that this practice may turn people off from using the cheque ?**—Of course, for my own personal convenience I am paying my hotel bill, say, in Calcutta by a cheque on Karachi. It is alright for my personal convenience. But on a commercial scale I should not be prepared to offer such a cheque. And I do not think it is necessary. You can always buy drafts very easily.

10947. We had complaints that in certain cases upcountry branches of banks do not charge the market rate of exchange ruling, say, in Bombay or Karachi ?—There is no regular exchange market upcountry. They depend on the rates they are told at the ports. If I were to be in Amritsar, and some one would ask me to fix certain bills for collection, I must have a fair margin in quoting the rate of exchange. Upcountry you must have a margin on the part quotations.

10948. What is your opinion regarding the question of joint stock banks receiving savings bank deposits. Would you be in favour of any restriction on investments ? I am thinking of small men opening savings bank accounts with banks. In Australia a system of Government guarantee and control prevails. Do you think the system may be adopted here ?—It is a matter of purely business *bundobast*. If any bank wants it, it can be done. It does not require legislation to enable it. It will be as easy to work as " trustees for debenture holders ".

10949. Have you any information on the possibility of investment trusts in the country ?—You mean those companies where public put in their money to dabble on the stock exchange ?

10950. No. Have you any knowledge of investment trusts ?—The investment trust would very largely be responsible for gambling as in America. The whole thing is this. You get 5,000 men, of whom each is prepared to lose 100 dollars. A man having 100 dollars cannot gamble, and the investment trust is often just a pool for gambling. A man who has Rs. 100 had better put the amount in the post office. The big man does not need an investment trust. He will go on gambling direct on the stock exchange. The investment trust will give people facilities for gambling.

10951. *The Chairman :* The investment trusts in England do not go in for gambling but invest all over the world and are paying 7 per cent. interest ?—I do not know that.

10952. *Mr. Buckley :* Supposing we could have some well-managed investment trust, would it not get over the difficulty of the Mahomedan not taking interest ?—You mean some of the investment trusts do not pay any interest at all ? They do not distribute their funds until they finally wind up ?—I am not a theologian to say that dividend is not interest.

10953. *Mr. V. L. Mehta :* With regard to the postal cash certificates have you heard of the complaints in Karachi that these postal cash certificates compete with joint stock and exchange banks ?—I have not heard of it.

10954. That was a grievance put to us by some bankers in Bombay ? Is that not the feeling in Karachi ?—I have not heard of it here.

10955. Do you not think that the rate is very high ?—What is the rate ?

10956. It is 5½ ?—When you see the rates prevailing in the *bazar*, you can say that 5½ per cent. is not so high as to be a matter of complaint.

10957. Are the rates not higher than banks' rate ?—You have to put in larger sums, say, Rs. 10,000 or Rs. 15,000 in a bank.

10958. There is then no feeling in Karachi that the rates are high ?—I have not heard of it. Anyway, I shall be sorry to say anything against postal cash certificates. They have been the cause of saving by many people who would not have otherwise saved.

10959. Supposing you get five or ten lakhs by postal cash certificates in Sind, then all that money is not invested in Sind. Would you approve of any system by which that money is made available in Sind ?—I am afraid I cannot be as narrowly provincial as that.

10960. Are there any Indian exchange brokers in Karachi ?—No.

10961. There are in Bombay ; is there any reason why they are not here ?—The exchange business here has been running since 1865 in the hands of Europeans.

10962. I ask you this because there is some complaint made to us that the exchange banks do not work through Indian exchange brokers here as they do in Bombay ?—We have an Exchange Brokers' Association here. I do not know that any man has a necessary claim to be admitted in our Association, and for the matter of that I cannot get admission in the Bombay Stock Brokers' Association.

(The witness withdrew.)

Mr. N. A. BECHAR, M.L.C., Karachi.

Replies to the Questionnaire.

There is no regular system by which an agriculturist obtains finance for cultivation expenses or for his other needs. It is generally the village money-lender who supplies his needs in money as well as in kind. Also in some instances *zemindars* give advances to their *haris* for cultivation. It is only since 1918 that the system of financing agriculture on co-operative lines has been introduced in Sind. The co-operative banks advance money for current agricultural operations only. They have not yet touched the problems of permanent land improvements, etc., as such schemes would require long-term loans. Advances for this purpose are, however, being made by Government in the form of *taccavi* loans. The members of co-operative societies get *taccavi* advances through co-operative agency, but such advances have been made to the extent of about 50,000 rupees in Sind. Thus it will be seen that there are three main agencies for the finance of agricultural industry, *viz.*, the village money-lenders, co-operative societies and Government.

The rates of interest charged by a money-lender used to vary from 25 to 75 per cent. before the Co-operative Movement came into existence, but at present such rates vary from 12 to 50 per cent. There is no question of period with the money-lenders as all their customers have running accounts with them. The security offered is sometimes land and standing crops, but generally it is the character of each *zemindar* borrower that determines the money-lender's credit.

The co-operative societies charge interest to their members at $1\frac{3}{4}$ pies per rupee, *i.e.*, about $10\frac{3}{4}$ per cent., while they are charged interest by a district bank at 8 per cent. The Government plays no important part in the agricultural finance beyond advancing *taccavi* loans for permanent improvements and in cases of calamities, for example, floods, frosts, etc., they grant remission of land revenue and interest on *taccavi* loans.

The Imperial Bank and joint stock banks avoid to finance agricultural industry for several reasons such as (1) Agricultural finance : even crop loans require long-term capital for at least two to three years as there are failures of crops and advances are not easily recovered on the due dates while, on the other hand, these banks have only short-term deposits. (2) There is no possibility of personal touch between the borrowers and the banks as the former are in villages and the latter in towns. In banking concerns such a touch is essential to know the credit-worthiness of borrowers. (3) Certain legal difficulties come in their way such as Encumbered Estates Act, etc.

These banks, however, give advances against agricultural produce, but so far they have been dealing in this line with merchant class only and not with agriculturists direct. In Sind there is no trading company dealing in fertilisers making advances of their commodities to agriculturists on credit. The village *banias* do lend in kind seed, manure, etc., to his agricultural client. In Sind, about 40 lakhs of acres come under cultivation every year and if expenses at the rate of Rs. 15 per acre be estimated Sind would require nearly six crores of rupees for current agricultural operations. In addition to that, about thirty lakhs of acres will come under irrigation by the opening of the Barrage canals. This means about 4½ crores of rupees more, while, on the other hand, the total loans advanced by the co-operative banks in Sind per year for agricultural expenses amount to nearly 60 lakhs of rupees, that is, only about 10 per cent. of present requirements. At present there are no records in village societies which show the progress of each member out of the amount of loan advanced to him. It cannot be ascertained with accuracy if such loans are being utilised for productive purposes. In the absence of such records the financing agency becomes conservative in sanctioning loans exactly in accordance with the statements of normal credits sent by the societies along with loan applications with the results that the loans asked for by the societies are reduced to even 50 per cent. in certain cases. If, however, the records are maintained, it would be a guide for banks. And they would naturally respond to the needs of agriculturists in a greater measure than hitherto.

There is no co-ordination in the existing co-operative agencies, but there is a wide scope for improvement.

The co-operative banks and other banks do not have any relations except that some of the joint stock banks have been approved by the Registrar as fit to receive deposits from co-operative banks. On the other hand, joint stocks banks keep deposits with the co-operative banks. The Imperial Bank of India had some time back granted cash credit facilities to the Central Co-operative Bank up to a sum of one lakh of rupees on their security of promissory notes of the bank which were supported by promissory notes of district banks in favour of Sind Central Co-operative Bank and endorsed by the latter in favour of the Imperial Bank of India. This was in force for a year, but since then it was not renewed. I learn that in other parts of the country such facilities have been withdrawn. The Imperial Bank of India has also allowed the district banks to encash cheques drawn by them on Sind Central Bank up to a limit of 500 at par, but this arrangement has been withdrawn this month. There are no other relations between these banks. The co-opertive banks in Sind have not yet taken the work of long-term finance in their hands beyond giving a few thousands for debt redemption purposes. The reasons are plain. The co-operative banks have no long-term deposits in their banks. Hence it is very difficult for them to grant long-term loans. In the case of short-term crop loans it is being felt now that short-term deposits accepted by co-operative banks will bring many difficulties in the matter of finance. The nature of agricultural industry is quite uncertain

and as the crops fail on account of several reasons such as insufficiency of water supply, locusts, floods, frosts, etc., the recovery of loans becomes difficult. It is no exaggeration to state that in several instances extensions have got to be granted and loans remain in arrears for a number of years. Therefore, it is essential that long-term deposits should be encouraged in co-operative banks. The sources of tapping long-term deposits could be found by attracting funds of insurance companies and provident societies. At present we do not find any difficulty in getting deposits and in no case have loans been refused on account of insufficiency of funds. On the contrary, it is often a question as to how to utilize funds in the Co-operative Movement. The agricultural societies are increasing every day, and now in Karachi City I have started organising societies for workmen engaged in different trades. With a growth in the Movement the surplus funds will be fully utilised and it is gratifying to note that there is also vast scope for getting deposits according to needs.

As a rule, the co-operative banks with the exception of Sind Central Co-operative Bank, Ltd., which has now been fully established, pay a little higher rate of interest on deposits than that allowed by the joint stock banks. This is not due to any competition between the banks but is governed by other factors, for example, each co-operative bank is a separate unit by itself and, therefore, the balance sheets of co-operative banks do not show the financial position as of any joint stock bank and, therefore, rates demanded by customers are high. A competition was, however, noticed in another direction. The Sind Central Co-operative Bank had this year encouraged sale business in Mirpur Bathoro tract by making advances to individual members of co-operative societies against the deposit of grains in the Bank's godowns. The Imperial Bank made an attempt to compete by offering better terms to those *zemindars*, but could not succeed on account of infant stage of sale organisation in the *mofussil* areas. It may, however, be stated that there is every possibility of such competition amongst the co-operative and other banks, because both co-operative and joint stock banks could make advances against the agricultural produce.

In order to stimulate the growth of the Co-operative Movement it is essential that facilities of cash credit should be obtained from the Imperial Bank of India and Government should exempt co-operative banks from payment of income-tax on interest earned by such banks from Government securities.

Also with a view to have long-term capital in the Provincial Co-operative Bank for Sind, the Sind Central Co-operative Bank, Ltd. should be authorised to issue debentures just as the Bombay Provincial Co-operative Bank has been authorised to do and such debentures should be made trustee securities. Ordinarily village credit societies do not advance loans exceeding Rs. 5,000 to their members. This sum is hardly sufficient to meet all the financial needs of an agriculturist throughout the year. The result is that he again resorts to village money-lender for the supply of his needs in money as well as in kind. The loans advanced by co-operative banks to the village societies work out at an average of Rs. 150 per each member in a village credit society. There are about 40,000 members in village societies in Sind and the total finance given by co-operative banks is about Rs. 60,00,000 (*i.e.* averagely Rs. 150 per member).

The financial assistance rendered by co-operative banks to small traders and industrialists is very little. A beginning has only recently been made in Sind. There are following urban banks for such a purpose—(1) Karachi Urban Co-operative Bank, Ltd.,

(2) Mercantile Co-operative Bank, Ltd., Karachi, (3) Hyderabad Co-operative Urban Bank, Ltd., Karachi, (4) Khudabadi Amil Co-operative Credit Bank, Hyderabad, (5) Khudabadi Bhaiband Co-operative Bank, Ltd., and (6) Bhaiband Co-operative Urban Bank, Ltd., Hyderabad. With the exception of (1) and (2) the rest are all communal urban banks and render help to the members of respective communities not only for trade purposes but for other purposes too. The Karachi Urban Co-operative Bank, Ltd., which has a share capital of Rs. 63,000 and deposits amounting to Rs. 1,59,600, has been giving advances to small traders and others and the loans outstanding against members are Rs. 1,80,500 at present. The Mercantile Co-operative Bank, Ltd., which is started for small traders, is doing very well during the short time of its existence. The Co-operative Movement in Sind could meet all the demands of agriculturists for current operations as there is a large scope for getting deposits. But an agriculturist, who is already in the debt of a money-lender, cannot get along well in his affairs with his society unless he is free from outside debt, and it is hardly possible to take this problem of debt redemption in hand without having a special kind of co-operative bank for the purpose, *viz.*, land mortgage bank which should raise its funds by means of long-term debentures. These debentures should be floated with State aid, that is, the Government should guarantee interest on them, should contribute towards the purchase of at least 10 per cent. of the issue and should recognise them as trustee securities under section 20 of the Trust Act, thus enabling the insurance companies and joint stock banks to invest their surplus funds in them. There is a vast scope for organising societies for meeting the needs of working classes in big cities. They are being skinned alive by usurious money-lenders who often charge over 100 per cent. per annum. They stand badly in need of credit societies as only through the co-operative societies can they hope to redeem themselves from the clutches of money-lenders since they have very little tangible securities to offer. The sweepers in the service of Karachi Municipality were paying over half a lakh of rupees as interest for debts of Rs. 57,000 only. In order to save them from this position the Karachi Urban Bank started giving them loans with a letter of authority from them to the Municipality to deduct the instalment due to the Bank from their salaries. This worked very well for about two years but in order to meet the full needs of the sweepers a co-operative credit society has been organised for them. Thus the sweepers have gone out of the clutches of Pathans and other money-lenders. A similar attempt is proposed to be made to organise workmen working in Port Trust, Municipality, Telegraph, Tramway Company, Flour Mills, Oil Installations, Motor Drivers, etc.

I am strongly in favour of an Act on the lines of English Money-lenders' Act.

Oral Evidence.

10963. ***The Chairman.*** **:** Mr. Bechar, you are the Managing Director of the Urban Co-operative Bank ?—Yes.

10964. Is your bank meant for small traders and small merchants **merchants, but all classes such as salary earners.**

10965. Is your line of business different from that of the Mercantile Bank ?—Yes.

10966. In what manner ?—They deal mostly with merchants, and we deal mostly with salary earners. There is a small percentage of traders also.

10967. Is your main object thrift rather than loans ?—Well, we have not started the thrift part of the business. The idea is to assist small people by giving them loans for social and other needs and prevent them from going to the money-lenders.

10968. Is it not better to save rather than borrow ?—If a man cannot save, instead of sending him to the money-lender, we finance him.

10969. He has to save afterwards in order to repay ?—We encourage him in every way to put by something.

10970. Do you make him deposit compulsorily any amount every month ?—No ; as a matter of fact every one becomes a member when he wants to take loans.

10971. *Mr. J. N. R. Mehta :* Are not instalments paid monthly ?—Instalments are paid towards repayment.

10972. *The Chairman :* Do you not think it is necessary for your society to encourage thrift amongst the middle class and the salary earners ?—This bank is meant not for one class of employees only. That idea would be good for a small society.

10973. Why not for a big one ?—As a matter of fact we have not been registered under the leaflet " N ", what is called " Thrift " Society.

10974. Is there not a danger that if money is advanced at a cheap rate of interest for unproductive purposes, the inclination is to borrow more ?—Why should one take more than what he requires, when he knows that he has to repay, and the rate of interest is not cheap.

10975. What is the rate ?—It is 9 per cent. for Rs. 500 and 10 per cent. over Rs. 500.

10976. What is the rate of interest for people outside the society ?—It is very difficult to say. But if one goes to regular money-lenders like Pathans, they generally charge half an anna or one anna. But I do not suggest that those who borrow money from our bank belong to that class who go to Pathan money-lenders.

10977. You say in your statement : " The rates of interest charged by a money-lender used to vary from 25 to 75 per cent. before the Co-operative Movement came into existence, but at present such rates vary from 12 to 50 per cent." Do you suggest that the rate has been reduced on account of competition ?—Yes.

10978. You say that the Imperial Bank and joint stock banks do not finance agricultural industry for several reasons. Do you think that they can do it in any way ?—Their advances are only short-term. That is why they cannot finance the agricultural industry.

10979. Then you go on to say that co-operative banks may begin to feel some difficulty because their deposits are short-term, and on account of failure of rain, locusts, floods, etc., the members of agricultural societies may not be able to pay their instalments punctually. Has your Central Co-operative Bank felt that difficulty ?—At the present moment we are having more funds than we need, and therefore, the difficulty has not arisen. We only finance agricultural industry to the extent of 10 per cent., but if we were to finance the industry to the fullest extent, that problem would naturally arise.

10980. You are interested in the labour movement ?—Yes.

10981. You have some societies for working your labour problems ?—Yes ; these societies are run for different units and we have sent papers for 8 societies.

10982. Have they been registered ?—No.

10983. You are not working any society now ?—Except the Sweepers' Society, we have not any other societies working.

10984. Has it been working for some time ?—Yes, for one year and a half.

Mr. N. A. Bechar.

10985. With what object was it started ?—With the object of relieving them of their debts.

10986. Are they all Municipal servants ?—Yes.

10987. Have they been paying their instalments regularly ?—Yes. We had made arrangements with the Municipality to deduct from their pay every month a certain sum and remit it to us, but latterly our men used to go there on the pay day and receive from them the money.

10988. Like Pathans ?—Yes, and receive the instalments. As a matter of fact the pay is made at places where we have our offices. All our different offices are in the Municipal sweepers' locality.

10989. Do you know of any case where a sweeper left the Municipal service and as a result of which the amount became irrecoverable ?—There are the two sureties who will have to pay.

10990. Do they deposit anything in the society at all or have they to take shares every year or, in other words, is there any rule for increasing their own capital ?—They get loans to the extent of 15 times their capital.

10991. Have you no monthly deposit system ?—No.

10992. Even here do you not think that thrift should be the object ?—Yes.

10993. *Mr. J. N. R. Mehta :* Do you not think that thrift will come after they have paid off their debts ?—Yes.

10994. *The Chairman :* What is your working capital ?—Rs. 20,000.

10995. How many members have you ?—We have over 400 members.

10996. Have you borrowed from the Central Bank ?—Yes, Rs. 10,000.

10997. Then your last suggestion is that you are in favour of an Act on the lines of the English Money-lenders' Act. You want that a money-lender should be registered and licensed and no money-lender except a licensed one should do money-lending, is this your idea ?—Yes.

10998. Do you think that the money-lenders here would accept such a provision ?—Some of them will try to get over this provision by some way or the other but those who want to carry on this business and who cannot do hard labour will accept this provision.

10999. *Mr. Buckley :* Do you think that Government should provide a system of pawn shops which might be useful in India. There are firms in Java run under Government rules and supervision and that the Dutch Government amasses 12 million dollars revenue a year roughly. Do you think that there is any likelihood of such things being useful in this country where a poor man can pledge his articles and try to get over the temporary difficulty ?—This is what is happening here. There are people who lend money on articles like ornaments.

11000. But at a very high rate of interest ?—They charge 15 per cent. Two representatives of the Java Government came to India last year to study the Co-operative Movement in India. They came to Karachi and I was simply stunted to hear that co-operative societies there are charging something like 20 per cent. interest. So the idea of familiarizing these shops can be of no advantage to the people. There the rate of interest is simply unbearable and unspeakable. The Government there are charging something like 20 to 25 per cent. The only excuse they gave us was that they spent the balance of the money for social service.

11001. Does your bank make any loans on the pledge of articles or does it make loans only against personal security ?—It gives loans only on personal security.

11002. Do you not think that members of a society would like to pledge their articles instead of offering personal security and get loans on the pledge of their articles ?—Our practice here has all along been to lend money on two sureties and not on ornaments, but I know that in some cases they do pledge their ornaments with the outside people and draw advances.

11003. Those people belonging to the working class would not be able to get money except at exorbitant rates ?—Therefore, it is for this class of people the pawnshops are intended.

11004. Suppose you gave out of your society funds at your usual rate of interest or at a little lower rate of interest, would this be more convenient for you than the present system of giving loans against sureties ?—I personally prefer this surety system.

11005. Is the surety system effective in bringing out something ?—Yes. Not only that, but the man feels that he has some credit in the city.

11006. *Mr. V. L. Mehta :* You say you have relations with the Municipality where most of the sweepers are employed. Do you borrow from it for your society ?—No.

11007. Do you not borrow from it as a matter of principle or merely because you can get money from the Sind Central Co-operative Bank ? You would not like to do anything with it, would you ?—I am not sure if it will advance money. If it advances money we will gladly take it.

11008. Is any business being done by the Urban Co-operative Bank on the pledge of gold and silver ?—Yes.

11009. Not considerably I suppose ?—No.

11010. If pawn shops were opened, would they like to go to them or would they not ?—I am not sure whether the pawnshops will be popular.

(The witness withdrew.)

Mr. N. D. MALLIK, late Director of the Sind Central Co-operative Bank, Ltd., Karachi.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—(*a*) The agriculturist in the Karachi district (to which my remarks solely apply) arranges his finances by borrowing from :—

(1) *Banias* (local bankers),

(2) his brother agriculturists,

(3) Co-operative societies,

(4) Government (in the form of *taccavi*), and

(5) Miscellaneous agencies (*i.e.*, from persons who do not follow the profession of a banker but are tempted to finance agriculturists on the score of high rate of interest and on the chance of becoming the owner of the land mortgaged as security, Pathans who lend money at an exorbitant rate of interest and other similar persons).

(*b*) The rate of interest varies from 15 per cent. to 60 per cent. per annum.

(*c*) As regards the period for which loans are given there is no universal system. In the case of co-operative societies loans are granted on yearly-repayment basis although this period is generally extended to several years.

The *bania* advances money till the next crop is ready, but since it is never paid in time the account is practically converted into a floating one and continues from father to son and so on.

In the case of improvement of land, construction of wells and purchase of engines for pumping water loans are granted by Government and are repayable within 10 years. In some cases shorter period is fixed for repayment.

In the case of loans given by Pathans repayment is demanded after a year and so is the case of advances made by miscellaneous agencies.

(*d*) The security for repayment of loans consists of land, standing crops, livestock and jewellery.

(*e*) The conditions attached to the grant of loans generally are—

(1) payment of enhanced rate of interest if the loan is not repaid in time,

(2) the land mortgaged as security to become the property of the lender if timely payment is not made,

(3) compulsory sale of agricultural produce to the lender at a cheap rate,

(4) some sort of service to be performed, in addition to other conditions as regards interest, etc.

(*f*) As regards the part played by several financial agencies in agricultural finance—

Government advances money to co-operative societies and to agriculturists direct through Revenue Offices.

The Imperial Bank has not helped hitherto the agriculturists but lately instances have come to notice in which it has advanced money to sale societies on the security of agricultural produce handed over to it, and deposited in godowns under its charge.

Banias and other financing agencies have helped agriculturists to a very great extent. In fact, they have been their chief financiers, otherwise agriculture would have suffered heavily. These financiers do not follow any hard and fast rule which enables the agriculturists to always fall back upon their help in time of need.

The co-operative banks finance agriculturists through co-operative societies but not to the full extent of their requirements, with the result that many have suffered for want of adequate financial help at the nick of time which made repayment impossible owing to failure of crops due to refusal of timely help. Not that the co-operative societies cannot meet their demands in full but because stress is laid by authorities concerned on enrolling an uncontrolable number of members. If only a few persons are financed completely, loans would be repaid easily as their crops would be better and consequently fetch more money.

Joint stock banks have not financed agriculturists as a rule, but in rare cases they have accommodated some of them on the security of land and of some sureties.

There are no fertilisers supplying companies in Sind, but in the case of agriculturists possessing oil engines for pumping water, the oil companies give them facilities in paying the cost of oil by allowing a month's time for payment.

(*g*) It is stated that there are 40 lakhs of acres of land in Sind under cultivation which requires financial help. If the figure is reliable, no less than 8 crores of rupees will be required annually at the rate of Rs. 20 per acre to adequately finance agriculturists.

(*h*) No reliable figure could be given of the amount of money provided annually for agriculturists, but it is certain that a major portion of it is supplied by *banias*, the co-operative societies and the Government being the second financing agencies.

(*i*) There is no co-ordination among the various credit agencies. It is very badly required so as to improve the lot of the agriculturist and consequently to enable him to make timely payment of his loans. For instance, instead of cursing the *bania* he should be associated in financing the agriculturists under certain restrictions as to rate of interest and time of repayment, etc., and on certain guarantee for the repayment and safety of his loans. He can very well act in some cases as a feeder for giving financial help to the co-operative societies if he is taken into confidence. It will not be out of place to mention that the reason which forces the *bania* to charge exorbitant rate of interest is uncertainty of return of his money. If the borrowers are regular in making payments and if Government and co-operative societies help him in getting his money back he will be a welcome agency for financial help at a reasonable rate of interest than a curse as is at present his lot.

Co-ordination of different credit agencies is needed in working together which will train agriculturists to arrange their finances in a proper way and similarly to accustom them for regular payments. It will avoid their incurring unlimited liability which will be easy to meet with.

I may mention here one point which does not concern directly the Banking Enquiry Committee but which has a very great bearing on the financial position of the agriculturists. It is this. Owing to want of education he is handicapped in many ways in making his pursuit a success. What he wants is that he should be taught how to grow two blades of grass where one grows at present. Till such time that he is properly educated the best way is to make it a condition in advancing him money to pay for a specialist in agriculture who will be a whole-time employee of a village and who will help him to improve his crops by using proper kinds of manure, getting really certified good seed and so on. If co-operative societies make it a condition for a member, who gets money, for his requirements, to pay proportionately the expenses of such an expert, his lot will be much improved and repayment of his loans made easy. I attach very great importance to this as my experience shows that an agriculturist suffers most from preventible causes, owing to ignorance and want of proper knowledge of his job than from causes over which he has no control. He is so very lazy that he would not try to save his crops from insects which have been noticed in the very early stage of cultivation and which could be easily killed if timely steps are taken to nip the evil in the bud. He would, on the contrary, wait till all his crops are eaten and will ascribe his bad lot to *Kismat*. A whole-time expert will take immediate measures to save crops from such ravages.

QUESTION 2.—(*a*) The method of marketing principal crops in the Karachi district is to sell them through the brokers who charge their commission. The brokers, who act as commission agents in some cases, advance money before the agricultural produce is actually sold off, charging interest at 12 per cent.

The Malir co-operative societies have started a sale society which sells the goods of the members at the market rate and charge commission.

Mr. N. D. Mallik.

(*b*) There is a great necessity of starting similar sale societies which can help the agriculturists in disposing of their produce at reasonable rates, provided the work is entrusted to persons having business instinct and experience. The Managing Committee of such a society should consist of 75 per cent. of business people and 25 per cent. of agriculturists. The societies should study the market properly which will enable them to sell goods at good price wherever it may be available. It will then be not necessary to sell goods (other than perishable) at a fixed market but wherever good prices can be obtained.

(*c*) Co-operative banks make advances on the security of agricultural produce, after it has been deposited with them, at 50 to 75 per cent. of the market value of the goods.

QUESTION 4.—(*a*) There is no legal impediment to mortgage of land and agricultural holdings except in certain cases where land was given by Government on the condition that it will not be sold without the sanction of the proper authorities. Such lands will not be mortgaged by the financing agencies knowing that these cannot be sold.

(*b*) There are no land mortgage banks in this Province, nor any agricultural banks or other banks for the provision of long-term credit. I would suggest the starting of a land mortgage bank on the following lines :—

(1) That it should be a co-operative land mortgage bank.

(2) That its shares should be purchased by the Imperial Bank, Government, and members of co-operative societies in addition to other people.

(3) That to raise the requisite capital which should necessarily be large, debentures should be issued, the interest on which should be guaranteed by Government. These debentures will then have a ready sale and ample money will be raised through them.

(4) That Government should deposit, without interest, a portion of their surplus balances as is done in the case of Imperial Bank of India, with the bank.

(5) That Municipalities and Local Boards should deposit some of their surplus funds with the bank at a reasonable rate of interest.

The floating of such a bank will be more necessary after a large area of uncultivated land is brought under plough through the Sukkur Barrage Scheme which, it is hoped, will be a success.

(*c*) Some improvement seems very necessary in the Record of Rights and title of ownership whereby disputes to ownership will be avoided and which will facilitate the owners of such lands to raise loans from the mortgage banks on the security of these undisputed lands. Whenever a change is to be made in a Record of Rights of a land-owner a notice is issued calling upon people to lodge objections against such alteration. Such notices do not reach every body, and in some cases, I was told, they are so issued that people come to know of the change long after it has been effected, with deliberate object of keeping people in the dark. One of the ways to render such a change an effective one would be to serve such a notice on the Head of the *punchayat* who should be asked to convene a meeting of the people of the village and have it read over to them and their signatures taken in token of their having been made conversant with the object of the notice.

Another way will be to issue a list of changes in the Record of Rights made a month or a quarter and to have it confirmed through the *punchayat*.

QUESTION 6.—There are practically no subsidiary industries, worth the name allied or supplemental to agriculture existing in the Karachi district, except dairy farming and garden produce on a small scale. Some such industries as poultry, dairy farming, hand-spinning and sheep rearing will greatly add to the income of an agriculturist if started on proper lines and on co-operative principles. If those who wish to carry on such industries are properly helped in the way of finances, supply of experts of these industries and proper marketing of the products, the lot of many an agriculturist will improve. Their example will be followed by many in time to come who will welcome an addition to their income.

Working capital for these industries could be raised by floating a co-operative society which will raise funds in the manner in which other co-operative societies do.

Marketing facilities could be afforded by sale societies wherever they exist; if necessary, such sale societies could be multiplied by opening branches at appropriate places or making arrangements with such selling agencies which will assist in disposing of the goods at reasonable rates.

QUESTION 7.—No 'mutual-help' relations exist between the different banks specified therein, with the exception that the Imperial Bank has a cash credit arrangement with the Sind Central Co-operative Bank to the extent of one lakh of rupees which could be withdrawn at any time. The depositing of some of its surplus funds by the Sind Central Co-operative Bank with joint stock banks from time to time does not, in my opinion, come within the category of 'mutual-help' relations.

Co-operative societies are, as a rule, financed by co-operative banks and get very little help from Government and other depositors. They have, therefore, inadequate funds to properly finance their members. There is a great necessity of supplying these societies with more funds which will be forthcoming by the grant of financial concessions by way of extension of special exemption from income-tax to genuine co-operative societies and inclusion of debentures issued by Provincial Co-operative Banks in the list of trustee securities.

Another way of helping these societies is to ask Government to deposit, without interest, some portion of its surplus balance and to make Municipalities and District Local Boards to deposit their surplus funds with such societies.

Yet another way of raising funds will be for the Imperial Bank to accept the promissory notes of co-operative societies of unlimited liability tendered by the co-operative banks which finance such societies.

If co-operative societies have ample funds they will be able to well afford long-term loans to agriculturists which will make repayment much easy and sure.

GENERAL REMARKS.

There are certain points which have an indirect bearing on the financial position of an agriculturist which will greatly improve if these are taken into consideration. These are :—

1. Provision of experts in agriculture (including side-industries such as poultry, dairy, etc.,) for improvement of crops and industries.

2. Provision of labour saving devices such as tractors, improved agricultural implements, etc., etc.

3. Starting of crops and cattle insurance societies.

Mr. N. D. Mallik.

4. Co-operation with the Taluka Development Associations.

5. Compulsory supply of best seed. (In many instances agriculturists are tempted to buy cheap seed or deteriorated seed without thinking that they will suffer heavily by such seed not germinating. This happens every day.)

6. Provision of a sinking fund by charging a little profit by the co-operative seed societies on seed purchased from time to time.

7. Arrangements for providing main requirements of agriculturists near their homes so as to avoid their paying frequent visits to the town.

8. Practical co-operation of the Agricultural Department with the co-operative societies.

9. Introduction of Village Punchayat Act.

10. Provision of a workshop where well water is pumped by engines for irrigation (Agriculturists have suffered by their engines getting out of order or a part of the engine being broken, which they could not put in order before spending some days and money in the town where such petty works are not taken notice of by big workshops. The result was withering of crops for want of water).

Oral Evidence.

11011. *The Chairman :* Mr. Mallik, you were until recently a Director of the Sind Central Co-operative Bank ?—Yes.

11012. You were connected for some time with the sale societies in Malir ?—Yes.

11013. Can you tell us from your experience if co-operative marketing in Sind exists ? Do you think it could be organized and developed ?—Judging from my little experience in this line, I think there is very great scope for development of sale societies on proper lines. What is required to make them successful is that they should be on a large scale organised not only to sell the agricultural produce but also to supply the requirements of agriculturists by way of ploughs, implements and other things.

11014. You think that there should be purchase and sale societies ?—Yes.

11015. Would sale business alone be not sufficient ?—It will be sufficient, but I think it will help agriculturists if they have both these things at one place.

11016. Is proper business management available ?—Yes ; but unfortunately the rules, as they are, require that the managing committee should be constituted of members who are mostly agriculturists.

11017. You suggest a combination of businessmen and agriculturists on the managing committee. Would not their interests clash ?—By " businessmen " I mean members of agriculturist classes who understand business and who are in touch with the market.

11018. You do not mean by " businessmen " men doing the same sort of business as societies do ?—No. They would be a hindrance rather than a help. I had in mind the case of a society in Okhara in the Punjab. There they have a businessman as their secretary with some people to help him. There the agriculturists are also people who know business, but they do not wish to become members of the managing committees, whereas I have seen in Sind that they are anxious to become members of such committees. In Okhara the society has its own building.

11019. Do the managing committee members who are non-businessmen override the decision of business managers ?—In majority of cases it is so.

11020. Are the sale societies in Malir working on commission agency lines ?—Yes.

11021. They do not take the risk on sales ?—So far they have not.

11022. What is your opinion ? Should they take the risk or not ?—It was suggested in one case that they should take the risk. For instance, in the case of export of potatoes to Bombay there is a likelihood of the agriculturists benefiting by the prices which are available in Bombay, but here when the potatoes are sold, these *banias* buy and send them to Bombay to be sold there. If sale societies had the power to purchase and send them to Bombay on behalf of and at the risk of agriculturists, in the long run, the agriculturists will be the gainers, provided the management understands the business and is in touch with the market.

11023. Under the present state of affairs, would you suggest that the society should take the risk or should it only act as commission agent ?—I understand that some agriculturists are willing to take the risk themselves by sending the goods to Bombay on their being advanced 50 per cent. of the market rate and settling their account afterwards.

11024. *Mr. J. N. R. Mehta :* Will they be satisfied with 50 per cent.?—I think so.

11025. *The Chairman :* You say that some members have suffered for want of adequate financial help at the nick of time. Do you mean that the limits are not sufficiently high ?—The members of co-operative societies are financed according to the amounts sanctioned by the managing committee. The requirements of an agriculturist are such that he cannot be sure that he will not require more money in time of necessity. For insance, assume a *zemindar* is sanctioned Rs. 500 for his seed, for the labour and for everything. During this period he is given to understand that he will not be given any more money ; in the meantime he loses his bullocks, and if he comes to the society for a loan for this purpose the society says we have already given you the necessary amount and we cannot give you anything more.

11026. Is it not the practice here, when loans are asked for or sanctioned by the bank, to make allowances for certain accidents and sanction some amount for emergencies so that it can be utilized in times of need ? Have you tried to have a little margin ?—Yes, but it is not sufficient.

11027. Then you say : "Not that the co-operative societies cannot meet their demands in full but because stress is laid by authorities concerned on enrolling an uncontrolable number of members ". Do the authorities ask the societies to enrol very large numbers ?—Yes.

11028. But there is a limit to the number ?—I do not think so.

11029. Is it not limited in the bye-laws ?—Of course there is a limit fixed in the case of societies of people who are not agriculturists.

11030. Are you referring to credit societies or to sale societies ?—I am referring to credit societies.

11031. Your point of view is that a small number of people so long as they are good are better than a large number of people whom you cannot control ?—Yes.

11032. But who insists on increasing the number ?—The Co-operative Department. Always their aim has been to increase the number and instructions, if I mistake not, have been given to them to this effect.

Mr. N. D. Mallik.

11033. In the case of societies is not a limit fixed in the bye-laws ?—It may be so, but I am not sure about it.

11034. You say that a sum of Rs. 20 per acre is required on an average for cultivation purposes ?—In the beginning I thought that Rs. 10 would be enough, but from my practical experience I say that even Rs. 15 are not enough if they are to be financed adequately.

11035. When you say this, have you in view a tract like Malir or any average tract in Sind ?—This amount is based from my experience of the Malir societies.

11036. But Malir requires much more capital than an ordinary tract in Sind ?—You have to spend for seed, etc., and, as I said, my experience is limited to Karachi district only.

11037. You know there are several sale societies in various parts of the Province : Do you think that any sale organization is necessary in central places like Karachi or Hyderabad to help the various sale societies ?—I should think so.

11038. In what way could such an organization here help them ?—By keeping in touch with the fluctuating prices of the market so that a society in the *mofussil* can know what is going on in the Karachi market ; and the Karachi people will be able to safeguard the interests of agriculturists by arranging a proper price for those articles which cannot be sold locally profitably.

11039. You say that the sale societies advance 75 per cent. of the market price ?—I think there is a rule in their bye-laws that it can give up to 50 to 60 per cent., but there is a tendency even to give up to 75 per cent.

11040. Are people satisfied with 75 per cent. ? Does the *bania* sometimes give them more ?—Yes.

11041. Do members of co-operative societies demand more, or are they satisfied with 75 per cent. ?—So far as their demand is concerned, they would like to have cent per cent.

11042. *Mr. J. N. R. Mehta :* Have there not been instances where 90 per cent. has been advanced ?—Not to my knowledge.

11043. *The Chairman :* You make a suggestion that a seed society should have a sinking fund. Is this to cover losses?—My experience shows that there will always be some bad debts and, with this object in view, I have made this suggestion. In the very early stage of the society here I tried to put a little profit on the cost price of the seed so as to form a sinking fund. The agriculturists thereupon complained to the Assistant Registrar and he instructed that such a kind of profit should not be levied. Therefore it was abolished. After gaining bitter experience for a number of years, they have again started this fund.

11044. You further say : " Provision of a workshop where irrigation is by well water which is pumped by engines is necessary. Agriculturists have suffered by their engines getting out of order or a part of the engine being broken, which they could not put in order before spending so many days and money in the town where such petty works are not taken notice of by big workshops "?—In the case of Malir there are about 45 engines working. Whenever any of the engines goes out of order, the *zemindar* has to run to Karachi to get it repaired. It takes a number of days to do this work and in the meantime the crop withers. If there are workshops on the spot and if anything goes wrong, he can get it repaired at once.

11045. Would there be sufficient work for a workshop in Malir ?—There would be sufficient work.

11046. Why does not private enterprise come forward and start such a shop ?—Considering the money one will have to invest and to meet all charges, it will not be possible for one to come forward. If he is helped by a co-operative society, no doubt, he will come forward to undertake this work.

11047. *Professor Kale :* You say that funds in co-operative societies are inadequate ; but we are told that funds are lying idle with the central bank ?—So far as banks are concerned they are giving them loans, but so far as *zemindars'* societies are concerned, they have not sufficient funds.

11048. *The Chairman :* You mean the primary societies ?—Yes. The bank has sufficient money, but the societies have not sufficient money because the expenses calculated for an agriculturist have been under-estimated.

11049. *Professor Kale :* Therefore in the case of some bigger landholders the sums lent by them are too small ?—Yes.

11050. Not that the total amount of funds is inadequate but that the limit up to which loans can be granted is too low ?—Because the bank will not give more than what is required. In the case of an unlimited society there is more than ample security.

11051. What is your remedy ? Do you suggest that Government should give certain concessions and more money should be placed at the disposal of societies ? But this would not meet the cases you are pointing out ?—I think, if the bank gives more money to societies and replenishes its resources with the help given by the Government, the needs will be met.

11052. The bank has money, but it is only a question of limits in the societies ?—If the bank were to advance to all societies at the rate at which I suggest, they will effectively finance their members.

11053. *The Chairman :* Do you mean that the bank does not advance sufficient money to societies ? Is the amount which the bank gives to a society not sufficient for it to finance its members adequately ?—The bank has money, but it does not give sufficiently, and if it were to give to all societies at the rate at which I calculate, it will not have money enough to provide for all the societies. I mean there will be no surplus then.

11054. *Professor Kale :* By that time more money will be coming into the bank. Therefore it is not a question of inadequacy of funds with the central bank ?—But how would it come ? In the case of repayment of loans, it will take a long time.

11055. We have complaints from the central bank that they have more money than they can deal with ?—Because the applications which they receive from societies are not entertained at their full amount of loan that they want.

11056. Why are they not entertained ?—Because the directors are somewhat nervous in advancing money.

11057. But if there is sufficient security behind, why should they feel nervous ?—Even then they feel nervous.

Mr. N. D. Mallik.

11058. Then the fault lies with the central bank ?—Yes ; they do not finance properly.

11059. *Mr. Buckley :* You make an interesting suggestion as follows : "Till such time that he is properly educated the best way is to make it a condition in advancing him money to pay for a specialist in agriculture who will be a whole-time employee of a village and who will help him to improve his crops by issuing proper kinds of manure, getting really certified good seed and so on ". Where would you get such a man ?—From the Agricultural Department and the experimental farms.

11060. What kind of training would you suggest that he should have ? Of how many years' experience should he be ?—At least five years—practical and theoretical. I want a practical man.

11061. You suggest that at present the agriculturists do nothing to save their crops from insects. Do you think that, if such a man is appointed, they would carry out his instructions ?—Yes, if the money is advanced on this particular condition amongst other conditions that they will have to pay for such an expert and should carry out his suggestions. What I am driving at is this. From my experience I have found that we have tried to help the *zemindars* in all ways, *i.e.*, by giving them money, seed, good implements, etc., but we have not tried to improve the method of cultivation which they have neglected. I am not talking of it on scientific lines. Even in the ordinary cases what I find is that as soon as they sow their seed they think that their duty is done and they do not care what these calamities are which they can avoid excepting those over which they have no control. They do not know also the fact that a man who knows about agriculture is making four times more than what they do. A gentleman from Hyderabad came to Malir and laughed at the wastage of water and land. Taking one instance, they had the cauliflower and they had not trimmed useless leaves so as to make them grow bigger. Seeing this he said that they would have got cent per cent. more from that very tract of land if they had done as he was doing it.

11062. What would be the cost of such a specialist in agriculture. How much would it come to per head in a village ?—Taking the salary of the person at Rs. 300 and assuming that there are 150 members, it would come to Rs. 2 per head per mensem.

11063. *Mr. V. L. Mehta :* You say that the Imperial Bank has advanced moneys to sale societies on the security of agricultural produce. I understood from other witnesses that this money was being advanced by the Sind Central Co-operative Bank. Do you refer to the advances made on the security of agricultural produce to the individuals or has the Imperial Bank also advanced to sale societies ?—My information is that the Imperial Bank has in certain parts advanced to agriculturists not being members of co-operative societies.

11064. But not to sale societies ?—No.

11065. You suggest that the indigenous banker should be helped by Government and co-operative societies in getting his money back. I can understand the first part of your suggestion, but how can a co-operative society help him in getting his money back ?—Under the Co-operative Societies Act, a co-operative society has a lien over the produce of an agriculturist. Supposing the same agriculturist is financed by a *sowcar*, he cannot get his money until such time that a co-operative society recovers its dues. But it can help him in this way that a part of his produce should be reserved for him or that he should be given a portion of the amount of the sale proceeds.

11066. But would not such an arrangement be on mutual basis, so that if an agriculturist takes his produce to a *sowcar*, the *sowcar* might give the society same facilities ?—It will be on a mutual basis. I shall give you a concrete example. One member of the Malir Co-operative Society was refused help by a co-operative society because he was already given the amount according to the limit. He had prepared the land but he could not get the seed nor the money. I got him money from the seed dealer (about Rs. 125 in cash) with the consent of the manager of the society on condition that the *sowcar* will be given the cost of the seed first and whatever balance remains should be given to the society and after that if anything is left, it should go towards the cash payment from the *sowcar* ; thus I got money for him.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Friday, the 17th January 1930.

Friday, January 17th, 1930.

KARACHI.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. J. N. R. MEHTA.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Seth HAJI ABDULLA HAROON (*Member, Indian Central Banking Enquiry Committee*).

Khan Bahadur GUL MAHOMED ABDUL RAHMAN, Deputy Director of Agriculture, Sind.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—Agriculturist may be divided into—

Zemindar (Landowner), and

Hari (Tenant-at-will).

Hari is the actual tiller. He raises money for expenses during cultivation in two ways :—

Loan from *zemindar* to the extent of Rs. 40 to 100 per pair of bullocks engaged free of interest.

Debt from village *bania* mostly in the shape of foodstuffs and clothing.

The *zemindar* has to depend for expenses during cultivation on—

1. *Taccavi* from Government at 6¼ per cent.
2. Loans from joint stock banks at 8 per cent.
3. Credit from co-operative banks at 10 per cent.
4. Village or local *sowcars* at 15 per cent.

The rates of interest charged to a *hari* are generally from 25 to 50 per cent. according to the credit-worthiness of the borrowing person with or without security. The only security worth the name is the mortgaging of livestock of the *hari*. The loans are generally for the period of one crop season. The loan to a *hari* from his *zemindar* is free of interest generally, and percentage of *zemindars* charging any interest is decreasing year by year owing to deterioration of labour both as regards quality and quantity. One moral obligation attaching to these loans is that the *hari* will not quit the village before discharge of such loans and engage himself mainly on the cultivation of the *zemindar's* lands.

As regards advances to *zemindars* the rates of interest are above noted. The security given is the standing crop if the loan is a short-term one, but if the loan is taken for permanent improvements or to liquidate old debts the land is mortgaged ; but in order not to infringe the land mortgage laws, this has taken the shape of actual sale deed being executed, so that if the money is paid within prescribed time the sale deed is handed back to the mortgagor. Jewellery is sometimes accepted as security.

The amount in all these cases is restricted to amounts less than half the value of security offered and the period is generally one year or more years except the security of the standing crop, in which case the estimate of the standing crop is made by inspection and contracted for. An advance of about 5 per cent. of the value is then made to the *zemindar*.

QUESTION 2.—The crop is marketed in three ways—

(1) The village *bania* takes the small quantities on cash payment from *haris*.

(2) The *zemindar* first asks for rates from nearest *mandis* which are chiefly main towns of Sind, and through local broker strikes the bargain on consignment of produce brought in the market. In the case of very big *zemindars* whose produce is appreciably large, the dealers or their agents visit the *zemindars* and strike the bargain on certain fixed quantities. Such bargains obtain for the *zemindar* fair prices, though in weighments he may be deceived. Cash is paid on the spot on actual deliveries. The carting of produce to market is done by *haris* on payment by the merchant. The co-operative effort in marketing produce should come in after raising the standard of education in the agriculturist.

QUESTION 3.—Land values per acre are as below :—

Rice lands from Rs. 200 to Rs. 800.
Good garden lands from Rs. 500 to 1,200 with well.
Dry crop lands Rs. 100 to 300.
Bosi wheat lands Rs. 200 to 400.

The factors affecting values are :—

Proximity to town or village.
Productivity of soil.
Irrigation facilities.
Lift or flow.
Quality of soil.
Quality of *haris* available.

In the event of Government auctions, or court decree sales, the land generally is underrated, but equitable deals are generally the result of sales by private negotiations.

QUESTION 4.—Yes.

Some provisions of the Dekkhan Agriculturists' Relief Act have been extended to Sind, but it is ineffective inasmuch as the object of the Act is defeated (*vide* my remarks in first paragraph).

There are no land mortgage banks in this Province. But we have few newly started *zemindars*' bank on co-operative lines.

QUESTION 5.—The Indian Central Cotton Committee had about a year ago instituted investigations regarding financing of cotton. Facts and figures collected during these investigations in Sind shall be one of the ways to arrive at an estimate of the indebtedness of certain villages.

Khan Bahadur Gul Mahomed Abdul Rahman.

Usually it is the indigenous banker or village *sowcar* by whom the major portion of liability is incurred. The rates of interest charged have been shown above. The indigenous banker or village *sowcar* uses no method in arriving at the rate of interest like Government or joint stock or co-operative banks. He only calculates the chances of recovery and the degree of pressing need of the agriculturist and the number of sources open to him for raising money and then fixes up a rate within limits given above.

QUESTION 6.—The number of small industries are few in Sind and are supplemental to agriculture, *viz.* :—

Basket or mat making.
Sheep and goat rearing.
Poultry raising.
Indigenous dairying.

The demand for these classes of produce is generally more than supply; hence fair prices are realized for these.

The land is so much abundant in Sind and work on it so voluminous that there should be little fear of unemployment. The canal clearances afford lucrative employment during the off-season.

Oral evidence.

11067. *The Chairman :* How long have you been in Karachi ?—25 years.

11068. Before coming to your statement, I want to ask you a few questions about your views regarding the finance of agriculture in the Barrage lands. After one purchases the land, I expect he will have to spend some money for clearing the land and making it fit for agriculture. What do you think would be the amount required ?—I think on an average it would be Rs. 30 per acre.

11069. And there will be a considerable amount of additional finance required for ordinary cultivation ?—Yes ; naturally there should be provision for cattle, seed, etc.

11070. Of course it is difficult to make any accurate estimate, but do you think you will be able to give a rough idea ?—Say there is a holding of ten acres. I think a pair of bullocks would be able to do ten acres, and a pair would cost from Rs. 250 to Rs. 300, and implements of husbandry might cost about Rs. 50. Then there will be expenditure for seeds.

11071. Would the amount of *taccavi*, which the *zemindar* gives to the *hari*, be a sort of guide to find out the cost of cultivation ?—He gets it for his maintenance and for the maintenance of his cattle and to meet the expenses of cultivation, *e.g.*, for seed, and then again that depends upon whether the land is lift or flow. In the case of lift land he has to get more *taccavi* and the expenses are more for the maintenance of cattle. Under the Barrage, when water supply will be perennial, I do not think the expenses for the maintenance of cattle will be very much, but, for his own maintenance, I think, a provision of Rs. 60 to Rs. 80 per season per holding of ten acres would be enough.

11072. Do you expect that a good number of people would go in for expensive machinery, such as tractors ?—To a small extent, and not at present. It will be probably after some years when all the *haris* are absorbed here in cultivation and there will be necessity for mechanical cultivation, and it will be only then that people will go in for expensive machinery. They will have to form themselves into unions to enable them to purchase costly machinery.

11073. You have had a lot of experience about small agriculturists here. Do you think it would be safe to finance them for purchase of land, because usually they have no capital of their own and the only security will be the land itself and the produce ? Would they be able to pay off the purchase price ?—Under the present conditions of illiteracy of these people and looking to the condition of the cultivators who are very extravagant in their expenditure, I am afraid, it will not be safe.

11074. Apart from that, what would happen if these people are financed to purchase land ? Who would do the cultivation of lands which are cultivated by them at present ?—Present lands are being cultivated by *haris*, and at present there is dearth of population, and, till it is filled up, I do not think it is possible to give out all the lands.

11075. In other words, there will be difficulty of cultivating the present lands if the *haris* who are working on the *zemindars'* lands become landholders ?—Certainly.

11076. Is there no possibility of substituting mechanical devices of cultivation in place of *haris* and reducing the number of cultivators ?—I think it will take some time before that can be done.

11077. You say that the *zemindar* gives loans of Rs. 40 to Rs. 100 for a pair of bullocks. Is that for ten acres ?—For ten to twelve acres. The *taccavi* varies with the area and with the mode of irrigation. If it is lift more is necessary, and if it is flow less amount is required.

11078. Does it cover all the money that the *hari* requires for cultivation ?—Yes.

11079. He also requires money for maintenance ?—Yes.

11080. Does it include that too ?—I have kept a large margin. If he gets Rs. 100, I think he would be independent of any outside debt ; but if he gets only Rs. 40, he will have to depend upon some source.

11081. You say that *zemindars* get sometimes loans from joint stock banks. Is that common ?—It is my mistake.

11082. We have been informed that some *zemindars* do get loans from the Imperial Bank on the security of their produce ?—I do not know that.

11083. You say that the only security which the *hari* can give is his livestock, but is it not a fact that the *bania* advances money on the security of the standing crop and expects him to bring the crop to him when it is ready ?—Yes.

11084. Do you know of cases where the *hari* leaves the *zemindar* without paying off his debt ?—Several cases. Unless the *zemindar* sues him in the civil court it is very difficult to recover the amount.

11085. And he cannot recover even then ?—Exactly.

11086. Is there very much done by way of land improvement either by the *hari* or by the *zemindar* ?—The *hari* has no permanent interest in the land, and unless he has security in the land he cannot carry out improvement in the land. And the *zemindars* do not go in for land improvement to a large extent.

11087. What about the small peasant proprietor ? Is he more inclined than either the *zemindar* or the *hari to* carry out land improvement ?—Yes.

11088. Do you think that there would be more land improvement if there were more finance available at reasonable rates ? Is it the want of finance which prevents big *zemindars* to go in for land improvement ?—I do not think it is so.

11089. And the peasant proprietor ?—Supposing we give him cheap credit or something of that kind and any facility for land improvement, I am afraid, he is likely to spend the money in some other direction than in land improvement. Of course, there are some exceptions in which *zemindars* do spend every pie on the improvement of land, but, taking *zemindars* as a class, they are not inclined to spend that money on improvement of land, but they spend in other directions.

11090. I ask you this because some witnesses told us that they had no money and that they could not go in for land improvement. They also stated that they did not know anything about *taccavi* loans. Do you think if more money were available the small or big *zemindar* would spend more on land improvement ?—I have not full knowledge of the subject in the whole Presidency, but, from what I have been seeing here, I feel that those people are more discreet than people here. For instance, you will find the *marwari* class or the Gujarati class more prosperous than people in Sind. I think in Sind people are indiscreet in spending their money. Gujaratis and Deccanese might be more discreet.

11091. That is to say, they will take money for land improvement and spend in other directions ?—Yes, in Sind it is generally so.

11092. In other words, they are not very anxious about getting finance for improvement of land ?—I do not think they are anxious under the present conditions, because when the lands are extensive they can well afford to leave a bad portion of their land uncultivated.

11093. Coming to the question of marketing, there are interesting figures about borrowings given in the Indian Central Cotton Committee Report. It struck me and some of the other members that the figure of borrowings per head given in Table II as Rs. 809 is certainly much higher than the figure for the Presidency ?—These figures are based on close enquiry, and I do not think they could be doubted.

11094. The question is whether the average cultivator would borrow Rs. 809. It seems a large figure ?—These enquiries specially relate to Khandu and other places where there is lift cultivation, and consequently, more expensive, and the *zemindars* or cultivators here put in more work. For instance, they manure the land and cultivate it two or three months before the actual crop is put in, and secondly, they require money for feeding cattle, etc., and, therefore, their borrowings go high. At the same time three to four men combine to carry out lift cultivation, hence their and their families, maintenance charges during cultivation season swell high.

11095. Were these enquiries made all over Sind or in particular villages ?—They were made in typical centres.

11096. Were these in one district or two districts ?—In three districts, *viz.*, Nawabshah, Thar and Parkar, and Hyderabad.

11097. If they borrow Rs. 809 per head, their output must be proportionately high, and, therefore, these cultivators must be on the whole well off ?—As a rule, they live from hand to mouth ; they have not any savings.

11098. But they would earn proportionately more income ?—Of course, their income is high because of high produce, but the expenses are also high.

11099. As regards marketing, has the Cotton Marketing Act not been applied anywhere here ?—This question was before us and it was discussed before the Divisional Board of Agriculture, and everybody opposed it because they thought the time was not ripe.

11100. Are there any cotton markets in Sind ?—None, not in the sense as understood in Berar or other places.

11101. Is it the practice to sell the cotton in the village ?—The cultivator prefers to sell it on his own field, but sometimes he takes it to ginneries.

11102. Is it due to want of transport facilities ?—Want of transport facilities as well as saving the trouble of packing in gunny bags and taking it on camels. There is sometimes leakage on the way and there is also fear of theft.

11103. Are the weights and measures uniform throughout Sind ?—They are supposed to be uniform, but sometimes mischief is played.

11104. But legally they are uniform ?—Yes, the standard is the Bengal maund everywhere all over Sind.

11105. Sometimes the produce is not properly weighed ?—That happens when illiterate cultivators take it to small *banias*.

11106. You say in your written statement : "The co-operative effort in marketing produce should come in after raising the standard of education in the agriculturist." But so far as big *zemindars* are concerned, would it not be a good thing for them to combine and sell their produce ?—As a rule big *zemindars* are also illiterate, and they would not be benefited so much by combining, without education.

11107. Do they get a fair price at present ?—They do. Though they may be selling the produce on their lands, there is competition amongst the buyers, and I do not think they are cheated so far as the price is concerned. They get a fair price.

11108. Are they cheated in the weightment ?—It is likely unless the seller is careful.

11109. Have any other enquiries besides the Central Cotton Committee's enquiry been made about marketing of other crops, say, wheat or *juar* ?—No ; but in the case of wheat or *juar* or rice the system is practically the same ; there is no essential difference.

11110. Has your Department been making any enquiries regarding the possibilities of secondary or subsidiary industries for the agriculturists ?—We have been making enquiries, but we find that there is not much scope for it, because cultivators have sufficient work on their own lands throughout the year. If a cultivator is industrious, he has sufficient work to do on the land.

11111. In Sukkur and in other villages the holdings of *haris* are very small, and sometimes they can get only one crop. How does the *hari* employ himself when he is not employed on the field ?—He has other work to do. He lets his bullock-carts on hire.

11112. If a man wants work, there is sufficient work ?—Yes ; they actually do it. In the case of lift cultivation they let out their camels on hire, and they carry the produce from villages to towns in their bullock-carts or can even employ themselves on canal clearance. So that there is no dearth of occupation.

11113. He is rather in a good position ?—Certainly, if he has mind to do the work.

11114. *Mr. Kamat :* Taking a small holding here and taking three average years, have you worked out from the agricultural point of view the cost of production and the value of total yield and whether there is any margin of profit left to the cultivator here ?—The reliable figures that we possess pertain to the Government farms, but these figures are

based more on the industrial standard than otherwise, and consequently they cannot be compared with the actual cost which is incurred by the cultivator himself; but from the economic enquiries that we carry out in course of our tours we find that there is a fair margin of profit on the part of the *zemindar*; but we might take it that out of every three seasons, two seasons are good and the third a bad one.

11115. We have been told by a revenue officer that if the cultivator puts in sufficient industry into his business, that is, does sufficient ploughing, manuring, etc., there is no need for him to be indebted. In fact that is the view of Mr. Dow. Do you agree ?—There is no need for him to be indebted ?

11116. Yes; this indebtedness is due to the laziness and want of industry in his opinion ?—The present conditions of irrigation in Sind do not, I believe, make crops successful every year; but when irrigation conditions improve, and if there is no climatic or any other calamity, I think there is no need for him to be indebted. But at present conditions are very unfavourable and sometimes crops do fail on account of want of sufficient irrigation. But I do not think he is quite idle. He does work, though his standard may not be high.

11117. So you do not agree with this view that the cultivators are idle in Sind ?—I mean the standard may not be high, but I do not think he is idle to the extent he is depicted.

11118. This is actually what Mr. Dow states: "The land in Sind is crying out to have more work done on it; if the *hari* were encouraged to spend his time in weeding, levelling, manuring, clearing, etc., instead of sitting idle, the resulting increase of productivity of the land would be sufficient to clear him of debt." Do you agree with this ?—In a way he is right. Instead of doing some other jobs, such as letting camels and hiring bullock-carts, if he were to put labour in land, the land would improve and naturally the income would be increased; but to say that he does not work and he is lazy, I do not agree.

11119. Speaking about the Barrage area when it will come into full cultivation, and speaking about financing agencies then, do you think the present *taccavi* policy of Government would have to be changed. Now *taccavi* is given on a very small scale and is not intended for such big schemes. If millions of acres are to be brought into cultivation, would the *taccavi* policy have to be changed ?—Changed in what way ?

11120. In giving out more finance either to the *hari* or to the *zemindar* for long-term ?—It will be necessary to give out what the *zemindar* actually requires instead of giving out piece-meal or giving him a part of his requirements.

11121. At present the Government leave the agricultural finance either to the *bania* or to the co-operative credit society, and they do very little of financing agriculture themselves; but they have brought into existence a very large irrigated area. Should they stop only at irrigating canals, or should they go further by financing the *hari* by changing or relaxing their policy and giving long-term loans to *haris* ?—I think that would be necessary. As regards agency, either Government or the co-operative credit society should do it. The *bania* should be out of consideration because he is simply fleecing the people.

11122. About the rate of interest prevailing in this part of the country, a various exactions by money-lend as *sowcars* in other there are.

11123. What is the system ?—There are various obligations. The cultivator has to give a bag of new grain to the money-lender or to do some work either in the field or in the house of the lender.

11124. And these are traditional things and submitted to by the cultivators ?—Yes.

11125. It has been suggested that there should be a Money-lenders' Act putting some restrictions on these illegitimate transactions of the money-lenders and *sowcars*. In view of the long or ancient usages and customs you just referred to, would you be in favour of such legislation ?—I think instead of doing all these things, if you were to educate the *zemindar* or the cultivator, you would meet with all the evils. The whole trouble is illiteracy. I remember an instance. I was present once when a cultivator was clearing his accounts with a *bania*, and the *bania* said : " Well, you have to give me Rs. 80, and the interest on that is 5 per cent. and 80 × 5 is 500." It is obviously 400, and the cultivator said " Yes." I mean that is all illiteracy. Instead of introducing new legislation, I think education is the first essential, and they should be educated.

11126. Quite so ; but the illiteracy is a general question. So long as illiteracy is there, do you mean to suggest that any legislation like the Money-lenders' Act would be inoperative in view of the special difficulties of Sind ?—I am unable to say anything on the point because I have not thought of what restrictions would there be and what provisions of the Act would be. I mean, these traditions do exist and the *zemindars* and cultivators follow them willingly.

11127. About marketing, when this new Barrage area comes into cultivation, should it be an essential precedent that there should be established *mandis* and regulated markets, or should we leave the whole thing to the old system ?—I think it would be necessary to open some feeder railway lines and open new roads before any market is established, otherwise markets will not be successful. At present there are no good roads, and the distance is so great that people will avoid as far as possible bringing their produce on camels to central markets.

11128. Then again, so far as agricultural operations in these large Barrage areas are concerned, and the difficulty of ploughing by bullocks, would it be a feasible proposition for some one to start hiring out tractors on the rental system ?—The movement is going on. In fact there are two firms which have already put on the market two types of tractors, but it has yet to be seen whether it would be a paying proposition. In spite of tractors the bullocks will exist. In America where the tractors are used on a large scale, they have not been able to replace the bullocks or horses by more than 50 per cent. ; they do exist. So bullocks must exist, but the number will, of course, decrease. But the whole question of tractor has yet got to be studied from the economic point of view.

11129. What I am asking is, when you open out these big areas, would it be necessary to carry out agricultural operations by labour-saving devices and find finance for that ?—Certainly, it will be necessary later on though not in the beginning.

11130. The financing of these should be done by whom ?—In the case of a big *zemindar*, I think he can finance himself as they have done in two cases. But, in the case of smaller men, I think some co-operation will be necessary. Some villages must unite together to buy a tractor and then work. In the case of big men there is no difficulty.

11131. And if villages have to unite, who should take the lead in training up these people to do this sort of work ?—The training should be given by the Agricultural

Department etc. Even now the Agricultural Department has been demonstrating the tractors from village to village.

11132. That is about the tractor. But other operations, such as thrashing and harvesting, can also be done by mechanical power ?—Yes.

11133. And who should finance these ?—Co-operative societies.

11134. Co-operative societies should be started for that ?—Yes.

11135. Now in this Province the *hari* has little or no land and the population of *haris* is very large compared to that of *zemindars*. In the Sukkur Barrage area vast land can be brought under cultivation ; have you any idea as to how to turn the *hari* into a small *zemindar* by giving him land and also some finance for cultivating the land ?—I do not think it will be safe to start this wholesale and try to make every *hari* a *zemindar* ; but it might be started gradually and seen how it works, because the *hari* is very extravagant in his habits, and, if we make an attempt to make him a *zemindar* at once, we might not be successful.

11136. What difficulties do you apprehend except the fact that he is spendthrift in his ways ?—As I said he may waste away his money for other purposes instead of for land improvement. So I do not think this experiment might be tried on an extensive scale, but it might be pursued gradually and seen how it works, and then again, if you do that, you will deprive the labour from the *zemindars'* land.

11137. Is that your fear ?—Not only that, but there are other factors also.

11138. *Professor Kale :* With regard to this question, are we to take it that in the special conditions of Sind a large number of tenants, such as *haris*, are a necessity for agricultural operations ?—Certainly.

11139. And the only approach to the solution of the problem would be to better the condition of *haris* rather than make them independent landholders ?—I do not see in what way we can better the condition of *haris*.

11140. From what you have stated the impression I have taken is that you want two classes here as in England. There are big landlords and there are farmers, who are tenants ; but the conditions there are much more favourable on account of the fact that the farmers there have capital for their enterprise. So it is not a question merely of landlords and tenants, but it is a question of landlords and good tenants and enterprising farmers, who have capital of their own. So, do you think that in Sind much land cannot be cultivated unless there are these cultivators, and the only solution seems to be that the condition of these *haris* or tenants, whoever they may be, has to be improved, otherwise, as you say, if you turn them into landlords, the land will lie uncultivated ? Yes ; but supposing we want to improve their condition, how will you do that ?

11141. For instance, giving them financial facilities ?—On what security ? They have no credit because they are landless men.

11142. The only security will be their crops and their character ?—Then the *zemindar* will have no concern with him. If a third man helps him on the security of the crop, the *zemindar* has a prior claim than the financier, because it is the *zemindar's* land which the *hari* cultivates.

11143. Either the *zemindar* or some outside agency should finance him ?—He is financed at present either by the *zemindar* or by the *sowcar*. By these two agencies he is already financed, otherwise he cannot exist.

11144. Do you think that there is no way out of the difficulty because the *hari's* present position cannot be improved and, as you say, it is not practicable to make him an independent landholder ?—I am not opposed to make him an independent landholder or the *zemindar*, but what I want to suggest is that this experiment should be pursued very gradually and slowly to see how that system works.

11145. You say in your statement that there is a growing tendency for the *zemindar* to lend to the *hari* free of interest. Are the loans sufficient for purposes of cultivation ?—Yes, in my opinion they are sufficient.

11146. And if they get them without having to pay interest, their condition is better than by going to co-operative societies ?—I do not know whether the *haris* are financed by co-operative societies. I believe they are not. I think their condition is not very bad, because after all they are a sort of irresponsible men. They have no security and no land of their own, and when the debts accumulate, they simply go from one *zemindar* to the other, who would finance them.

11147. Do you think that the *haris* cannot be brought into the Co-operative Movement and that, as they are, their financial needs are satisfied by the *zemindar* ?—I do not know whether they can be brought into the Co-operative Movement, but if they are brought, there is nothing like it. But my impression is that they are not brought because there is no security.

11148. And there is no necessity because they are financed by the *zemindar* ?—The *zemindar* must finance him because he cultivates his land.

11149. Does he take any interest in some other way, say, through his share of crop ?—The share of crop depends upon the nature of cultivation. If it is flow he takes half, and if it is lift he takes one-third as his own share, and he charges something extra for other expenses.

11150. Has your Department thought of the problems about the land under the Sukkur Barrage, what crops would be grown there and so on ?—That experiment about cultivation is going on, and it will take some time before the final results could be made public.

11151. That scheme will have reference to the crops but not to the people who will grow them ?—That is the work of the Revenue Officer, Lloyd Barrage. There is a separate officer for that who will deal with that question.

11152. Is there no co-ordination between your Department and the other Department ?—Not in connection with land distribution. There seems to be no necessity.

11153. You will propose certain crops to be grown, but unless there are men to grow them, how will your scheme be carried out ?—I do not exactly follow this last question.

11154. My question is that you are making an experiment with regard to the crops that may be profitably grown on the new lands in the Barrage area, but have you thought out as to the distribution of land and what will be the system under which the crop will be grown, because the profitableness of the cultivation will depend on two things, *viz.*, on the crops and on the agency. Has this latter problem also been considered along with your agricultural problem ?—The crops and the alternative crops that we are growing will be handed over to the *zemindar* to grow them in the Barrage area, and they will grow them in the ordinary course as they are doing in other parts. There will not be much difference in crops except a few extra or new crops which we will recommend.

11155. Whoever may be the *zemindar* will the crops be the same ?—Yes.

11156. *Mr. Kamat :* Speaking about these *haris*, now there is the *batai* system. Supposing that system is changed into cash rent system, that is, the *zemindar* to receive cash rent, and the tenure to be long, say, five years, and the *hari* to be financed by co-operative societies. If such a system is to be introduced, would it be possible ?—That would probably be on the security of his crops. I think it is worth while.

11157. That would improve the *hari's* position, and he would stand on his own legs ; but would the *zemindars* like it ?—I think the *zemindars* would like it.

11158. Then the *zemindar* will be in the position of the landlord in England, who takes only a rent-roll ?—It will be just the same thing as the *zemindar* who gives contract to a particular man and charges him Rs. 8 or Rs. 9 per acre. It will be immaterial to him provided there is security for the *zemindar* getting his money for his contract, and then I think he will have no objection.

11159. This would solve materially your problem of the *hari* if the cash rent system were introduced ?—This has to be seen.

11160. *Mr. J. N. R. Mehta :* What are the financial relations at present in Sind between a *zemindar* and a *hari* or between a *zemindar* and a small *khatedar* ? Have they been advantageous to the *zemindar* or to the *hari* or have they been good to both, or do you propose any other financial arrangement between the *zemindar* and the *hari* as suggested by our colleague, Mr. Kamat, which would be advantageous to both ?—My experience in this connection is that the lot of a *hari* is not so bad as is supposed to be. The *hari*, as I said, is more or less an irresponsible man who has no security. Of course if he is given any financial assistance he will naturally avail of it, but he will not observe economy because he has to pay back the money which he borrows, at the same time the *zemindar* who advances money to the *hari* has no legal means of recovering it and there is nothing to prevent the *hari* from running away. Personally I do not think that a *hari's* position is much worse off.

11161. *Mr. V. L. Mehta :* You are referring to *haris* getting money on the security or mortgage of livestock. Are specific documents entered into, or is it only a general charge ?—I think here some specific documents are entered into.

11162. What is there to prevent them from creating another lien on the same assets ?—I do not think that they can do so.

11163. Because these documents would be registered ?—Yes.

11164. Is it not the practice for *haris* to dispose of their cattle every year in order to pay to *sowcars* ?—Sometimes they do so.

11165. Is it the general practice or not ?—Generally they would pay out of the sale proceeds of crops, but if the *sowcar* presses for his amount, the *hari* disposes of his animal and pays to the *sowcar*. Sometimes it so happens that a bullock worth Rs. 60 is sold to the *sowcar* for Rs. 50. Finding no other way to pay the amount to *sowcar*, when pressed by him, he gives his cattle.

11166. You say : "An advance of about 5 per cent the value is then made to the *zemindar*." Do you mean thereby that the balance is made available later on ?—Yes

11167. Is there anything like a forward sale ? In some cases there is.

11168. Is it very common ?—It is very common in the case of cotton.

11169. [illegible] on the increase or the decrease [illegible] on the increase.

11170. Why is this so? Is it because people do not get the requisite financial facilities?—Yes.

11171. Have you a number of co-operative sale societies here?—Yes.

11172. Would you like their organization to be changed a little?—Yes, and I hope they will be successful.

11173. Would you recommend side by side some active propaganda to be carried on, because you refer in your statement to education. Do you mean thereby general education?—In my statement, I have referred to education because it is very necessary, before considering any other scheme, that we should educate these *zemindars* and that, instead of making cheap credit extensive, I would like to intensify the work taking certain villages as a group and there introducing every sort of co-operation in all branches and not giving money to cultivators direct in cash but giving in kind, for instance, supplying them with improved seed, with improved implements and also seeing that their crops are profitably disposed off and, having done this work and having studied it for some time and consolidated it, we should go further. But I am personally against cheap credit. It is rather harmful for the indiscreet *zemindar* who spends it for some other purpose.

11174. Do you think a large number of people, who are efficient farmers, are being turned into tenants for a period, or tenants-at-will, through the process of the enforcement of the old debts and is landed property passing on into the hands of creditors? Have you any information on this point? Have any smaller *zemindars* been turned into tenants?—There are many cases in which they have become tenants.

11175. Not on a very alarming scale?—No; but there have been several such cases.

11176. Does then agriculture deteriorate, or is it that there is no change in agriculture?—The agriculture is there, and the conditions are there, but the whole trouble is about debts. The debts go on accumulating and the man goes on spending and then the land passes out of his hands.

11177. But, after the land passes into the hands of a *sowcar*, does agriculture deteriorate or does it improve?—It does not necessarily deteriorate.

11178. About the land improvement loan, is the Agricultural Department being consulted both by the Revenue Department and the Co-operative Department when *taccavi* is granted?—The Co-operative Department has been consulting it, but the Revenue Department does not do so.

11179. Do they make their own enquiries?—Yes.

11180. Have they their own staff?—Only the *mamlatdar* is there.

11181. But for a scheme like the setting up of a pumping plant, would they not like to go in for consultation?—To my mind no such difficulty has been felt.

11182. Do you think that this kind of co-ordination would be desirable or do you think that things are going on well?—No such trouble has been felt up to now.

11183. Do people, who go in for this scheme, get technical advice without much delay?—Yes.

11184. *Seth Haji Abdulla Haroon:* In your statement you say: "The rates of interest charged to a *hari* are generally from 25 to 50 per cent. according to the credit-worthiness of the borrowing person with or without security." We are given to understand that the *banias* keep accounts in such a way that it is very difficult for people to understand

Therefore, it has been suggested that there must be some form of accounts kept by these *banias* so that the people can understand the accounts. What is your opinion ?—They are keeping their own accounts in the *bania* character which Mahomedans or the cultivators, as a rule, do not understand.

11185. Do you think that a prescribed form of accounts should be necessary ?—It is very desirable.

11186. Do not the *zemindars* and *haris* mostly get advances from *sowcars* on the standing crop ?—Yes.

11187. In this way they are getting a lesser rate than the ruling market rate, is that not ?—It is always so. Of course they do not get the intrinsic value of the crop or the market rate of the crop.

11188. Do they not, therefore, suffer heavily ?—Yes.

11189. Do you think that it is advisable for co-operative societies to lend to *zemindars* on their standing crops ?—What difference does it make for a society whether it makes advances at the beginning or in the end.

11190. The difference is this. In addition to their getting a loan previously, they would get this additional loan on the standing crop. Do you think it is necessary ? I do not think so. If it is necessary to stop forward sales and other things then some advance may be given on the credit of the standing crops, otherwise I do not think it is necessary—the less you give the better.

11191. Are the sale societies making advances on standing crops ?—I cannot say.

11192. Do you think that they should make advances on the standing crop as a *bania* does ?—I think it is worth-while trying.

11193. Do you say that instead of a credit society a sale society should advance money ?—Yes.

11194. As regards small industries, you are suggesting basket or mat making, sheep and goat rearing, poultry raising and indigenous dairying. Uptil now has your Department done anything in this matter ?—These small industries the cultivators themselves are doing, but it seems to me that there is not much scope for these industries because the cultivators have already sufficient work in the field to do and, consequently, there is not much scope for any of these industries in Sind.

11195. The wives and children of cultivators can take to indigenous dairying ?—They have their own household work to do and at the same time they do some work, for instance, basket making, but for male adults there is not sufficient scope for these industries. They can employ their full time in the field itself.

11196. You further say : "Some provisions of the Dekkhan Agriculturists' Relief Act have been extended to Sind, but it is ineffective inasmuch as the object of the Act is defeated (*vide* my remarks in first paragraph)." Do you, therefore, think that any other measures should be adopted in this Province ?—I do not think so ; otherwise there will be more difficulty in the way of getting finance. In my opinion the whole trouble is due to the illiteracy of the cultivator. We must first try to educate him and afterwards all these troubles will automatically disappear.

11197. *The Chairman :* One of the questions we have to consider is : what are the financial requirements for current agricultural expenditure in each district. Your figures about the cost of cultivation on the farms would not be a sure guidance because

the cultivator's expenses are quite different. Could you not give us some rough idea as to what amount in cash the average cultivator requires, *e.g.*, for cultivating 10 acres (*a*) under cotton, (*b*) under wheat, and (*c*) under some other crops ?—In that case I am considering one man, his wife and his child.

11198. Do you exclude his own labour ? What actual cash does he want ? —I am not considering his labour but I am considering maintenance charges for himself, his wife and his child. This has to be considered for the purpose of calculation.

11199. They will come out of the profits, would not they ? Supposing a man has 10 acres, he will have kept something out of his previous year's produce for his own maintenance ?—As a rule they do not keep anything. While considering this question we shall have to take into account also the maintenance charges of his pair of bullocks *plus* other cultivation charges.

11200. The bullocks will be there, but will he buy fodder ? -At times he has to buy fodder.

11201. The question before us, which is an important question, is : for each district how much money is required for current agricultural expenditure, how much money is available from different sources and what money, if any, is required ?—I do not think it is necessary to give figures for each district separately. In calculating this I shall take into consideration the Barrage conditions unlike the conditions at present. At present we have here only one crop, viz., *kharif*.

11202. Do you not have *rabi* ?—Except *bosi* wheat in North Sind, we have it only in patches here and there because we have no irrigation. I shall send you the information that you require.

11203. Please let us know what finance will be required before and after the Barrage Scheme ?—Yes ; I shall send this information.

(The witness withdrew.)

Khan Bahadur NUR NABI GHULAM NABI, B.A., Deputy Collector, Shah Bunder.

Replies to the Questionnaire.

QUESTION 1.—The agriculturist obtains loans, for the purposes referred to, from the local co-operative credit societies or the *sowcars*, and they are generally repayable within a year on the realization of the crops.

The society charges interest at the rate of 10 per cent. and takes land as security, the personal security of the members being largely preferred. While the *sowcar* has his own terms of interest which vary from 12 to 30 per cent. per annum, the rate varies according to the means of the agriculturist. He also takes security of land wherever possible, the conditional sale of land being in some cases insisted upon. The *zemindar*, when he makes advances to his *haris*, takes security where possible of the latter's live-stock, but this practice is not common to all the districts or even *zemindars* some of whom, who are powerful, rely more upon their own influence than the securities which after all involve litigation. Standing crops are generally not accepted as securities. In order to encourage co-operative working Government has stopped giving loans for expenses for and during cultivation except in special tracts and the co-operative credit

societies which are open to loans for this purpose are being liberally financed. But when there is a general or even substantial failure of crops and the stability of the agriculturists becomes very doubtful, the society and the *soucar*, whose own financial position becomes jeopardized, fail to work as efficient instruments of help, and Government opening its purse-strings comes forward with its loans which are liberally given to vitalize and stimulate all effort towards agricultural operations. Moreover Government orders suspensions of land revenue wherever necessary. For capital and permanent improvements Government loans are always available.

Co-operative banks help the credit societies financially, but otherwise these and other banks and their activities are generally unknown to mofussil people on this side. An intelligent *zemindar* who has fallen on evil days may enter into negotiations with a bank and obtain a loan on the security of his land, but these cases are very rare and it is the society, the *soucar* or Government which play important part in rural agricultural credit.

The total amount of capital required for the various agricultural purposes may be estimated at Rs. 15,00,000.

The finance provided in kind, *e.g.*, in the shape of seed, may be put down at Rs. 3,00,000.

So long as the present cumbrous and heavy system of credit continues there is no prospect of the recovery of the agriculturists from indebtedness and financial morass. Cheap credit, wholesome conditions of life, cheap tractor ploughing and harvesting on basis of collective or other farming organized co-operatively or otherwise with suitable machine stations provided with garage and repair shops, might effectively result in the amelioration of the condition of the agriculturist.

QUESTION 2.—So far as this Division is concerned, the methods of marketing principal crops are very simple. The chief produce is rice and it is sold with little or no competition to local buyers who, being generally very few, are able to dictate their own prices. Some produce is exported to Cutch by land on camels and sea in indigenous crafts and some by river and rail to some trade centres like Karachi and Hyderabad in Sind. In the absence of good roads the difficulty and cost of transport along the country lying up to river and rail are always very great.

There is no possibility of formation of co-operative sale societies until the transport facilities improve and on this account the financing of produce during marketing, for which no facilities exist at present, is not possible.

The bank or bankers have nothing to do with marketing and dealers and merchants, who purchase the produce, export it generally from the thrashing floors to the markets which they favour according to the conveniences within their reach. Normally the produce purchased is paid for in cash locally and in rare cases a draft on a banking centre is preferred to local payment. There is nothing serious to complain of against the existing system of payments.

The *hundis* are the only negotiable instruments which are made use of for internal remittance and they are much in favour with the public as they are reliable and are invariably honoured when presented for payment in time.

The bills are not known in countryside and no suggestion can be made in their respect.

The *hundis* are called *darshani* or *mudetvari* according as they are payable on sight or on or after a date specified therein for payment.

There is nothing to suggest for the amendment of the Negotiable Instruments Act.

The *hundis* emanating from any centre in the *mofussil* are discounted in a provincial centre and they are held by those who sell their goods to merchants locally.

The instruments of ownership of goods are not employed for raising money. The financial resources of merchants and dealers in produce are locally known fully well and those who sell produce are quite circumspect in effecting their sales and if there is any dishonesty on the part of a dealer his elimination from the local trade centre is certain, and generally instances of this kind are very rare. Government can only help by way of organization of co-operative sale societies.

QUESTION 3.—The value of land per acre by private negotiation is as under :—

There are few sales for non-payment of revenue or on account of civil court decrees—

(1) Rice land from Rs. 15 to Rs. 100.

(2) Garden land from Rs. 150 to Rs. 200.

(3) Non-rice lands bearing dry crops from Rs. 60 to Rs. 125.

The factors affecting the prices of land are as under :—

(*i*) productive capacity of the soil,

(*ii*) water facilities,

(*iii*) contiguity to purchaser's previous holding,

(*iv*) proximity to an important town or village,

(*v*) economic condition at the time of purchase, and

(*vi*) cost of improvements required for the land.

QUESTION 4.—Lands held on non-alienable tenure cannot be mortgaged, but agricultural lands of this class can be accepted in mortgage for *taccavi* loans under the special orders of Government. All other lands could be mortgaged without any legal impediment. There are no mortgage or agricultural banks in this district or any other banks of long-term credit.

The landholders and tenants of this side are very illiterate and so long as their illiteracy continues, no good can result from any bank with whatsoever good intentions it might be started.

The Record of Rights has been simplified and the cost of copies of entries therein put down at a minimum and no further improvement is necessary. Improvements when a demand for them emanates for the masses are bound to be of lasting good, but when they are brought about they are neither understood nor taken advantage of by the masses.

The mortgage banks have been suggested in connection with the Barrage area where large land sales are likely to occur which require financing by banks.

QUESTION 5.—It is difficult to estimate the indebtedness of the agricultural classes, but it must be very heavy.

The debt is incurred for the purposes (*a*) to (*f*).

The creditors are Government and co-operative societies, which have advanced loans for cultivation, and indigenous money-lenders and merchants who, apart from their retail business, finance the cultivation of their local or neighbouring *zemindars* who stand in need of help.

Khan Bahadur Nur Nabi Ghulam Nabi.

The rate of interest charged by Government is Rs. 6-12-0 per cent. for all classes of loans, but in the case of other money-lenders the rates vary according to the conditions of the money market and the circumstances of the borrower. In some cases the amount of interest is deducted for the period for which the loan is taken from the amount of the loan and in others compound interest is charged. Government recover their loans according to the law in force for the recovery of the arrears of land revenue, and others through civil courts.

There have been some cases in which thrifty and efficient farmers have turned into holders of large agricultural property and also others in which owners of landed property have not only become tenants-at-will but street beggars. All this depends upon the farmer's personal habits and applications to work, but much is due to illiteracy which plays an important part in the making of a man. These conditions are applicable to irrigated tracts and areas not liable to famine and not to famine zones, where land has generally little value. It is the absence of incentive to work and produce more which is largely responsible for these conditions.

QUESTION 6.—The small subsidiary industries allied or supplemental to agriculture existing in this division are :—

(1) Indigenous rice milling (*i.e.*, *Darni*),
(2) *Gur* making,
(3) Garden produce,
(4) Hand-spinning on a small scale,
(5) Fish oil making,
(6) Mat making, and
(7) *Pankha* making.

All these industries are of local requirements, but, if sugar refinery could be introduced and sugar plantation thereby largely encouraged, there should be a better return for sugarcane cultivation and a field for employment of labour to some extent which might minimize the want which is felt otherwise.

The enterprises needed for this division which at present has no convenient points of contact with other trade centres by river, sea or railway are :—

(1) Introduction of railway line to facilitate transport of produce.

(2) Improvement of creek which might give a large impetus to trade with the Cutch.

(3) Improvements of roads to facilitate trade of all kinds across the sea and the river by motor which is now the only convenient mode of transport of goods.

These enterprises will open up tremendous possibilities of employment of labour of all kinds and a rise in the standard of living.

The capital for railway is to be supplied by the State which manages the N. W. Railway system or by any other railway company, *e.g.*, the Light Railway Company.

As regards the roads and the creek, their development can be undertaken by the District Local Board which is the only agency to do it. Some roads can be provincialised and maintained at Government expense.

QUESTION 6A.—Weaving is done in this Division on a very small scale.

QUESTION 7.—There are no banks of any kind in this division except the postal savings bank which is availed of to a very limited extent owing to the rate of interest being low.

The only co-operative societies which exist are credit societies with short-term capital and they are doing well. More of such societies are in demand as with smaller rate of interest the people are able to pay off their other debts carrying heavier rate of interest. The extra capital required for other societies may be estimated at Rs. 4,00,000.

QUESTIONS 8 AND 9.—The Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act have reduced the borrowing power of the agriculturists, but this is not a bad result. They have still sufficient credit to raise money for their legitimate needs. The money-lenders resort to all sorts of tricks to get over the provisions of these acts and manage inspite of them to recover a heavy interest and dispossess agriculturists of their lands. The small landowners of the genuine agricultural stock need protection not only against money-lenders but also against big *zemindars*. It would be desirable if there were a legislation making holdings under 50 acres not transferable. The small holders would thereby lose their credit, but they can depend on Government and co-operative credit societies for the necessary loans.

SECTION II.

It is difficult in view of the prevailing conditions to refer to all the questions seriatim, but, broadly speaking, the indigenous banking system may be described as under :—

In big trade centres there are *shroffs* who deal in ornaments, *i.e.*, they sell and purchase them ready made, accept ornaments for loans as pawns and deposits either on a fixed rate of interest or on varying rates according to the amounts of loans and the periods of deposits and advance loans to persons known to them on their own terms generally on personal security.

2. Usurers who deal generally with low classes and under all risks start dealings with them on heavy rates of interest and these are the blood-suckers of the masses.

3. In the *mofussil* again there are small merchants who do retail business and at the same time finance according to their means the small landholders of the locality or the neighbourhood on the strength of the crops raised by them which eventually fall in their hands.

4. Bigger merchants with large capital in their hands, who generally do wholesale business, sell goods to small merchants referred to above on credit, advance substantial loans on advantageous rates of interest to respectable *zemindars* and buy and sell produce on a large scale. These men also accept deposit when they find need for it.

The dealings in the matter of purchase of produce or in the repayment of deposits are generally made in cash, but if a purchaser wants a *hundi* and the buyer can command credit in a provincial trade centre, he will issue it payable on sight or on a specified date, but generally a *hundi* of the latter class is issued to ensure its being honoured. The *hundi* is either addressed to a particular firm or issued in general on a provincial centre, the latter course being adopted by a man of large capital and of known fame and respectability which ensure its being honoured at all places and by all persons dealing in such instruments.

This system has been working since ages satisfactorily and people will not like to depart from it. The banks also have their advantages, but they cannot be started in every *taluka* where financial dealings are limited.

These indigenous bankers are able to meet all the local financial demands.

Khan Bahadur Nur Nabi Ghulam Nabi.

The district co-operative banks are also very useful institutions, but their utility will not be open to all classes of *zemindars* requiring loans. But it would be very advantageous to have one for each district.

SECTION III.

QUESTION 1.—There are no banking resources in the province. The only Provincial Bank, the Karachi Bank, which did exist, has failed.

The capital required for banking such as mortgage banks, co-operative and joint stock banks for which there is a demand, will be in crores and it is difficult to provide for it. The urgent need is of a mortgage bank which requires a capital of at least a crore of rupees.

The only institution to encourage saving in the *mofussil* is the postal bank where small retail dealers deposit their savings, but this institution is not popular owing to low rate of interest.

It is the Mussalmans who do not take interest on their savings, but owing to their conservative way they cannot be induced to make their savings, available for the economic development of their country.

Normally people do not invest in silver and gold with singular exceptions, but in times of disturbances people commanding capital do invest according to their means but generally for the period of disturbance.

QUESTION 2.—The postal cash certificates have lost their popularity which will revive if they were issued at the rate of Rs. 75 per cent.

Of course banks do compete with Government on their postal cash certificates and when the rate of interest on the latter is low, the former are more in favour with the public.

QUESTION 3.—There is no business in Government securities on this side.

The Mahomedan *zemindars* have generally no surplus but when they have it, they leave it with or without interest with the *sowcar* with whom they have dealings or hoard it in their private coffers at home or try to purchase some land. The Hindu *zemindars* invariably deposit their surplus on interest with some bank of their choice. Others also do the same. The farmers have generally no surplus and, if they have any, they buy some land or bury it.

QUESTION 4.—No cheques are used on this side. The use of vernacular script in banking will be of great advantage.

QUESTION 5.—The view that the investment and banking habit of Indians is of slow growth is correct because they are either more idealists or fatalists than practical men. Education is bound to bring light with itself and there will be no tangible improvement in the present condition till education widely spreads and finds way in every home. Till then no suggestion will have any practical results. The opening of the new branches of the Imperial Bank has had no effect upon the *mofussil*. The introduction of investment trusts will be of no practical advantage when there is generally no surplus money to invest.

Oral Evidence.

11204. *The Chairman:* Khan Bahadur, you are the Deputy Collector in charge of Shah Bunder sub-division?—Yes.

11205. What are the main crops in your sub-division?

The only co-operative societies which exist are credit societies with short-term capital and they are doing well. More of such societies are in demand as with smaller rate of interest the people are able to pay off their other debts carrying heavier rate of interest. The extra capital required for other societies may be estimated at Rs. 4,00,000.

QUESTIONS 8 AND 9.—The Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act have reduced the borrowing power of the agriculturists, but this is not a bad result. They have still sufficient credit to raise money for their legitimate needs. The money-lenders resort to all sorts of tricks to get over the provisions of these acts and manage inspite of them to recover a heavy interest and dispossess agriculturists of their lands. The small landowners of the genuine agricultural stock need protection not only against money-lenders but also against big *zemindars*. It would be desirable if there were a legislation making holdings under 50 acres not transferable. The small holders would thereby lose their credit, but they can depend on Government and co-operative credit societies for the necessary loans.

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2. Usurers who deal generally with low classes and under all risks start dealings with them on heavy rates of interest and these are the blood-suckers of the masses.

3. In the *mofussil* again there are small merchants who do retail business and at the same time finance according to their means the small landholders of the locality or the neighbourhood on the strength of the crops raised by them which eventually fall in their hands.

4. Bigger merchants with large capital in their hands, who generally do wholesale business, sell goods to small merchants referred to above on credit, advance substantial loans on advantageous rates of interest to respectable *zemindars* and buy and sell produce on a large scale. These men also accept deposit when they find need for it.

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This system has been working since ages satisfactorily and people will not like to depart from it. The banks also have their advantages, but they cannot be started in every *taluka* where financial dealings are limited.

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Khan Bahadur Nur Nabi Ghulam Nabi.

11206. Does much of the cultivated land belong to big *zemindars* or are there small holders also ?—Mostly it belongs to big *zemindars*. In Mirpur Bathoro, there are small *zemindars* also. In the other three *talukas* there are big *zemindars*.

11207. Are the big *zemindars* financed mostly by *sowcars* ?—Luckily some of them are rich and they do not require much assistance from *sowcars*. The *zemindars* in Upper Sind need the assistance of *sowcars*.

11208. About marketing, are the big *zemindars* able to do their own marketing direct ? —No ; they sell their crop to local dealers.

11209. Do they get their money at once ?—Ordinarily the local dealers delay payment. They do not refuse payment, but they try to delay payment as much as possible and would like that there should be a running account between a *zemindar* and a *sowcar*. That is to say, before the crop is ready a *sowcar* would be ready to make advance payment to a *zemindar*. If the *zemindar* requires any money at any time, say for going to Karachi, the *sowcar* will at once give it to him.

11210. Does he charge interest ?—From very big *zemindars* he does not charge any interest on casual advances simply because they may have their dealings with him. *i.e.*, they may sell their crop to him. With this idea he makes such advances free of interest to the *zemindar*.

11211. Do you think that big *zemindars* get fair terms from a dealer ?—Yes.

11212. Are the small ones liable to be cheated in weighment ?—Yes.

11213. Would it be an advantage for big *zemindars* if there be some central regulated markets ?—Yes, and even for small *zemindars* such regulated markets would be advantageous.

11214. Is it not the case that a small *zemindar* is bound under the terms of the contract to sell his crop to the dealer ?—But those who do not want to borrow will get a better chance of selling their produce in the market.

11215. Is it not ordinarily the buyer who is shrewder and in a better position to know the fluctuations than the seller ?—They take advantage of their shrewdness and control the prices. For instance, if the price to-day is Rs. 8 per maund, to-morrow they make it Rs. 10 per maund, and thus they induce the people to sell their crop, lest the price may fall.

11216. Do they fix the price ?—They must be fixing the price according to the prices prevailing in Sind. I know that prices fluctuate in local centres also. I think that it may be the big centres deciding the prices.

11217. Do producers or cultivators know what the prices are in other bigger markets ?—They do not go as far as that, but they go to district headquarters or *taluka* headquarters. Every day every man questions " what is the price to-day ?". Usually in those days they talk only about the prices.

11218. Ordinarily now if a big *zemindar* wants to carry out some land improvement, or even for his current needs, do you think that he can get a loan from a joint stock bank ? —I do not think so.

11219. *Mr. J. N. R. Mehta :* Did these *zemindars* get money for War loans from banks on the security of their lands ?—Yes. Government paid 6 per cent. The *zemindars* paid extra 3 per cent. to the bank and borrowed at the rate of 9 per cent. from the bank.

Khan Bahadur Nur Nabi Ghulam Nabi.

11220. *The Chairman :* The difference was paid by the *zemindars* ?—Yes.

11221. Was that a sort of contribution to War loans ?—Yes.

11222. About the estimate of 15 lakhs of rupees, which you have referred to, has it been worked out or is it merely your impression ?—It is more or less a guess-work.

11223. Does the *zemindar* advance a certain definite amount to his *haris* for cultivation per acre ?—He advances for a pair of bullocks, but he does not take any interest on that, even when he borrows from a *sowcar*, because the cultivator says to the *zemindar*, " If you give me so much *taccavi* advances I will cultivate your land. "

11224. Is the *zemindar* supposed to provide all the finance necessary for cultivation ? Is this the understanding for seed, for manure, or is the *hari* supposed to provide a part of it ?—The seed is supplied sometimes by the *zemindar* and for this the rate is fixed. Some *haris* have complained to me in my division also that when seed is supplied to them, they are debited with the price at the rate of Rs. 5 per maund, and when the crop is ready they get a credit at the rate of Rs. 3 per maund. Thus, the *zemindars* or *sowcars* make some profit also.

11225. But usually at the time the crop is sown the seed will be more expensive than the seed at harvest time ?—Yes.

11226. You say: " The chief produce is rice and it is sold with little or no competition to local buyers who, being generally very few, are able to dictate their own prices " ?—There could not be much competition.

11227. In spite of this, does the producer obtain a fair price ?—In big towns there may be competition, but in small towns there cannot be any competition. I shall give you an instance. I was appointed receiver of a certain property in an out-of-the-way village, in my division; it would take a few days to go to that village from *taluka* headquarters. The price of paddy then was Rs. 50 per *phara*. There was nobody willing in that village to purchase at Rs. 50 the produce that was in my possession. It was only after a great effort that it could be sold at Rs. 45 per *phara* ; there were only three buyers for it ; the three combined as a result of which I could not sell it at Rs. 50.

11228. *Mr. J. N. R. Mehta :* I want to know whether they did not come forward to buy the produce because of their feeling of humanity or because they wanted to take it away cheaply ?—Cheaply and also with some ulterior motive towards the other man.

11229. I was told at one place that when such things are attached by the court, in order to obstruct and to help the debtor, people do not come to buy either the land or the crop. Do such cases happen ?—Yes.

11230. *The Chairman :* You say that unless transport facilities are improved, there is no possibility of formation of co-operative sale societies ; but how do the local merchants transport their goods to exporting centres ?—They have more business.

11231. It is therefore only a question of intelligent management ?—Yes.

11232. You say : " Lands held on non-alienable tenure cannot be mortgaged." What is the rule in Sind ? Can they not be mortgaged to co-operative societies ? In the Presidency they can, and I was wondering whether those rules were not applicble to Sind also ?—I am not certain about it.

11233. In the next paragraph you say that so long as the landholders are illiterate land mortgage banks cannot do them much good, but apart from the question of illiteracy if any means can be found for redeeming their old debts, would not this be an advantage ? —How ?

11234. Supposing a land mortgage bank is formed for giving long-term loans on the security of lands and these loans are recovered in instalments extending over several years would not the arrangement be an advantage to them ?—Will they be permitted to borrow more ?

11235. The security is there. They have to provide for current expenditure ?—Supposing a man mortgages with the land mortgage bank his property for Rs. 100 and if he goes on borrowing from other people as well, what would be done ?—The other subsequent mortgages will be subjected to the first mortgage.

11236. But those who are already heavily indebted and who want to be free, in their case, would not a land mortgage bank be an useful institution ? Of course you have to select your members ?—With most peopleit will be an additional source of borrowing at a cheaper rate.

11237. Is Government advancing much in your division by way of *taccavi* ?—No.

11238. Are the *zemindars* or small proprietors anxious to improve their lands ?—They do not require much capital for improvements.

11239. Can they provide for themselves ?—Yes. For instance, the removal and levelling have to be done by *haris*. As the sub-soil water level is high, the digging of a well does not cost much.

11240. Is there no question of having expensive machinery ?—No.

11241. You further say : " There have been some cases in which thrifty and efficient farmers have turned into holders of large agricultural property ". Have you come across cases in which *haris* have become landholders ?—I do not recollect any, but at least I know several persons, who started with two blocks of land, have become very big *zemindars* by hard work and thrift.

11242. What do you think of the question which we discussed with the Deputy Director of Agriculture just now regarding the advisability of financing *haris* in order that they may become peasant proprietors themselves ?—I say that peasant proprietorship should be created by grant of land from Government.

11243. Who will be the peasant proprietors ? Will they be from the *hari* class ?—Yes, and even they may be from Karachi or from outside places—*kolis* and Punjabis.

11244. Do you think that the finance they will require for bringing land under cultivation and also for current expenditure should, in the first place, be provided by Government ?—The land should be sold to them on instalment system. They work with their own hands and so they do not require anything.

11245. Do you not think that they require finance for cultivation purposes ?—Ordinary *taccavi* can be given to them. The co-operative societies can give them money.

11246. You say : " The Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act have reduced the borrowing power of the argiculturists, but this is not a bad result ". Is it because these two Acts have kept the possession of the land with the landholders ?—These Acts have not kept the possession of the land with landholders but they tend to keep so.

11247. Do not these restrictions tend also to make credit more difficult in this sense that the rate of interest asked for is higher ?—Even after the removal of these restrictions the interest will remain the same. But these Acts have been harmful in this way that some *sowcars* insist upon the land being sold outright.

Khan Bahadur Nur Nabi Ghulam Nabi.

11248. This is in the case of the Dekkhan Agriculturists' Relief Act. But how has the Sind Encumbered Estates Act reduced the borrowing power of the agriculturist if the land can be alienated ?—In the first place the agriculturist will be reluctant to sell his land. He would not like to sell it and at the same time he would want to borrow money. The *sowcar* would not give him money because there are difficulties on account of this Act.

11249. If a man borrows from a *sowcar* and the land is taken over by the Manager of Encumbered Estates, the *sowcar* is paid in instalments, is this the difficulty ?—Yes, and he has power to investigate his claim and reduce it.

11250. *Mr. J. N. R. Mehta :* What is your view about the Sind Encumbered Estates Act ? Has it helped the agriculturist to his advantage or has it retarded the agricultural progress ?—It is a good Act.

11251. Has it helped the agricultural progress ?—It has helped so far that the land is saved to the *zemindars.*

11252. This system has helped the *zemindars* and the land is saved to them, but has it retarded agricultural progress. Has it resulted in the *zemindars* not getting loans for improvement of the land ?—For the improvement of the land much money is not required.

11253. So land improvement is not retarded ?—No.

11254. *The Chairman :* In your statement you speak about *shroffs* lending money on the security of ornaments in big trade centres. Perhaps you know in some places there are pawnshops controlled by Government. Can you say if the establishment of pawnshops under Government control would be beneficial here ?—Decidedly it would be a benefit, because the rate of interest charged would be low.

11255. In your statement you say that normally people do not invest in silver and gold. You told us in the beginning that fortunately there are several big *zemindars* in your sub-division for whom it is not necessary to borrow and, probably, who have a surplus. How do they usually invest it ?—They purchase land or make ornaments.

11256. Do they not keep any amount with *shroffs* ?—Very small amounts.

11257. Is there any way in which they could be induced to keep this amount in bank or other places so that it would be useful to the trade and commerce of the country ?—They would not agree. I have known some cases in which they keep money in the bank and forego the interest, and when I advised certain *zemindars* to put their money into the bank and receive interest and then give the amount in charity, they said : " You ask us to take bacon and then vomit it out."

11258. *Seth Haji Abdulla Haroon :* How many *zemindars* are there who have surplus money ?—There is a good number of them.

11259. And how many Muslim *zemindars* are there who are not taking interest ?—I know three of them.

11260. *The Chairman :* Do you not think that it is in the interests of the people and the country to get this money out ?—Certainly it would be better. I think it will be done before long. Formerly when I kept money in the bank, I thought I should receive the interest and give it in charity, and now I think that it is lawful for me to keep it and that I can use it. The idea will come to others also by the growth of education.

11261. We were told the other day in Calcutta that in Hyderabad (Deccan) they now call interest dividend and they accept it ?—Yes, they call it *munafa* and not *sud.*

11262. Do these people go in for Government securities ?—No ; they do not want even to show that they have money, and some of the big families keep money inside their houses also so that it may be useful in times of emergency.

11263. They can do the same thing in a bank ; they can withdraw the amount whenever they are in need ?—They are thinking of times when there may be chaos and such other things, and they are providing against such contingencies.

11264. Have there been any economic enquiries made in your division or in your district which might throw some light on the various questions raised in your replies, say, on indebtedness, etc. ?—There has been no such enquiry.

11265. *Mr. Kamat :* Has land been going up in price, say, during the last fifteen years in your division ?—I have been in charge of this division for the last five months, and before that I was in the Commissioner's office.

11266. You may have no personal knowledge, but have you any indirect knowledge that land has been going up in price ?—Yes.

11267. To what extent would it be ? Would it be 15 per cent. or 25 per cent. or even more than that ?—I could not tell you that ; but I can say that the prices have gone up. I have some lands of my own in Nawabshah district. I thought it was worth Rs. 20 per acre some ten years back, and I now think it that is worth Rs. 50 per acre at present.

11268. So, it has more than doubled itself ?—I think so.

11269. In the case of *zemindars* under the Sind Encumbered Estates Act, these people have large debts. Probably it is usually contemplated that these debts should be paid off from the income of the land. Instead of that supposing a portion of their holding was sold off for the repayment of their debts, so that although the holding is reduced by some acres, still as the land has gone up in value the actual value of the estate is not very much reduced, how would you like the proposal ?—The Manager of the encumbered Estates has powers to sell the land if it is necessary. As far as possible he is required to keep the holding intact, and, if necessary, he can sell it to the extent of one-fourth of the total land.

11270. Are there many big holdings involved under this Act ?—Every holding involved is of an area assessed at more than Rs. 300. A man paying less than Rs. 300 is not protected under this Act.

11271. On the other hand, there might be holdings which may be ten thousand acres and over ?—Even fifty thousand.

11272. In such cases if there is a burden of old-standing debts on the estate, would you think it advisable that a portion of the land should be sold and the *zemindar* be freed from debt ?—No ; in my opinion they are even incompetent to manage their own estates, and their estates are better managed under the Manager of the Encumbered Estates.

11273. The question is as regards the method of clearing off the debt. Would you like the idea of selling a part ?—No, I would not, because the Manager allows interest only 9 or 10 per cent., and the man who lends money does not suffer by that arrangement and the borrower also gets out of his debts.

11274. So, would you not like this method either in the interest of the holder or in the interest of the country to release a part ?—I do not see how it is in the interest of the holder or of the country.

11275. *Mr. J. N. R. Mehta :* About your first statement you made about small holders that *haris* should be imported from Punjab or other places, do you think that it would meet with approval in Sind ?—It would not meet with approval in Sind, but I think in the interests of Sind *haris* should be imported from other provinces, not necessarily from the Punjab.

11276. In your opinion it would do good to Sind ?—Yes.

11277. Will those people be willing to work as *haris* ?—People would not come here to work as *haris*, but they will come as peasant proprietors. If one is made a peasant proprietor, four others will follow him and they will work as *haris*. If ten are recruited from the Punjab, twenty men will follow or they might multiply here, and those men might serve as *haris* here.

11278. And, in your opinion, their knowledge and experience of other provinces would be useful ?—Yes ; I know that the *kolis* and Punjabis are well experienced in agriculture ; they are well experienced in cotton.

11279. As a Government officer you must have dealt with *taccavi*. What is your opinion about the rules of *taccavi* ? Do you think that any change is necessary in the rules of *taccavi* which would be in the interests of the people ?—I do not think any change is necessary. The rules are quite good. Only supervision is necessary There is possibility of frauds in every system, but the best that could be done is being done.

11280. One of the witnesses stated that there is very little of *rabi* crop at present in Sind. Is that your view ?—It may be in comparison to *kharif* crop.

11281. But is not a large proportion of crop *rabi* here ?—In comparison to *kharif* it is not large, and otherwise also it is not large.

11282. *Mr. V. L. Mehta :* In your statement you refer to usurers who charge heavy rates of interest. Do you specially refer to the type of Pathans that we have in the Presidency proper ?—I refer to ordinary *sowcars* ; Pathans have ceased to come to Sind.

11283. *The Chairman :* Were they here before ?—I have seen them giving goods on credit and recovering the money.

11284. Here they are mostly selling goods and not lending money ?—They sell turbans or blankets, say, worth Rs. 10 at Rs. 20 and recover the amount next year.

11285. *Mr. V. L. Mehta :* With regard to *taccavi* loans you said that you would not like the system to be changed and that proper supervision is required. Have there been any complaints that there have been delays in disposing of cases ?—According to the present system there is no delay, because the *mukhtyarkar* is ordered to hold *kacheri* for land improvement *taccavi* loans, and the applications are disposed of without delay.

11286. If there is any scheme involving any technical advice, do you get such advice easily ?—We have no such schemes.

11287. *Seth Haji Abdulla Haroon :* You said that *sowcars* are charging heavy interest. Do you think there is any necessity for any act or legislation ?—I think there should be a Money-lenders' Act, and the money-lenders should take their dues and not harass the people.

11288. Can you suggest any maximum rate of interest that the *sowcars* should charge ?—Twelve per cent.

11289. There is an idea of this Committee that the warehousing system should be established in different agricultural tracts, so that the *haris* can take their produce and store it in the godowns. Can you suggest any centre in your division where these warehouses may be established ?—My division is very under-populated, and such warehouses may be started in more populated areas.

(The witness withdrew.)

Mr. TAYABALI A. ALAVI, Karachi.

Replies to the Questionnaire.

Sind is mainly dependent on agriculture. There is hardly any industry which can be called a living industry.

The land in Sind was fully in the hands of Muslim *zemindars*, most of whom ruled like Feudal Lords. The land, since the occupation by the British, is gradually passing away from their hands, on account of changed circumstances, illiteracy of the landholders and lack of knowledge of (*a*) financing and (*b*) marketing of produce under the changed circumstances.

QUESTION 1.—The village *sowcar* is the banker in more than 90 per cent. of the cases. Muslim *zemindars* place their money with *sowcars* and borrow from *sowcars* whenever required. In the majority of cases, even now, the Muslim *zemindars* do not take any interest on amounts deposited by them with *sowcars*, though the *sowcars* never lend them money without charging 20 per cent. to 75 per cent. interest. The *sowcars* employ the deposit they receive in towns for advancing loans to traders, when not required by the agriculturist. Thus the *sowcars* are getting richer while *zemindars* are getting poorer.

QUESTION 2.—In most cases the *sowcars* advance money on conditions which bring in their hands the crops for sale on account of the *zemindars*. The *sowcars* either sell the crops at neighbouring town or send to the larger central markets or Karachi. They are thus the agency for marketing the produce, and earn a good amount by way of commission.

QUESTION 3.—Some of the local export houses have been advancing loans in advance on crops sold during various stages.

QUESTION 4.—The conditions are such that any co-operative sale society or other agency, which cannot advance large amounts, will not get sufficient produce for sale. Advance is necessary for payment of previous debts and for current expenditure.

QUESTION 5.—Co-operative organizations have not yet developed to an extent which we call effective financing. The joint stock banks (Indian) do not touch this business. The business they get in the general trade is more than what their financial resources allow. The exchange banks are interested only in the foreign trade.

QUESTION 6.—As far as my information goes, *taccavi* advances do not go beyond a few lakhs. The illiterate *zemindar* spends away a good portion of the *taccavi* advance he expects to get before he can actually get the advance.

QUESTION 7.—The Muslim *zemindars* of Sind are well known for their hospitality, marriage expenses and wasteful customs, inherited by them from their forefathers who were Feudal Lords. These are some of the reasons of their indebtedness.

QUESTION 8.—In my opinion, the banking system of India, if it is desired to give relief to indebtedness, teach thrift and promote industry, agriculture and other enterprises, should be somewhat on the following lines.

QUESTION 9.—(1) A State Bank. The present Imperial Bank of India to be changed into a State Bank, controlled by directors, half appointed by the Viceroy's Executive Council, half by Legislatures. One-third to retire periodically and give room to newly appointed or elected—

(*a*) The State Bank to have an Issue Department.

(*b*) It should have a Banking Department (1) not receiving deposits of less than Rs. 25,000, (2) not advancing less than one lakh.

(*c*) The State Bank shall advance to foreign banks at a rate higher than the rate at which it will advance to Indian joint stock or co-operative banks. This is necessary at least for a decade to make them stand in competition with foreign banks with large resources.

(2) No joint stock bank registered in India shall be allowed to have less than half the number of directors Indian. (*a*) joint stock banks or foreign banks should not be allowed to receive deposits of less than Rs. 1,000 and advance less than Rs. 5,000 except on mortgage of goods.

(3) No restriction as above on co-operative banks.

(4) The State Bank shall advance to Indian joint stock or co-operative banks on approved securities, which may not necessarily be Government securities; also on credit of the bank if, and to the extent, approved by the management. The State Bank may advance to foreign banks on Government of India securities charging a higher rate of interest than the rate for Indian banks.

QUESTION 10.—The operations of co-operative credit societies and co-operative banking enterprise are very limited on account of their smallness of resources and strict conditions. The illiteracy of the *zemindar* is another obstacle in the way of co-operative development in Sind. It is, therefore, necessary to spend more money for propaganda work. If Government can lend the services of a sympathetic officer experienced in banking and having knowledge of local conditions, I do not think it will be difficult to get sufficient finance from *zemindars* and merchants to start a land mortgage bank for Sind on co-operative lines. If Government gives security for only a few years, many *zemindars* can be induced to deposit their surplus in the bank, in many cases free of interest. The aim should be to train some of the *zemindars* in this kind of banking and the Government hand must be withdrawn gradually as the *zemindars* learn to manage the affairs of the bank themselves.

QUESTION 11.—Time is ripe for compulsory registration of partnership, whether in private business, agricultural, industry or any other enterprise. Occasional law suits for inheritance of fathers', grandfathers' and even great grandfathers' property have made banking operations more difficult and risky. Co-operative banks find themselves in peculiar difficulties as advance to individual partners is more risky and as the co-operative banks are prevented from advancing to firms or joint owners.

QUESTION 12.—There should be no restriction on co-operative banks of mercantile nature of one district, province or presidency, opening branches elsewhere where the nature of business is connective. Divisions and sub-divisions of a country made from the point of view of political administration or other considerations will be found unnatural divisions when viewed from business point of view.

Oral Evidence.

11290. *The Chairman :* Mr. Tayabali, you are the Chairman of the Mercantile Co-operative Bank ?—Yes.

11291. Are you also a merchant ?—I am also an import and export merchant.

11292. Are the articles that you import distributed from here to other places inland ?—Yes.

11293. How is the financing of that distribution from here to other places in the country done ?—We generally sell to the local merchants. We do not sell to outsiders ; but there are firms, which sell to outsiders, and the exchange banks finance their business.

11294. Even to places inland ?—Yes. Suppose there is a big merchant at Amritsar. He buys goods and stocks them in exchange bank godowns, and whenever he requires one or two packages for any station, he sends an order, and the goods are sent on payment of money to the station.

11295. Has he to pay cash for whatever he receives from the stock ?—Yes.

11296. Are there any difficulties in the way of financing the products brought into Karachi and then distributed in other places ?—No.

11297. Do the exchange banks finance products from outside ?—Some indigenous bankers do that, but we buy locally. There are branches of exchange banks in various centres and they finance export firms.

11298. You say in your statement that land has been passing from the Muslim *zemindars* into the hands of other people, and you give two reasons, *viz.*, lack of knowledge of financing and of marketing produce and illiteracy of the people ?—Yes, the present *zemindars* do not know the present methods of financing and marketing their produce.

11299. Is not want of thrift the main cause ?—Yes, they have wasteful habits.

11300. What do you think could be done so far as financing is concerned ?—My personal opinion would be that there should be a big *zemindari* bank combining the objects of the land mortgage bank with its branches all over Sind. This bank should be independent of the Sind Central Co-operative Bank.

11301. So, you would have a separate bank for financing *zemindars* only. Is that for small *zemindars* or for big *zemindars* ?—I would not distinguish.

11302. Would you like to have a bank to finance *zemindars* both for long term and for short term ?—Yes, but not for short term for crops, not for a month or two.

11303. The agriculturist does not require finance for one or two months, he wants it for a year or two. Will your bank give loans for a year ?—Yes.

11304. What is your objection to *zemindari* banks financing *zemindars* for short-term loans ?—There is no *zemindari* bank.

11305. We are told that there are three *zemindari* banks which finance big *zemindars* from Rs. 2,000 to Rs. 5,000 ?—I would not call it a *zemindari* bank. I would like a *zemindari* bank, which would advance large sums also, say Rs. 10,000 or Rs. 25,000.

11306. But the limit can be increased ?—I would have one big organisation with branches and not independent small banks.

11307. Would you have it on co-operative basis or on joint stock basis ?—On co-operative basis.

11308. If this bank were to finance both short-term and long-term finance, what would happen to the Sind Central Co-operative Bank ?—They should tap the industry.

11309. Why should they not finance agriculture ? Why should there be a new organisation ?—I am not in favour of centralising everything. I would like to have two separate banks. The Sind Central Co-operative Bank should finance district banks, merchants and industries specially, so that the industries may be financed. The *zemindari* bank should finance agriculture. With the different objects of the two institutions there will be development of agriculture as well as of industry in Sind.

11310. *Mr. Kamat :* You say that there should be a central *zemindari* bank with branches ?—Yes.

11311. And that the *zemindari* bank should restrict its business only to *zemindars* ?—Yes.

11312. And should advance them from Rs. 10,000 to Rs. 25,000 ?—Yes. The *zemindars* should be financed by the *zemindari* bank and industries should be financed by the Sind Central Co-operative Bank and co-operative credit societies. I would also like to have one independent institution which may be called " the Sale Society " with branches all over Sind. I had drafted out a scheme in the form of bye-laws and sent it about two years back to the Registrar, but they did not like the idea of having one sale society for Sind with its branches in several places. They want independent small societies in different places. According to my opinion this will not work. The sale society branches must have a central office at Karachi, so that if a *zemindar* wants to sell his produce at a nearby market he can do so through the branches, and if he wants to sell to the exporter he can sell at Karachi. Under my proposal the sale society will have its own capital also. In addition to its own capital the Sind Central Co-operative Bank may also finance it.

11313. *The Chairman :* You say that some export houses have been advancing loans. To whom have they been advancing loans ?—To produce merchants.

11314. Not to agriculturists ?—They advance to some *zemindars* who are sellers also, when they purchase their standing crop.

11315. Who purchases the standing crop ?—The export houses.

11316. Is it in any particular district ?—I know one of my relatives who is a *zemindar* in Hyderabad who sells his crop to export houses.

11317. You speak about compulsory registration of partnership ?—Yes.

11318. You want that every creditor should know who the partners in a firm are ?—Yes.

11319. *Mr. V. L. Mehta :* Do you have occasion to remit money to Bombay or get money from Bombay ?—I have occasion to do both.

11320. Do you use co-operative societies for these purposes ?—No.

11321. Do you remit generally through indigenous bankers or *shroffs* or through joint stock banks ?—Through joint stock banks.

11322. *Seth Haji Abdulla Haroon :* You know that some tactics are played in the foreign banks which are in India. I have read in paper that in foreign countries like Turkey foreign banks are not allowed to work unless some Turkish man has some

responsible post in that bank. Do you know anything about this ?—I have heard about it but I have no first hand information. I know that, in Afghanistan if one wants to do business, he has to abide by their rules and regulations.

11323. Do you think that it is advisable to have some control like that in India on foreign banks ?—Yes.

11324. We have been told that the *banias* and *sowcars* do not keep proper accounts and it is very difficult for one to understand their accounts. Do you think that it is advisable that they should have some registered form of accounts ?—Not only there should be registered form of accounts but also I would like to compel them to write their accounts in what is known as Arabic Sindhi, *i.e.*, the Sindhi characters taught in schools in Sind. The *banias* keep their books generally in *bania* Sindhi characters which no one can read. It often happens that what is written by one cannot be read by another on account of there being no vowels and the primitive nature of their characters. If they write in the characters taught in schools, which they also know, in most cases the debtors can read what is written.

11325. You have just stated your idea to have a central *zemindari* bank with branches on co-operative system for long-term purposes ?—Yes.

11326. How is the capital to be raised for this *zemindari* bank ?—You know that on most of the *zemindars* the official influence at present is very strong. If we have a proper person lent by the Government to organize a bank for their benefit on the lines I have suggested, I do not think there will be difficulty in getting something like twenty-five lakhs of rupees. You know that large sums of money are deposited by some *zemindars* with exchange banks and the Imperial Bank without interest. They can be induced to put their money in the *zemindari* bank. I do not think therefore that there will be any difficulty in raising the capital for a *zemindari* bank.

(The witness withdrew.)

Mr. LALCHAND NAVALRAI, M.L.A., Larkana.

Replies to the Questionnaire.

QUESTION 1.—There are three kinds of agriculturists in Sind, (1) cultivator, (2) *zemindar* and (3) *jagirdar*. The cultivator is at the mercy of the *zemindar*. He does not own lands. In rare cases he has small holdings. Therefore the great need of the cultivator is to secure money for his maintenance. He agrees to cultivate for the *zemindar* going empty handed to him. He agrees to cultivate and also be at the *zemindars*' beck and call. The cultivator asks for the advance for maintenance of himself and his family. The *zemindar* generally tries to have a Hindu shopkeeper in his village and until the cultivator establishes his credit with the *bania* shopkeeper, the *zemindar* gets him from the *bania* his necessaries in cash and kind. In that case the *zemindar* tries to recover the dues of the *bania* from the cultivator's share of the produce when it is apportioned to him at the time of the harvest. When, however, the cultivator has secured credit with *bania* he draws for his maintenance from the *bania* direct and keeps an account with him. The *bania* appears at the harvest time and receives either all his dues or as usual portion only of his dues from the cultivator's share and carries on the account further. The interest the cultivator pays varies from 12 per cent. to 18 per cent., but

if the *bania* goes to court he does not get more than 12 per cent., usually less. Future interest, however, is awarded at the rate of 6 per cent. only.

2. Another need of the cultivator is to procure bullock for the plough and the wheel and to provide for the seed which he has to sow in the *zemindar's* land. This he again secures by the same process as said above for his maintenance, with this exception only, that if he gets the money or the seed in kind from the *zemindar* himself he will not charge him any interest thereon when recovering the same from him.

3. With respect to the *zemindars*, with the exception of those who are wise or thrifty to lay by, and provide expenses of cultivation, capital, permanent improvements and other special needs from their own resources, others borrow from the village *banias* at various rates of interest from 12 per cent. to about 18 per cent. They, however, now take advantage of the co-operative system of getting loans. They form into societies and get money according to their needs and return by easy instalments and the rate of interest chargeable is 11 per cent.

4. Those who do not get loans to the societies get *taccavi* for permanent improvements from Government. The interest which they pay is chargeable at the rate of about 7 per cent.

This latter class of inconvenience has very much decreased after the introduction of the co-operative banks and with the stability of such banks it may disappear altogether. It may be noted that Government have already stopped paying *taccavi* in some districts in Sind.

The *bania* would advance loans for any period but the co-operative banks restrict it to a year.

5. The co-operative societies advance a loan up to Rs. 500, and in case the *zemindar* pays assessment of over Rs. 300 he could secure a loan of Rs. 1,000; but if he wants more and has property enough, he could get up to Rs. 5,000 on the security of his property.

6. *Zemindars* paying an assessment of Rs. 750 and over have another resource to get a large sum up to 5,000 and in special cases up to 10,000 through *zemindari* banks. There also they pay 11 per cent. The co-operative bank does also pay money to the *zemindars* returnable within five years on the mortgage of their property for clearing of their old debts.

7. Thus, so far as the *zemindars* are concerned, they have the advantage of these co-operative societies and their condition has been improved by these facilities of getting loans at a lesser rate of interest than they pay to the *sowcar*.

Their condition will be still bettered by creating land mortgage banks with large capital. *Zemindars* in Sind are burried in old debts, their property is generally mortgaged and they have to pay heavy rate of interest. Therefore, it will be a welcome step, if the land mortgage banks are started in Sind.

8. One should not, however, forget that the *sowcars*, with the vested interest and traditional habit to live on the profession of lending money, would not easily allow the co-operative societies or the co-operative land mortgage banks to thrive. If they would not be in a position to compete with the co-operative banks by lending money at a lower rate of interest to the *z mindars* they will at least place before them greater convenience to lend money to them and better facilities to receive it by bits and at their convenience. Private money-lenders, therefore, cannot be ignored and some avenues should be found out wherein they can be made to utilise their capital at a fair rate of interest though not at the same higher rate of interest at which they are lending the money now. That

course should come in if the co-operative and *zemindari* banks receive deposits from such *sowcars* and then utilise their money which now they lend to the *zemindars* at the rate of interest which may attract them, say, 8 to 10 per cent. and also secure to them safety of their investments. Thus the *sowcars* may get accustomed to let go their custom with *zemindars*. Until such a course is adopted there will always remain a danger to the popularity and stability of the co-operative system.

9. The position of small *jagirdars* is the same as that of the *zemindars*, but large *jagirdars* take care of themselves from their own income.

10. The lot of cultivators in my opinion has not been any the better with the creation of the co-operative societies. He is a creature of the *zemindar* and at the mercy of the village *bania* for his finance.

There are about two hundred societies in an important district like Larkana with 8,000 members, out of whom about 2,000 were cultivators. The societies in order to be useful joined these cultivator members on easy terms. The security demanded of them was nominal, mostly in another cultivator who had even no holding. The Department, however, considered that loans to such people were insecure and they insisted upon a solvent security of a person possessing a holding, which has reduced the number of the cultivator members and is shortly to see the last of them. The cultivator will not always give such security and the little advantage they have hitherto gained will also be withdrawn from them and they will remain enslaved to the *zemindar* and the village *bania*.

In my opinion the co-operative societies should be more useful to them directly and should be in a position to advance them even very smaller sums, which they are in need of in season and out of season and which they get from the village *bania* even at the unearthly time. To secure the return of these loans the societies should get a lien or charge or pledge of their standing crop or the produce which would fall to their share at the time of the harvest of the land which they till.

11. Government plays no part now in financing the agriculturists and leaves them to their course of joining the co-operative soci[illegible]ing financed.

12. The Imperial Bank gives no help beyond the fact that it now advances him money by taking into possession his produce for sale. This system has not yet matured itself. I have described the part played by the co-operative banks and the professional money-lenders as above.

13. There is no co-operation among the credit agencies so far as the agriculturist is concerned, except between the co-operative banks and the Government wherever it still continues to give *taccavi* to agriculturists. There is ample room for improving the present system of helping the agriculturists specially for the welfare of the cultivating agriculturists.

QUESTION 2.—The present method of marketing principal crops of my district is to pass them on to the commission agents who are private *sowcars*. The *zemindars* send their produce to them who make them some advance of money, sell locally or generally export the commodity to Karachi where it is sold at convenience. On the sale of the property the *zemindar* receives the rest of his dues on payment of commission charges to the said agents. Lately the People's Bank of Northern India gives advances to the *zemindars* direct on the security of railway receipt of the goods exported to Karachi for marketing there.

Mr. Lalchand Navalrai.

The third method which is being attempted by the Imperial Bank has been described above. The *zemindars*, however, do also sell their produce on the spot for ready cash when their harvest is ready.

So long as the institutions of commission agents, which are very many, exist there is no likelihood of co-operative effort taking their place in marketing produce. A beginning, however, could be made in forming societies on co-operative basis for marketing the produce to begin with in *taluka* headquarters.

The existing facility available to the public for internal remittances are by drafts obtainable through banks or by means of *hundis* through the indigenous bankers and money-lenders. The banks charge 2 per cent. for remittance of over one thousand and under ten thousands rupees and 1 per cent. over ten thousand and 4 per cent. for under one thousand. The second means of remittance through the bank is by transfer of existing accounts with no charge up to five thousand and over it with some charges as on drafts mentioned above. Money remittance under *hundi* system is charged at the prevailing market rate of interest which fluctuate to a discount or premium. The Imperial Bank which has so much assistance from the Government should see its way to convenience such remittances at a lower rate. I may observe that in case of remittances of such persons who possess accounts with the Imperial Bank at Karachi and who wish to remit money from the Imperial Bank, Simla, to be credited into their accounts at Karachi the Bank in fairness should not charge for such a remittance.

2. Negotiable instruments play a very important part in the internal trade of the Province of Sind especially at Karachi and Shikarpur. The *hundis* emanating from important localities in Sind are negotiated in all localities and eventually also discounted at Karachi and are held by middlemen, merchants or commission agents.

The accompaniment is the sample of the negotiable *hundi* prevailing in the part of the country; the second is another kind of instrument written as intimation for payment of money. It is not negotiable.

QUESTION 3.—Paddy waste land having no facility of water sells from Rs. 10 to 50 an acre and the middle class of the land from Rs. 100 to 200 onwards to about 1,000 an acre. The lands in court sales fetches about half the value of the aforesaid sales. Government lands at present are only waste lands in the frontage of the people's lands and the forfeited lands. Government have fixed their disposal under the Barrage system and, I believe, it is about Rs. 15 an acre.

QUESTION 4.—The legal impediment to the mortgage of land lies first in case of those holdings which have been released from the incumbered estates protection. The owners thereof can mortgage up to their life and no more. This seems to me to be an unnecessary restriction. There is restriction also with regard to the mortgage or sale of lands granted to *zemindars* by Government on restricted terms. These should be liberalised. Lands mortgaged by agriculturists are generally not being allowed to be sold for non-payment of the mortgage money. The courts decree the money to be paid by instalments. This goes in a way to restrict mortgage of lands.

SECTION III.

QUESTION 5.—Yes, the banking habit in India is of very slow growth and is not getting popular owing to great risks attendant upon it. There arises a number of mushroom banks which come and die soon. Many banks fail for want of control and immediate support in time of urgency. There is in fact no substantial check or control of Government over these banks. They are only responsible for their accounting to the

directors and shareholders of banks who are often careless or too shrewd. It is natural that in ordinary course banks invest their money without keeping much reserve or having any means of immediately securing large sums of money in case there is rush of depositors for withdrawals. Many a bank fail on this account.

If there is a desire to have banking on solid and safe basis there ought to be a control of Government, in way of watching, examining and auditing their accounts. There ought to be also ways and means adopted by Government to help such banks by lending money to them on certain conditions and securities to avert their failures if they are likely to arise on account of their mere spreading out their money in investments which could not be called back at a moment's notice at a time when an unexpected rush of depositors and creditors takes place.

On impress of a stamp of Re. 0-15-0 with compliments.

Give Rs. 800 in words eight hundred rupees double of four hundred rupees. Ghulam Hyder son of Fakirmahomed Naich, resident of Durmahomed Naich, says from Naich that we have received the above amount from Seth Satramdas Awatrai, dated 17th Bado payable after 151 days at Kambar according to mercantile system cash *hundi* equivalent to solvent person year 1984.

L. T. Mark of Serai Ghulamhyder.

Writer Bakhatrai Jethanand.

Endorsement.

The above *hundi* of 800 is sold by Satramdas, son of Awatrai to Chetanram Roopchandani.

Signature of Satramdas.

Without stamp.

With compliments.

May you be alright, may you live long and happy, accept compliments from Pooj Jeshanmal, Pooj Jamatrai, Pooj Pinjomal, Pooj Satramdasani to Bhai Pamandas Lilaram written from Larkana. Received your Rs. 600. We have credited it to you. Dated Mangh Rajib 18th. Through Chatomal broker.

Signature of Narain.

Oral Evidence.

11327. *The Chairman :* Mr. Navalrai, you are a member of the Legislative Assembly ?—Yes.

11328. Are you also a *zemindar* ?—I have very little land. I would call myself a *khatedar*.

11329. Are you acquainted with the agricultural conditions in your district ?—Yes ; very much, through my profession as a pleader.

11330. How has the Dekkhan Agriculturists' Relief Act worked here ?—It has worked so far as to do away with the credit of the agriculturist.

11331. Are you in favour of its abolition, or would you suggest that it should be modified ?—I think if it is abolished, it will be much better for the agriculturists.

Mr. Lalchand Navalrai.

11332. But would not there be a transitional stage in which it might work hardships ?—No.

11333. How does it affect the credit of agriculturists adversely ?—He does not get money properly. The *bania* on account of this Act gets absolutely disappointed.

11334. Are the accounts properly maintained ?—The accounts in Sindhi are so properly maintained as to be sufficient for courts to be satisfied with.

11335. Does a *hari* who is the actual cultivator find it difficult to get finance for his cultivation or does the *zemindar* always finance him ?—It is the *bania* who finances him and not the *zemindar*.

11336. But does not a *zemindar* in some cases borrow money from a *bania* and advance it to his *haris* ?—He has to do it until his *haris* establish their credit with the *bania*.

11337. Does a cultivator usually borrow money for his maintenance from a *bania* ?—He not only borrows money for his maintenance from the *bania* but for his ploughing charges, for his bullocks and at times for transplantation of crop also he borrows from the *bania*.

11338. Is the rate charged by the *bania* very high ?—It is from 12 to 18 per cent.

11339. Do you consider it high ?—Considering the risk the *bania* undertakes, I do not think that it is high.

11340. With the exception of those *zemindars* who are rich or thrifty do you say that others have to borrow money ?—Yes.

11341. Do they not usually save much ?—No. Very few of them are thrifty, and they will make merry over the money they possess.

11342. What do you think of the Government *taccavi* system ?—I think that Government are charging a less rate of interest and are keeping it for five years whereas societies give money for a year and not more.

11343. The societies give money for a year for ordinary current expenses with the expectation that members will pay the loans back out of their profits ?—But Government keeps it for five years and even protract the period.

11344. Government gives postponement ?—Yes.

11345. This is for loans under the Land Improvement Act ?—No. Even under the Agriculturists' Loans Act they give postponement.

11346. Do not co-operative societies also give loans for bullocks and for this purpose do they not extend the period to two or three years ?—I do not think so. They do not give loans for more than a year.

11347. Do you think that cultivators in your district are sufficiently financed or does agriculture suffer ?—Many a *zemindar* cannot get his lands cultivated because he has not enough.

11348. Does he not cultivate his lands for want of finance ? Is this the main cause ?—Yes.

11349. Is it not a question of deficiency of labour ?—No.

11350. What would in your opinion be the best means for supplying the *zemindars* the necessary finance for agriculture ?—You must raise the present limits of societies.

11351. There is a *zemindari* bank which also pays even Rs. 10,000. Do you not think that the ordinary co-operative societies and this *zemindari* bank meet the needs of most of their members ?—The land that is not being cultivated might not be considered as sufficient property for the repayment of the loan. Therefore, bigger *zemindars* who can get Rs. 10,000 can carry on agriculture well while the smaller *zemindars*, I think, cannot get more money from the societies unless and until their lands are valuable enough.

11352. At present do lands not have much value ?—No.

11353. But if after spending money thereon the lands are capable of yielding more, do you not think that the potential value is there ?—Yes.

11354. You suggest that it would be better if *sowcars* and co-operative organizations were to combine. Do you expect co-operative banks to pay the *sowcars* 8 to 10 per cent. ?—I thought over this point very much and have come to the conclusion that there is no other way but to offer them some inducement, otherwise they will carry on their own business and they are so many on the spot that the *sowcari* will never die.

11355. If co-operative organizations pay them at 10 per cent. they would have to charge a higher rate of interest to their members ?—This is not what I advocate. The point is that they charge 11 per cent. and if they give 8 per cent. to *sowcars*, they will get more money and there will be more of this banking concern working.

11356. Would they not be satisfied with less interest ?—No ; I do not think so. They will carry on their business in their own way.

11357. You know that co-operative societies cannot pay 8 or 9 per cent. to one class of people and 6 per cent. to others ?—Yes.

11358. If everybody demands 10 per cent. naturally, the rate of interest on loans will also go up ?—Yes, unless *sowcars* are also made to form into a co-operative bank.

11359. You suggest that the society should have a lien on the crop. The societies have a lien on the crop at present, but the difficulty is about enforcing it because the *sowcar* is there on the spot. They have a first charge on the crop if a member has taken a loan from a society for seed or for implement or for anything of this sort ?—I saw some circular recently issued by the Co-operative Department. Formerly co-operative societies used to take only one man as surety while advancing money to a cultivator. Now they say that they cannot do so. Their circular reads that they cannot give a loan to a cultivator unless he be a cultivator paying cash rent. I do not understand what this circular means. You will not find any cultivator who can be helped like this. Also they say that the *zemindar* should stand as his surety. On the contrary, he will have a hold on the cultivator. If the co-operative society has a lien over the standing crop it can always attach it and then why should it refuse to finance the cultivator ? If we are going to do away with the class of *banias* because they are charging more for certain risks and if we want co-operative banks to come in, I say that these small co-operative societies should finance cultivators at any time they want just as a *bania* does.

11360. You say that a society should act very much in the same way as the present *sowcars*, so far as facilities are concerned ?—Yes.

11361. As regards marketing of crop you say : " So long as the institution of commission agents who are very many exists, there is no likelihood of co-operative effort taking their place in marketingp roduce " ?—Yes. If there is a question of charging less, then there is a competition between them and probably they may also lessen their rate,

because to do away with this class, which has been enjoying this privilege for such a long time, is very difficult.

11362. The fact that they are already established is in their favour ?—Yes.

11363. Do you think that if co-operative sale societies offer something better than what is offered by commission agents by way of correct weighments they will be successful ?—Yes.

11364. Has the Sind Encumbered Estates Act in any way affected the credit of the estates to which it may be made applicable ?—Yes, it has affected their credit.

11365. In what way ?—Firstly, they cannot think of selling their property if the money is not paid.

11366. The property cannot be sold after it is taken into management. Can it not be sold before ?—It cannot be sold during a holder's life-time. Therefore, people who deal with them think that they have not any good security.

11367. What is the result ? Does it mean that they do not get finance or does it mean that they get finance at a high rate of interest ?—To me it appears that often they do not get it unless the Commissioner comes and contends that the property can be sold.

11368. *Mr. J. N. R. Mehta :* Has the Encumbered Estates Act made a debtor dishonest ?—No.

11369. *The Chairman :* You are in favour of some control being exercised by Government on joint stock banks ?—Yes.

11370. Do you think that their accounts should be audited by Government auditors ?—I should think so. At the same time I have said the joint stock banks should be helped by Government at the time of crisis.

11371. Should they be helped through a State Bank ?—Yes.

11372. Would you be in favour of any other control besides the Government audit ?—I would be in favour of Government laying down a certain scale for the reserve, otherwise banks fail.

11373. Have there been many failures in Sind ?—Yes.

11374. Do not the banks keep a certain amount by way of liquid assets ?—No, they do not. They say that all their money is spread out and at the time of crisis they are not able to meet the demands of their clients.

11375. Do you not think that a good bank should take care to keep a certain amount by way of liquid assets, so that in time of crisis the situation might be properly met ?—Yes.

11376. *Mr. V. L. Mehta :* You referred just now to some circular issued by the Co-operative Department about advances to *haris*. Have these orders been issued because of any great default on the part of *haris* ?—It purports to say so.

11377. *Mr. Kamat :* As a lawyer, would you be in favour of a money lenders' act regulating their accounts and fixing the maximum of interest ?—It has been talked about that there should be regulation of money-lenders by passing some legislation.

11377A. Do you think that it would be a feasible thing to have an Act regulating the money-lenders' transactions ?—I am not in favour of it at all.

11378. Would you state your reasons why it is not desirable ?—I think that it will more or less put an end to the transactions which a country like Sind carries on.

11379. In the case of fixing the maximum rate of interest what is your difficulty ?—If you fix the maximum rate, what is the compensation which the man gets ? At present the courts do not allow them more than what is reasonable. There is already a check

on them. The money-lender will ask "why are you going to bind us like this and when the matter goes to a court the judge adjudicates and gives me a reasonable amount ? Why do I require any legislation ?"

11380. You think that there should be no remedy to protect the illiterate and ignorant cultivator who is suffering, according to the allegations made, because of the fraudulent transactions in the accounts and in various other things on the part of money-lenders ?—I say that the complaint is being exaggerated. Now-a-days, the courts are wide awake especially after the Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act.

11381. *Professor Kale :* You say that the *haris* have not benefited by the Co-operative Movement. What remedy would you suggest to help these people ?—I suggest that many of them should become members of societies.

11382. But they have no security ?—As I said just now, with what they possess, we must help them.

11383. Otherwise as the number of *haris* is very large and if they are not brought into the Co-operative Movement, they will be helpless ?—Yes. If co-operative officers are not rigid, as I would put it, then the *haris* can be helped.

11384. *Mr. J. N. R. Mehta :* About this Sind Encumbered Estate Act, do you suggest any modification or do you suggest that the whole system should go ?—I do not think that the time has come for the Act to cease.

11385. Would you suggest a modification to the effect that the manager of the encumbered estates should be empowered to sell at least half the land in order to pay the creditors ?—I should think so.

11386. About your objection to registration of money-lenders, would you at least allow that every professional money-lender should not charge above a particular rate of interest even if a reasonably high interest is allowed to him, say 15 per cent.?—We have seen in our municipal experience that our employees are charged as much as 75 to 150 per cent. by money-lenders. They charge two annas per rupee per month.

11387. Supposing we have an act and we really fix the maximum rate of interest at 25 per cent. would you not still be in favour of registration of money-lenders ?—I will not object to it, but I say that they do not get more than 12 per cent.

11388. Would you be in favour of licensing indigenous bankers ?—For instance, the Shikarpur *sowcars* an be registered.

11389. Everywhere the *sowcars* should be licensed ?—I say that the Shikarpur *sowcars* live all over the world. Therefore, I have suggested them as an instance.

11390. We will call them by a respectable name as "indigenous bankers". Would you be in favour of their registration ? I do not propose that any restriction should be placed on them, but what I want is that that they should publish their balance sheets regularly ?—I was discussing this point with the Shikarpur *sowcars* and I have myself told them that there was no control over them, to which they said that no control was needed against those persons who had not invested their money in any other business but in banking. Then I asked them to give me some instances of such bankers who have invested their money purely in banking and they said that five or six persons are doing like this. I myself am in favour of registration and, as I said, even Government themselves should help the bankers during the time of crisis. I say that there ought to be some registration.

(The witness withdrew.)

Mr. Lalchand Navalrai.

Sir M. de P. WEBB, C.I.E., C.B.E., Karachi.

Note.

SECTION III.

The main object of this enquiry, I understand, to be the encouragement of production, industry and commerce by the provision of better financial machinery in the shape of (*a*) more capital, (*b*) more credit, (*c*) more banks, and (*d*) more facilities generally for producers, especially agriculturists.

(2) The root causes of present troubles, in my opinion, are thriftlessness and ignorance. The first thing to do, therefore, is (*a*) to reform our efforts to educate the people, and then (*b*) to extend the reformed system to as many of the masses as possible.

(3) So far as practicable, every boy and girl should be taught to read and write and to acquire a knowledge of simple arithmetic and accounts. To this a few elementary rules of health and sanitation should be added, *plus* some advice of a practical, technical kind that would help to fit the boy (or girl) for his (or her) work in life.

(4) Further, I urge that the following mottoes be prepared in English and also in the local vernaculars, and fixed to the walls of the Ministries and Departments of Education and of every school building in India :—

"Thrift means progress."

"Saving spells civilisation."

If the people at large—including the townsfolk and educated classes—understood and appreciated these elemental economic truths, there would be little need for the present Banking Enquiry.

(5) The problem of extending the present system of education—reformed as suggested above—is mainly a matter of finance. It is, of course, the duty of every parent to educate his offspring himself ; but until this duty be widely realised, the whole community must be taxed to provide the money required for giving primary education of the type suggested above to the whole of the boys and girls in the country. Though this would mean the greatest attempt at popular education ever attempted by any Government or people, it could, I think, be done as soon as the great majority of the people wanted it and were prepared to contribute their share of the enormous cost.

(6) The great point to be popularised is that "no progress is possible without thrift and methodical saving." This will mean not only brain-education, but character-building, self-training, self-denial, and a resolute determination to look to the future rather than to the present.

Oral Evidence.

11391. *The Chairman :* Sir Montagu, for the last few years we understand, you have been out of India ?—I have been away from Karachi for two years and a half now.

11392. I ask you this question because you can perhaps look at things in a better perspective than we can. We find everywhere lack of confidence and an atmosphere not quite favourable to the development of banking. I wonder if you could give us your views as to the causes for this want of confidence especially in business circles ?—If you ask me in general terms, I shall answer this question. I think this want of confidence is due to the heavy losses which occurred through the general fall of prices.

11393. Do you find it more in this country than outside ?—No. I think it is the same in England.

11394. Is there the same amount of lack of confidence there too ?—Yes.

11395. Here, so far as banking development is concerned, have not people lost faith in it to a large extent at present ?—I do not think that there is any loss of faith in the best banks.

11396. Not in the best banks but in trade and commerce because after all banking is allied to trade and commerce ?—There is a loss of confidence amongst traders because of the losses being incurred due to the continuous fall of prices since 1920.

11397. Do you find the same thing elsewhere ?—Yes.

11398. In your statement you place stress on two important points, *viz.*, spread of education and inculcation of thrift. These are two very important things for banking ; but we find that there is a large number of literate people who have money and still are not forthcoming to deposit their money in banks or make it available for the general trade and commerce of the country. Could you suggest any means by which this money, which is lying with literate people, could be attracted for the general development of the country ?—I think, in the first place, the spread of education on economic and financial matters will have to establish greater confidence and to enable people to see the advantage of depositing their money in banks. In India there are many difficulties because of distances, because of vernaculars and because of many other things. People live many miles away from towns. It is a matter of education. It is a matter of time.

11399. But even in towns there is room for development in this direction ?—Undoubtedly ; especially in the matter of education.

11400. You mean for a sort of propaganda ?—Yes.

11401. As regards thrift, we understand that there is not much of it in this Province except in certain quarters and people are not accustomed to it ?—I have not noticed that Sind is in any way peculiar in this respect. I find all over the world the same thing.

11402. Would you include the French agriculturists also ?—The French agriculturists are exceptionally thrifty.

11403. In order to encourage thrift amongst people, especially amongst small landholders in towns, would you advocate the establishment of some such associations as the National Savings Associations in England ?—I would certainly advocate such a movement.

11404. The question is as regards bigger men who are in a position to save and who do not save. Do you think there is any method of inculcating thrift in them except by education and propaganda ?—I think we want to commence it at the very bottom, from childhood. My experience not only in India but in other parts of the world is that a good many people do not understand, not merely the benefits, but the vital importance of thrift. Thrift, if inculcated into young people, is an admirable virtue ; but it is more than an admirable virtue. It is an essential quality. For every nation, no progress is possible without thrift and methodical saving.

11405. Is not now the system with most of the cultivators in Sind such that they cannot but depend upon the *sowcar* even for their maintenance ?—It is not peculiar to Sind ; it is not peculiar to India. There is the same ignorance of the vital necessity of thrift in England.

11406. But in England do they not live on their own income ? We were told here that all the crop goes to *owcars* and even for their maintenance the cultivators have to borrow from them, that is to say, they live on the prospective crop to come rather than on the savings of the previous year. Is this true of other countries too ?—To some extent it is true. Perhaps the people of Sind are more thriftless in this respect as a result of, one might say, centuries of experience of the uncertain conditions of irrigation. The agriculturist comes to believe that his prosperity (following on good irrigation at the right time) is a matter of chance rather than of good work on his part. I think this is largely due to the uncertain conditions of Sind's irrigation system.

11407. Is there any truth in the statement that the cultivator in Sind does not earn more and save something because he is not sure what he is going to get out of the crop that he raises ?—I think it is due to his own ignorance, illiteracy and indebtedness.

11408. *Mr. V. L. Mehta :* Many witnesses have said that most of the people have nothing to save and they can barely make the two ends meet. If this is so, unless their capacity to produce is increased, they will not be able to save anything ?—This is invariably the excuse of the thriftless. I have known people who earn £1,000 a year who find it quite impossible to save anything. I think that it is absolutely vital that the idea of saving should be instilled in the minds of the rising generation. No matter how small the income is, some portion must be saved, otherwise no progress is possible.

11409. *Mr. Kamat :* Speaking about the point of thrift, let us forget, for the moment, the agriculturist who probably does not know thrift. On the other hand, there are other communities, especially among the middle class literate people, who in this country are known to know thrift. Good many communities are thrifty. They are well known to be thrifty and yet they do not get capital for trading purposes and some banking facilities. What remedy have you in view to help such communities who, as I say, are thrifty and literate and yet who do require capital for trading purposes ?—I do not know any other means than the existing banks and co-operative societies.

11410. Probably you have heard of the middle class unemployment problem either in Sind or elsewhere in this Presidency. These people are literate and I think are fairly thrifty ?—I cannot say that. I have heard of a middle class unemployment problem as distinct from the general problem of unemployment.

11411. But you think that it is confined to workers and mill hands ?—No, we see it in all branches of societies.

11412. I ask you for such people who certainly have a certain amount of education and who are undoubtedly thrifty, have you any suggestion to make ?—They may be lacking in character. I am very critical where our present system of education is concerned. It turns out middle class men who are unable to earn their living. I think the whole system of education requires reforming rather than that only received by the middle class men. There should be no man unemployed of any class.

11413. It is due to the defective system of education you feel they are unemployed. However, under the present system, as it is actually working, have you any remedy to suggest ?—To help unemployed middle class men, I have no special remedy to suggest.

11414. May I ask you if you share the view that there is a lot of gold hoarded in this country as has been alleged by some witnesses ?—I think there is gold hoarded.

11415. Do you think that this view is correct ?—I think there is a lot of hoarding.

11416. I am not speaking about Sind only, but I am speaking about the whole country ?—Gold is certainly hoarded in India relatively to what is hoarded in other countries. There are good reasons for burying wealth in this country and there are very good reasons for wearing it in the form of ornaments.

11417. So far as buried wealth in this country is concerned, in these days of safety and peace, do you think that there is any special reason why gold should be enormously buried ?—If I am living 25 miles from a town, I cannot very easily put my money into the bank. Therefore I bury it. I think that until you get greater banking facilities, and those facilities are extended throughout the country, the burying of wealth is quite explicable. I do not mean to suggest that the poor people have fabulous sums of money hidden away ; but the Maharajahs and others have large sums hoarded.

11418. But not the masses ?—No. The masses carry such wealth as they possess in the form of ornaments, the value of which amounts to a considerable sum judging by the import of precious metals into India for a long period.

11419. Speaking about banking facilities, you know this country probably has the system of indigenous bankers and *shroffs*. In view of this system, do you think there is room for more branches or for more banks spread all over the country in the smaller centres as other countries have, for instance, Canada or America ?—I should say that the more banks there are, the better.

11420. This is only a general statement. As you know, *shroffs* are spread everywhere in the interior. Is there room for more banks in the interior geographically ?—It is a very difficult question to answer. I think there is plenty of room for more banks in addition to the *shroffs*.

11421. *Professor Kale :* You have said that thrift should be encouraged even in the lowest class of people, but in view of the fact that the standard of living of the masses of India is very low, do you think that there is a margin for saving ?—There is very little.

11422. As the standard of living is very low and as the man has a rupee or two as a surplus, naturally the first demand of this rupee must be to improve his standard. As it is, people have not sufficient food and clothing. Whatever little extra income they have, will naturally go to raise their standard of living so that there can be no possibility of saving in the case of the majority of the people ?—I think there is always some margin for those who are not ignorant and thriftless, but desire to save.

11423. Would not a part of their income go to cinemas or for cigarettes, what we call a higher standard of living ?—I am not quite sure that I can regard either cigarettes or cinemas as higher standards of living. I regard them very largely as a waste from the point of view of one who believes that saving is necessary for progress. It is doubly important in view of these attractions that we should educate the people as to the necessity of thrift. Not only this country but England is also suffering from lack of capital at this moment largely because most of the people throw it away on cinemas, cigarettes and gambling.

11424. You suggested in reply to the Chairman that it would be a good idea to have some propaganda in favour of some national savings scheme. Do you think the attractiveness of any proposal for a savings campaign would be enhanced if the savings were

to be utilized in a local area ?—Yes. It might, in some cases, encourage people to save more. May I add that in the Continent of Europe they employ a method of encouraging thrift which might well be introduced into this country and that is the practice of giving bonuses or prizes in relation to investments with Government. They are generally referred to as "Premium Bonds". It would greatly encourage the saving habit in India if "Investment Bonus Bonds", as I prefer to call them, were issued by the Government of India. I urge that a trial be given to these bonds.

11425. *The Chairman :* Some witnesses and especially the local bankers in the different parts of the presidency have represented to us that all such investments attract money from the villages or the smaller towns and take them away to other provinces or to the Central Government. If there were some schemes by which money could be attracted for purposes of local benefit not necessarily in a *taluka* or a district,—it may be a provincial centre,—do you not think that more people might be tempted to save ?—I do not share this view that most of the money is taken away by such investments. It matters very little to the average investor whether Government is employing this money in Sind or in the Punjab or in Madras. Government are the responsible party.

11426. But from the point of view of local development, whatever money is available is taken away from that place to other centres ?—I have myself had considerable experience in connection with feeder railways. It was Government's idea that people should invest their money in local developments and have the satisfaction of seeing their investment fructifying in front of their very eyes. This inducement no doubt has had some effect. The great point, however, is that people must always save and invest a part of their income. I have emphasized these points in my Note ; and my recommendation is that a publicity campaign should take the form of a board hung on the wall of every Educational Office and every school-room with the mottoes "Thrift means progress" and "Saving means civilisation." I do not know if a copy of my letter has been circulated to your members in which I have mentioned that the people must not habitually expect somebody else to save for them, and then lend them the money that has been so accumulated. "Thrift means progress", "Saving spells civilization." These are the great points that I wish to drive home. The difference between a wise man and a pagan, between a prosperous man and a pauper, between a civilized man and a savage, is that one saves, and the other does *not* save. No civilization is possible without saving. I want to lay a great emphazise on this point.

11427. *Mr. V. L. Mehta :* Recently have there not been co-operative investment trusts started in England ?—Yes, they are most successful and they encourage poor people to place their money in investment organizations which are able to give them a higher rate of interest than they would possibly get elsewhere.

11428. *The Chairman :* What do you think of the possibility of establishing such trusts in India ?—It is quite possible. It all depends upon the standing and trustworthiness of the people who run them. Two or three co-operative trusts are asking me now from England to invest my money in their undertakings and they indicate a return of as much as 7 per cent. In England this is high. Possibly in this country such investment trusts could earn 8 or even 10 per cent. if the money were judiciously invested. I do not think that co-operative trusts would be so attractive as the Investment Bonus Bond system by which you distribute a bonus to people as well as interest on their investment.

11429. *Mr. J. N. R. Mehta :* I would like to know a little more clearly about your bonus system. Is it to be given on the amount they invest ? Or would it be given as a prize by a lottery system ?—The bonuses would be distributed by lot.

11430. In proportion to the amount of investment ?—No, by lot. Each investment of say Rs. 10, or Rs. 50, or Rs. 100 would form a unit liable to be drawn by lot to receive a bonus of Rs. 1,000, or Rs. 10,000 or more as might be arranged.

11431. *The Chairman :* Is it true that the Government of India and Great Britain are against such systems ?—That is not quite accurate. Popular opinion in England has not yet been able to express itself through Parliament. There was an investigation by a Committee of the House of Commons during the War as to whether this would be a suitable way of raising a War Loan. The Committee investigated the matter and reported that as this was a subject in which there was likely to be a great difference of opinion, it was unsuitable for a war time scheme ; in war it was undesirable to have differences of opinion in England.

(The witness withdrew.)

THE SIND CENTRAL CO-OPERATIVE BANK, LTD., Karachi.

A SHORT REPORT ON THE PROGRESS OF THE SIND CENTRAL CO-OPERATIVE BANK, LTD., KARACHI.

SHORT HISTORY OF ITS PROGRESS.—The Bank was started in the year 1919. The ollowing statistical table shows the growth of the Bank since its inception :—

Year	Subscribed Share Capital	Total Working Capital	Dividend paid	Reserve Fund	Profits
			Per cent.		
919-20	86,350	1,61,064	3½	*Nil.*	4,593
1920-21	95,750	5,16,159	4	1,450	6,166
1921-22	1,11,800	5,60,313	6	3,453	11,853
1922-23	1,35,650	11,36,517	4	8,453	7,813
1923-24	1,49,000	14,14,013	6	10,903	16,256
1924-25	1,68,920	17,65,279	6	16,000	15,157
1925-26	1,91,010	18,21,660	6¼	21,000	26,100
1926-27	2,20,060	24,69,819	6¼	28,000	27,600
1927-28	2,41,350	33,22,698	6¼	35,000	42,366
1928-29	2,70,050	35,19,300	6	42,000	38,532

The Share Capital of the Bank up to date is as under :—

	Rs.
Subscribed by Individuals	73,540
Subscribed by Societies	1,53,750
Subscribed by District Banks	51,900
Total ..	2,79,190

RESERVES.—The Reserves of the Bank up to date are constituted as under :—

	Rs.
Reserve Fund (General)	52,000
Building Fund	8,715
Bad and Doubtful Debts Reserve	12,000
Interest Overdue Reserve	27,288
Co-operative Education and Propaganda Fund	950
Total ..	1,00,953

BORROWINGS.—By a special Government Notification the Bank is allowed to borrow in the market to the extent of ten times its share capital and reserve fund.

ANALYSIS OF DEPOSIT—

FIXED.—The borrowing rate for fixed deposits ranges from 3 to 5½ per cent.

The period of fixed deposits does not exceed one year.

	Rs.
Fixed Deposits of Individuals	8,66,700
Fixed Deposits of Co-operative Organisations	6,06,000
Fixed Deposits of Public Bodies	2,25,200
Fixed Deposits of others	2,37,100
Total ..	19,35,000

CURRENT.—The borrowing rate for current deposits is 2½ per cent.

	Rs.
Individuals	1,04,100
Co-operative Organizations	2,52,900
Public Bodies	67,800
Others	34,300
Total ..	4,59,100

SAVINGS.—The borrowing rate for Savings Bank Deposits is 4 per cent.

	Rs.
Individuals	1,30,500
Co-operative Organizations	24,400
Public Bodies	....
Others	20,600
Total ..	1,75,500

Workings Capital—	Rs.
Share Capital	2,79,190
Reserve Fund	52,000
Fixed Deposits at Head Office	19,35,009
Fixed Deposits at Branches	8,880
Current Account Deposits at Head Office	4,59,125
Current Account Deposits at Branches	780
Savings Bank Account Deposits at Head Office	1,75,500
Savings Bank Account Deposits at Branches	6,956
Taccavi Loan from Bombay Provincial Co-operative Bank	17,448
Other Loans and Overdrafts (Imperial Bank)	25,472
Total	29,60,360

Investments—	Rs.	Yielding
Government Securities	7,00,000	4·8 percent.
Shares of Bombay Provincial Co-operative Bank, Ltd.	13,000	8 percent.
Ordinary loans to Co-operative Credit Societies at Head Office and Branches	14,20,000	8 percent.
Maximum and Cash Credits to Co-operative Banks	3,50,000	7 percent.
Maximum and Cash Credits to Co-operative Societies	1,73,600	7¼ percent.
Advances against deposit of Grain to members of Co-operative Societies	15,800	7 percent.
Loans to Sale Societies	34,600	7 percent.
Taccavi Advances	16,400	6¼ percent.
Loans for Debt-Redemption purposes	10,000	8 percent.
Overdraft on Current Accounts against the security of Fixed Deposits	2,20,400	6 percent.
Total	29,53,800	

Advances and Repayments.—The state of recoveries every year can be seen from the following tables :—

Year.	Advance including previous year's balance.	Repaid during the year.
	Rs.	Rs.
1919-20	1,88,100	50,535
1920-21	4,78,290	1,53,408
1921-22	8,80,831	3,88,120
1922-23	12,72,006	6,36,305
1923-24	16,53,416	10,03,395
1924-25	20,85,630	11,70,886
1925-26	30,07,133	18,00,761
1926-27	27,31,326	11,28,447
1927-28	32,74,765	16,30,386
1928-29	34,99,100	21,31,916

DUES AND OVERDUES.—The following figures show outstandings of the Bank against the societies affiliated to it (exclusive of societies affiliated to branches of the Bank at Mirpur Bathoro and Hala)—

Year of advancing loans which remain outstanding	Amount of loans. Rs.
1921	20,700
1922	2,300
1923	8,600
1924	29,600
1925	71,500
1926	1,50,400
1927	1,99,100
1928	1,41,700
1929	2,77,400
Total outstandings ..	9,01,300

Out of the above outstandings, a sum of Rs. 2,02,200 is due for recovery next year in 1931, a sum of Rs. 2,46,400 is due in 1930 in ordinary course of things and the balance of Rs. 4,52,700 represents the extensions granted for overdue arrears which are fixed for recovery in 1930.

The above figures do not include outstandings against societies in liquidation. There are 15 such societies with an outstanding of Rs. 46,000 only. Some of the outstanding amounts were advanced as far back as 1921. The process of recovery from the members of cancelled societies is very slow and it requires to be thoroughly examined.

SURPLUS FUNDS INVESTED OUTSIDE THE CO-OPERATIVE MOVEMENT.—

On 31st March	Government Securities.	Short deposits with approved joint stock bank.
1925	.. Rs. 1 lakh	.. Rs. 5 lakhs.
1926	.. ,, 1 lakh	.. ,, 3 lakhs.
1927	.. ,, 1 lakh	.. ,, 4 lakhs.
1928	.. ,, 2 lakhs	.. ,, 6½ lakhs.
1929	.. ,, 4 lakhs	.. ,, 12 lakhs.
On 31st December 1929 ..	.. ,, 7 lakhs	.. ,, *Nil.*

The amounts held in current accounts with approved joint stock banks for fluid resource purposes have not been included in the above figures.

ACCOMMODATION.—The Bank had been granted a cash credit of Rs. 1,00,000 by the Imperial Bank of India on the security of promissory notes executed by the Bank in its favour and supported by a collateral security of promissory notes of societies in favour of district banks and endorsed by the latter in favour of this Bank and re-endorsed by it in favour of Imperial Bank. Also arrangements for overdraft to the extent of five and a half lakhs against Government securities held by the Bank have been made with the Imperial Bank of India at bank rate. The Bombay Provincial Co-operative Bank, Ltd., also grants facilities to this Bank for maximum and cash credits amounting to Rs. 4,00,000. But no advantage is being taken of these facilities as the Bank has sufficient local resources to meet all its needs.

GENERAL.—The Bank acts as a balancing centre for the surplus funds of all other Co-operative banks in Sind. There are five District Central Co-operative Banks and

three *zamindari* banks affiliated to it. This Bank besides finances direct co-operative societies in Karachi district, societies in Hyderabad and Hala *talukas* of Hyderabad district and Jamesabad and Digri of Thar and Parkar district. All the sale societies in Sind are affiliated to it. The total number of societies financed by the Bank is about 225.

With a view to consolidate the Co-operative Credit Movement and to organize non-credit work in *taluka* centres, the Bank has opened two branches, one in Mirpur Bathoro, a place 48 miles from railway station in the far away interior of the Karachi district and the other at Hala of Hyderabad district. The Bank has under its consideration the schemes of organizing sale business for the members of co-operative societies.

There are 11 members of the Board of Directors out of whom 5 are elected from amongst individual shareholders, 3 by primary societies and 2 by district co-operative banks; and one is nominated by the Collector of Karachi.

Note on Privileges and Concessions required to stimulate the growth of Co-operative Movement by Mr. B. S. JAGTIANI, Accountant, Sind Central Co-operative Bank, Ltd., Karachi.

In order to develop and strengthen the growth of the Co-operative Movement, the following further concessions be made available :—

2. At present remittance transfer receipts are obtained at par for *bona-fide* co-operative business. Since every business done by co-operative banks is *bona-fide* including issue of drafts and remittance of funds to its customers, it is not known why this business should be strictly confined to loan transactions or such other co-operative business only. It may be mentioned here that it is absolutely necessary that each co-operative bank should have a current account with the Apex Bank, the latter being a balancing centre for the surplus funds of all district banks. It is but natural that if district banks have to sell drafts to their customers, they must draw against their current account at the Apex Bank. The object of not allowing remittance transfer receipts at par for any other business but co-operative seems to be that the Imperial Bank of India is afraid that if this concession is used for exchange business, it may lead to a certain loss of income to it. But these fears need not be entertained, as the sphere of co-operative banks' business is quite different and there is not to be much competition between the Imperial Bank and co-operative banks if this concession of issue of remittance transfer receipts at par is extended for all business of co-operative banks. Moreover, exchange is a legitimate item of the operations of central banks' and, as such, the Banks Conference held at Dharwar on 18th December 1925 had passed the following Resolution :

> " RESOLVED that Government be approached to recognize inland exchange business as a legitimate item of the operations of the Central and Urban Banks and to continue the concession of the issue of Remittance Transfer Receipts at par required for all the ordinary business of such Banks. "

3. At present, funds remitted by societies to their financing bank are credited into sub-treasuries by means of *chalans* from where they are paid to the banks through district treasuries. This procedure takes a period of 14 to 21 days in transit. In some cases, it has gone even beyond this. If a society is situated in a different district than that of the financing agency, the above procedure of remittance takes a pretty longer time than mentioned above.

The Sind Central Co-operative Bank, Ltd.

An arrangement is, therefore, necessary whereby sub-treasuries should be authorized to issue remittance transfer receipts on district treasuries or the Imperial Bank of India direct. This will save a lot of interest to the societies who do not get credit at the Bank until after the receipt of amounts. It may be interesting to note that the proposed arrangement has been recently introduced in the Karachi district. If this kind of arrangement is introduced elsewhere also, it will facilitate co-operative work.

4. Wherever branches of co-operative banks exist at *taluka* towns, an arrangement should be made for opening of floating accounts at the sub-treasuries from where amounts may be drawn by means of cheques just as certain departments of Government are authorized to draw cheques on them.

5. The Imperial Bank of India should allow interest on current accounts of societies and banks. This concession is very necessary specially at places where there are no other banks to work as bankers of co-operative institutions.

6. To give a financial stability to the Co-operative Movement, arrangements for cash credits from the Imperial Bank of India against the demand promissory notes of co-operative banks supported by a collateral security of promissory notes executed by the societies in favour of a co-operative bank and endorsed by the latter in favour of the Imperial Bank of India are very necessary. It is sometimes argued that several co-operative banks have surplus funds and specially the Bombay Provincial Co-operative Bank which is the Apex Bank for the movement in this Presidency has vast resources to face any kind of crisis and, therefore, no Government or outside help is necessary. But, in my opinion, however sound a position of co-operative banks may be at present, it cannot be considered as A.1, without State help.

Financial assurance from State will inspire more confidence in the depositors and the resources of co-operative banks will be more stable than they are at present.

7. It is absolutely essential that exemption from income-tax on interest on gilt-edged securities should be granted to co-operative societies since exemption on the profits as a whole has already been allowed by the Government. This view was supported by the Banks' Conference held at Dharwar on 18th December 1925. The text of the resolution passed by the Conference is given below :—

"RESOLVED that the Government of India be approached again to exempt registered co-operative societies from payment of income-tax on the interest earned on securities held by them as well as super-tax on their profits."

8. As resolved by the Registrars' Conference held in Bombay in January 1926, the following concession be granted to land mortgage banks :—

(1) Interest on debentures issued by land mortgage banks should be guaranteed by Government.

(2) Government should subscribe to the debentures to a certain extent, say up to one-tenth of the total issue.

(3) The Imperial Bank of India should be asked to assist in the flotation of debentures and as the repository of State funds, should be invited to make advances, under section 20 of the Trust Act against mortgages taken by a mortgage bank and endorsed in favour of the Imperial Bank.

(4) Such debentures should be recognized as trustee securities, and joint stock banks and insurance companies should be asked to subscribe towards them.

(5) Government should in initial stages make a contribution towards the cost of expert valuers employed by mortgage banks and in return for its assistance,

Government should be entitled to representation on the Board either of Directors or of Trustees.

9. In section 29, the estate of a deceased member is declared to be liable for a period of one year only. This is too short a period. It should be extended to at least two years as in the case of past members. Necessary amendment in the Act should, therefore, be recommended.

10. The awards passed by the arbitrators and orders passed by liquidators are at present executed through either the Civil Court or the Revenue authorities under section 59 of the Act. It is not usually uncommon that there is a great delay in execution. With a view to expediting execution, a panel of suitable non-official gentlemen be maintained under each Assistant Registrar, as Honorary Arbitrators, who should have a small staff and be given travelling allowances. These arbitrators should be given powers to execute their own decrees, or a special staff should be employed for execution and its cost should be recovered from defaulters. Also officers of the Co-operative Department duly authorized by the Registrar should be empowered, on the application of the society or Bank concerned, to recover overdue instalments of loans as if they were arrears of land revenue.

This power, however, should not be extended to the arrest of the defaulter, nor to the sale of his immovable property, but only to the attachment and sale of crops, produce, cattle, implements or such other moveable property.

Note on the Amalgamation Scheme of Co-operative Banks in Sind, by Mr. B. S. JAGTIANI, Accountant, Sind Central Co-operative Bank, Ltd.

The Co-operative Movement has now reached a stage when it is necessary to examine how far it would be desirable to effect a change in the financial organization of the movement. As I am concerned with Sind, I give below a few suggestions which are mostly applicable to Sind conditions only.

Like other parts of the country, the financial structure of the Co-operative Movement in Sind is composed of village credit societies, district co-operative banks and the Apex Co-operative Bank, *viz.*, the Sind Central Co-operative Bank, Ltd. Each of the above institutions is a separate unit in itself depending only for finance on a bigger unit than itself. It is possible to see why the village credit societies should exist, because otherwise it would be difficult to finance individual agriculturists who do not possess any tangible security except land. It is because the societies are organized on unlimited liability basis that it has been possible to advance thousands of rupees to villagers for agricultural industry. Therefore the unit of a village society is essential. But the conditions applicable to a district bank are quite different. Probably to make each district self-dependent in everything, this scheme of organizing district banks was adopted, but it would be now worth considering whether the district banks should be eliminated from the chain of co-operative organization and a bigger institution of a Central Co-operative Bank organized in its place. The only advantage in the present system is that there is supposed to be local interest in the working of a district bank as members of the Board of Directors are all local people of the district and are, therefore, supposed to have knowledge of local conditions of agricultural finance, etc., and could, it is believed, tap

local resources for deposits in a district bank. But looking to more important advantages of centralised co-operative finance, it is sometimes felt that the above-mentioned advantages of a district bank could be easily sacrificed in order to obtain better advantage. But a workable scheme of centralisation of finance and decentralization of management is also possible and, therefore, all the advantages of the present system will also remain there. Before touching this scheme, I would submit a few points in favour of the centralization of co-operative finance in Sind.

(1) By amalgamation of co-operative banks, the share capital of all banks would be treated as one capital and this increased figure of share capital would give a status to the Co-operative Movement and it would not only inspire public confidence but will also be a basis for getting cash credit facilities from the Imperial Bank of India which would greatly help in the maintenance of provisions for fluid resources. Without such an arrangement, fluid resources either in cash or Government paper are being maintained by co-operative banks. With an increase in share capital it would also be possible to accept more deposits for investment in the Movement.

(2) At present there is no uniform policy of granting loans to co-operative societies. Each bank has its own way of sanctioning loans and they are not guided by any set of rules in this behalf. The result is that sometimes loans are sanctioned in district banks without proper scrutiny and check. By having one co-operative bank, regular system of scrutinizing loans on a uniform basis will have to be introduced, the maximum limits of loans will have to be fixed in advance for each society according to its needs and capacity and a regular check insisted on distribution of loans.

(3) Under the present system, there is no possibility of allowing uniform rates on deposits throughout Sind. At Karachi, the rates are very low, while in the districts, the deposit rates are higher because the district banks like to have local deposits even at a higher rate than that allowed in Karachi, so as to avoid borrowing from the Apex Bank out of maximum and cash credits. The branches of a bank could not do so. They would not allow more rate than that allowed by their head office. If the rate of deposits could be made uniform throughout Sind, it would be possible to finance the co-operative societies at less than 8 per cent. In my opinion, at least 1 per cent. could be safely reduced from the lending rate. This would mean a saving of about sixty thousand of rupees per year to the members of co-operative societies in Sind.

(4) With a central institution having a uniform policy, it is possible to open an internal audit and supervision department. The duty of this department would be to check the records of the bank and its branches, to supervise utilization of loans by members, to inspect the working of each affiliated society and generally to carry on consolidation work in the Movement.

(5) In a large institution, it is more possible to organize *taluka* centres for development of sale and supply business than it would be under the present system.

(6) Increase in the scope of activities are bound to bring more profits to the bank and it is, therefore, possible to attract better qualified and competent staff in the co-operative banks, because better salaries, facilities of Provident Fund System, leave regulations and transfers are some of the main factors which would attract competent persons to join this Movement.

(7) With a central institution, it would also be possible to start land mortgage business as a part of the bank, with a separate record and separate staff for the purpose. The idea is to float debentures on the strength of share capital of the bank and in centralized bank, the share capital would be sufficient to launch such a scheme.

(8) Such a centralized institution will command better credit in the market and its paper could be easily discounted with other banks as it will have a good status. These are some of the advantages of amalgamation of banks in Sind and as this scheme could be carried out under the provisions of Bombay Act VII of 1925, it is worth while to examine it thoroughly well.

AN OUTLINE OF THE SCHEME :—

(1) All the district banks, including Sind Central Co-operative Bank, Limited, should be treated as branches of one Central Co-operative Bank and all the share accounts should be maintained in that Bank.

(2) The Headquarters of that Bank may be fixed at Karachi, because Karachi is a commercial city and capital of Sind, able to attract large deposits and provide business element in the Board of Directors.

(3) The present Sind Central Co-operative Bank, Limited, to be considered as Karachi branch of the new bank, confining its co-operative activities to Karachi district only just as other district branches would confine their activities to their respective districts. The Karachi district branch may be shifted to some other central place in the district.

(4) All the loan accounts shall be maintained for each district in the branch office. No loan account shall be kept in the Central Office.

(5) The Central Bank shall receive deposits, fix rates of interest on deposits for all its branches, sanction loans on the recommendation of branch directorate, guide the policy of co-operative finance throughout Sind, develop inland exchange business throughout India, organize non-credit work through branches and make arrangements for sale of agricultural produce in the final market of Karachi and generally to consolidate the credit activities of Co-operative Movement and to develop it on its non-credit side.

(6) The Directors on the Board of each district branch office shall be elected as usual from amongst the local shareholders, individuals as well as co-operative societies of that particular district, with some representatives of the Central Office. This provision is essential from the point of view of supplying business element in the management of district branches. The powers enjoyed by the Board of district banks at present will remain practically the same as now with this exception, however, that the sanction of loans by them will be guided on a fixed policy. This is no disadvantage, but is on the contrary better for the economic progress of the Movement.

(7) The district branches will continue to receive deposits and to do other banking business as done by them at present.

(8) With an increase in profits, *taluka* branches with local directors could also be opened so as to remain in close touch with the affairs of borrowing constituents.

(9) The powers of appointment of staff, promotion, transfers and leave, etc., will remain with the Central Board.

(10) The Directors on the Central Board shall be representatives of each district branch.

(11) As there will be only one Bank, the final accounts shall be published in one Balance Sheet which shall be duly audited by the internal audit staff of the Bank as well as outside auditors.

(12) The work of issue of Dividend Warrants, etc., shall be done at the Central Office.

(13) The Annual General Meeting of the Central Board shall be composed of all shareholders in Sind and in addition to this, there will be separate general meetings of each district to elect Directors for the district branch.

(14) The Annual General Meeting of the Central Bank shall pass accounts, declare dividend on shares, distribute net profits, amend bye-laws, and shall elect Directors from amongst the nominations proposed by each district branch.

Mr. B. S. JAGTIANI, Accountant, and Mr. C. K. THADANI, Inspector, The Sind Central Co-operative Bank, Ltd., Karachi

Oral Evidence.

11432. *The Chairman :* Mr. Jagtiani, you are Accountant in the Sind Central Co-operative Bank, Ltd. ?—Yes.

11433. Mr. Thadani, you are Inspector in the Sind Central Co-operative Bank, Ltd. ?—Yes.

11434. Before I come to your note, I want to ask a few questions which arose at the place we visited yesterday as regards the policy of your Bank. When you make an advance to a co-operative society for current needs, do you usually expect it to be repaid in one year ?—(*Mr. Jagtiani*) : Yes.

11435. Supposing the next year is bad, what happens ?—We grant an extension.

11436. Supposing the second year is bad, do you again grant an extension ?—Yes ; we go on granting extensions in the hope that we would get from the harvest that comes.

11437. During the last few years, have you granted three extensions to any of the societies ?—Yes ; in some cases. In the Jamrao tract, we have granted three extensions.

11438. Of the whole amount advanced by the Bank, has anything been realized ?—A part of the amount has been recovered.

11439. Because there was some crop I expect out of which payment has been made ?—Yes, there was some crop. There was no total loss.

11440. In the case of the Malir society what has happened ? It seems you have granted an extension for two years ?—(*Mr. Thadani*) : The Malir society has a running account.

11441. Do you give it cash credit ?—(*Mr. Jagtiani*) : The loan is sanctioned every year, but it has not been repaid every year since its beginning. Supposing we give to the Malir society this year Rs. 50,000, what they do is they return only Rs. 25,000. Then again we give them another sum of Rs. 50,000 and so on. So there is a running account with them.

11442. When a society applies for an extension, do you make some local enquiries before granting the extension ?—Yes. After the enquiry is over, the matter is placed before the Directors' meeting for consideration. There is no option left to the Directors not to grant the extension.

11443. What happened in the case of Malir ? Have you ceased to finance them ?—We are financing them up to the present time.

11444. You have not refused to finance them ?—No.

11445. They said that unless they paid fully or the greater part of the loans this year, they would not get anything from your Bank ?—For a number of years they were not repaying the amount they borrowed even the previous year.

11446. Although they were in a position to pay, they have not repaid anything to your Bank ?—They could have paid if they had been honest enough. This year we told them that unless and until they paid the whole of the amount they borrowed this year *plus* something of the old advances made to them, we would not be able to finance them further.

11447. How much was advanced this year ?—Rs. 40,000.

11448. If they pay you about Rs. 80,000 this year, then they would get an advance from the Bank ?—Yes.

11449. When will their crops be ready ?—In Malir, there is a running crop. Now one crop is ready and it will be brought to the market. In the meantime, another crop will be sown.

11450. Would they require money for the crop before the first one is harvested ?—Only a few days ago we have financed them to the extent of about Rs. 10,000.

11451. There seems to be then some misunderstanding ?—No.

11452. Do you not find it difficult to grant extensions year after year with your one year deposits ?—This is but natural ; but, so far as the present finances of the Bank are concerned, we have not found any difficulty in granting extensions even for three years in some cases.

11453. Suppose there is a failure over a fairly large area ; you have to lay down a policy. I want to find out if in the case of the Sind Central Bank it is necessary for a State Central Bank or for Government to advance money in case where there has been a succession of bad years ?—It is very necessary.

11454. You know that it is often not the fault of the people that they are not able to pay but it is the circumstances. And if, after two or three bad years, the Central Bank refuses to finance them, their plight would become still worse. The question is whether some arrangement is not necessary ?—Government should finance out of their famine fund.

11455. Should Government finance the Central Bank out of it ?—Yes.

11456. This will again create a liability on the part of the Central Bank, will it not ?—(*Mr. Thadani*) : Some system will have to be found out.

11457. The main point is, where extraordinary help is necessary, should not there be some arrangement by which such people can be financed ?—If Government advances out of the famine fund against the promissory notes of societies, we can finance these people. Such a system will be all right.

11458. When you sanction loans, do societies take them in a lump ?—(*Mr. Jagtiani*) : Yes.

11458A. Do you not think that if a member gets Rs. 200 or Rs. 300 in one lump, he is sure to misuse at least Rs. 30 or Rs. 50 ?—It is possible that he may do so.

11459. Could not some system be devised under which he could draw money as and when he requires it ?—We are just trying this experiment by starting branches in the *mofussil*.

11460. Unless you devise a system by which a cultivator can get money as and when required and not all at once, it will not encourage him to save, do you agree with this point ?—Yes. (*Mr. Thadani*) : It will be very difficult to fix instalments.

11461. Suppose you sanction Rs. 5,000 to a society and keep it in current account, the society can draw it by cheques and similarly it can repeat the same process towards its members ?—But the members do not want to draw it bit by bit. (*Mr. Jagtiani*) : There is illiteracy also.

11462. Does your Bank exercise any supervision over the use of loans ?—Yes. At the time of distribution, the Bank inspectors go and inspect their seed, etc. Also they have some supervisors who inspect things.

11463. But your Bank Inspectors cannot exercise somes upervision to a very large extent ?—No ; but in some cases they go and inspect.

11464. Do you insist upon the society to supervise the use of loans ?—Yes ; there are the supervising unions and the supervisors go and supervise the use of loans. (*Mr. Thadani*) : It is not possible to supervise the use of loans. Supposing I am sanctioned a loan of Rs. 300 for purchase of bullocks, and I produce a pair of bullocks, how is the supervisor going to verify whether I have purchased them with this money or before ?

11465. The Managing committee ought to know ?—Unless they know, it is impossible for them to sanction the loan.

11466. Have you no dividend equalisation fund ?—(*Mr. Jagtiani*) : No, because we have taken more profits to the reserve. We have made it our policy to restrict our dividend to a reasonable extent.

11467. From your figures it appears that you have an interest overdue reserve. Is much of your interest overdue ?—Yes. There is interest overdue of liquidated societies.

11468. It would be provided for under bad debts ?—But we have specified particularly the interest overdue at Rs. 27,000 and odd though it is at present hardly Rs. 12,000 or Rs. 13,000 so that at the end of the year we can carry the extra interest to the reserve. It is only a provision from profits so that it may not be distributed.

11469. I see that your borrowing rates are 3 to 5½ per cent. Do you get fixed deposits at 3 per cent ?—Yes, for 3 months. For 12 months it is 5½ per cent.

11470. Is it fixed throughout the year ?—No ; it all depends upon the season.

11471. It seems you have a surplus of Rs. 7,00,000 which yields 4·8 per cent. while I find you are paying 5½ per cent. on your deposits ?—(*Mr. Thadani*) : The rate was increased because there were not sufficient liquid assets.

11472. Has your rate on savings bank deposits always been 4 per cent. ?—No. It was 4½ per cent. and we reduced it to 4 per cent.

11473. What is the rate given by joint stock banks on savings bank deposits ?—4 per cent.

11474. I see that your deposits in branches are very small. Do you not tap any capital from them ?—It is very seldom that village people keep deposits with Banks. A habit has got to be created in them.

11475. Do not some of the local bankers keep their surplus with your branches ?—Ours are *taluka* branches. In a place like Jacobabad I know that people have lakhs of rupees, but they do not deposit them in any bank.

11476. I see that your tables do not show the amounts due for recovery ? —(*Mr. Jagtiani*) : No.

11477. Have you some amounts outstanding since 1921 ?—Yes.

11478. Have you not been able to recover them ?—As a matter of fact these amounts remain outstanding on account of the overlapping policy. There are some societies in Hyderabad district or in Larkana district where there are district banks. Previously we advanced loans to these societies. When district banks were started they did not take the entire liabilities and these amounts therefore still remain outstanding. Now these banks are being given preference to by societies because they deal with them directly.

11479. When you handed over the societies to them did you not transfer all these dues to them ?—We made an attempt, but they did not take all liabilities.

11480. Are you taking any further action to recover the dues ?—The district banks have promised that they would recover the dues and pay us off.

11481. Coming to the question of privileges you know that the Imperial Bank has withdrawn recently certain privileges. What is the reason ?—They have assigned no reason. They say that these facilities are cancelled.

11482. How do you remit your money ?— Loans to co-operative societies are remitted by means of remittance transfer receipts, Cash orders and demand drafts of the Imperial Bank of India at par.

11483. About the scheme of amalgamation, is it not the chief point that people should have knowledge of local conditions of agricultural finance, etc.?— Yes, this is also a point.

11484. Is not this an important point ?—Yes. But what I have said in this note is that local knowledge will remain there ; the local interest will remain there, but only the finance will be centralized.

11485. There may not be local responsibility for the financing ?—There will be local responsibility because the shareholders will be the same.

11486. But the final word would not be with them. It would be with the Central Board ?—The Central Board also is representing them. Each district would be represented on the Central Board. Naturally they would feel interested.

11487. You say : " And this increased figure of share capital would give a status to the Co-operative Movement " ?—Yes. But the share capital would remain the same as it is now. When there is a centralized institution, we will be able to attract more share capital which will remain in the Movement.

11488. You also say : " With an increase in share capital it would also be possible to accept more deposits for investment in the Movement ". How would it be able to accept more deposits ?—(*Mr. Thadani*) : Now there are strict limits by law not to borrow more than 8 times, but we are allowed to borrow 10 times. If we therefore pool our capital together, we will be able to accept more capital.

11489. You mean the same concession can be availed of by the other banks ?—Yes. There are district banks which are able to borrow more than 8 times but which are not allowed to do so and there are others which are not able to borrow. So if we pool together the capital, they will be able to borrow more.

11490. *Mr. Kamat :* In this scheme of amalgamation a district bank is supposed to carry out the policy as laid down by the Central Bank. Will it not kill all initiation

from the district bank ?—These are matters which do not involve any broad policy. On the contrary, they will take more initiation.

11491. The very purpose of the Movement is to educate people in the districts in matters of banking, etc., whereas here these directors, who will be on the district bank, will be only a sort of machine and will not be so useful ?—If this is not accepted, what will happen to the Apex Bank ? Supposing we are financing certain societies in districts, those societies are taken up by the districts in course of time, then the Apex Bank will have nothing to do with the societies and then they will have no society to finance. (*Mr. Jagtiani*) : From the educational point of view also we shall have more of *taluka* centres with a centralized institution and here they will be able to manage better. There they get better education and it is not possible for any individual district to organize branches in the *taluka* centres, while with a centralized institution it is possible. (*Mr. Thadani*) : Because the district bank is reluctant to establish any branch.

11492. And you want to make the rates on deposits uniform ?—Yes ; but there is no statutory obligation to do so.

11493. On what basis you want to make them uniform ?—(*Mr. Jagtiani*) : Uniform in the sense that they should not go beyond a maximum. At present there is competition between district banks and the central bank. If we offer 5½ per cent., they will pay 6 per cent. That is unnecessary waste.

11494. If they can pay 6 per cent., you do not want to allow them that much of latitude of discretion ?—(*Mr. Thadani*) : That does not help the agriculturist. (*Mr. Jagtiani*) : By lowering our rates we can have a margin.

11495. *Professor Kale :* You said that if these district banks go on expanding, what will happen to the Central Bank ? But do you mean to say that the Central Bank exists for the people, or the people exist for the Central Bank ?—(*Mr. Thadani*) : Therefore, we say that, if it is centralised, it will be more advantageous to the people.

11496. Do you not think that the advantages, which may be gained by centralisation, can be gained by better co-operation ?—We are not able to do that.

11497. Is that not the experience of other provinces ?—We are talking of Sind conditions.

11498. Would it not be better, if you compare conditions of other provinces with conditions in Sind, and see how difficulties experienced in other provinces have been overcome by them ?—We know what our difficulties are ; that is the solution.

11499. You seem to be so impatient about your difficulties. Are you not giving undue representation to the individual shareholders in the Bank ? They have subscribed less than what the societies have done, and yet the shareholders have five representatives and the societies have only three ?—(*Mr. Jagtiani*) : In the beginning it was laid down when the individuals had more share capital subscribed than the societies. (*Mr. Thadani*) : I think it is a wise thing because we provide thereby more of business element. If the societies are not well-versed and if more representation is given to societies, I do not think the Bank would run better.

11500. That is only an indication of your tendency to centralisation ? You want the city people to control the whole of the co-operative finance by giving them five representatives against three, although they may own less share capital than societies?—That way directorate may be according to deposits. In Co-operative Movement subscription to share capital cannot be made a criterion to fix the proportion of the number of directors on the Boards.

11501. *Mr. J. N. R. Mehta :* About centralisation is it not true that if all the capital is put together and if there is a big central organisation, it will be able to attract more deposits ?—Naturally the credit of the bank would be higher.

11502. Is it not also true that there shall be a continued force behind such a bank not only for land mortgage purposes but for other purposes also ?—Yes.

11503. Shall we not be able to start more sale societies and such other non-credit institutions by having such a central bank ?—I think without centralisation this would not happen.

11504. Now about the Central Bank with branches, the complaint is that it will curtail the incentive of the local boards ; but will not all the loans in that district be given by branch directors ?—Now where we have branches the local advisory board recommends loans.

11505. Have you not been given by convention powers to give loans ?—Yes.

11506. Have you found the central board interfering with local boards ?—Not at all. On the other hand each district bank has a manager.

11507. What is the salary of the Manager ?—He is paid Rs. 260 in Larkana and Rs. 150 in Sukkur.

11508. And each bank has an inspector ?—Yes.

11509. At present the Central Bank has inspectors. They go and visit only the societies, they are not inspecting the district banks ?—When the bank requires cash, we do go and inspect the banks.

11510. But the central banks have to rely upon the inspectors of district banks. If there was centralisation, the Central Bank would have a range of inspectors to go round the societies, and they will be in your opinion a better check ?—Yes.

11511. And the ring of inspectors and managers will have a better scope of promotion than a particular district bank ?—In fact the staff working in the co-operative bank has no scope.

11512. And that is one of the reasons why better type of persons are not drawn in the Co-operative Movement ?—Yes.

11513. *Professor Kale :* You said that you will be able to attract more deposits if your scheme of centralisation will be carried out. But do you not think that when you have district banks you will be able to get more deposits because district banks would be ambitious of getting more money ?—But they can get up to a certain limit.

11514. The limit can be increased. Do you not think the banks in the district would be better able to attract more deposits ?—A central banking organisation with a large management and board will inspire more confidence and will attract more deposits. (*Mr. Jagtiani*) : It is our present experience that district banks cannot get more deposits. We can get more deposits.

11515. There are banks which get more deposits ?—Not that their deposits are more, but they cannot borrow more.

11516. *Mr. V. L. Mehta :* I see that you mention here that you do not accept deposits for a period more than a year. Is it a matter of policy or do you not get money for

longer period ?—For long period deposits we have to pay a higher rate of interest. We cannot get them at 5½ per cent. (*Mr. Thadani*) : It would not be prudent to accept long period deposits because the rate may go down.

11517. Have you examined the question from another point of view, namely, that if you have some long-term deposits you will be able to meet your liabilities in case there is some lock up ?—Now we have surplus funds, if we accept money for long-term, our money will lie idle.

11518. Do you mean that you will have to pay a higher rate of interest for long-term deposits and you cannot afford to pay the higher rate of interest ?—(*Mr. Jagtiani*) : Yes.

11519. Has the Sind Central Bank or any other bank undertaken any exchange business for which you ask for concessions from the Imperial Bank ?—At present for want of concessions we cannot do that work. If the Imperial Bank would give us concessions we can do that.

11520. If the Imperial Bank gives you concessions, will you not compete with it ?—The Imperial Bank has branches in a few places, but there are other places where there are no branches of the Imperial Bank.

11521. Do you want facilities where there are branches of the Imperial Bank and other places as well, or do you want facilities where there are no branches of the Imperial Bank ?—We would like to have them at all places, but as the Imperial Bank would not give we would like to have at those places where there are no branches.

11522. Would you have them without restriction of amount ?—Without restrictions.

(The witnesses withdrew.)

The Committee then adjourned and reassembled at Hyderabad (Sind) on Saturday, the 18th January 1930.

Saturday, January 18th, 1930.

HYDERABAD (SIND).

PRESENT :

MR. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

MR. B. S. KAMAT.
MR. J. N. R. MEHTA.
MR. V. L. MEHTA.

MR. R. P. MASANI (*Secretary*).

SAYED MAHOMED KAMIL SHAH, Zemindar, Saidpur, M.L.C.

Replies to the Questionnaire.

QUESTION 1.—The agricultural operations in Sind are generally carried on with the finances supplied by the *sowcars* at very heavy rates of interest. Recently the Co-operative Movement has also assisted the agriculturists, but the work done by co-operation is yet very limited ; and, generally speaking, the agricultural industry of Sind can yet be said to be in the hands of the money-lender. The part played by Government in the maintenance of the industry is in these days almost negligible, though it has to be said that in abnormal years, when almost everything is lost by the agriculturist, it does help with *taccavi* loans, etc., in the affected parts. But that is, however, not the ordinary practice in ordinary years.

Ordinarily the *sowcar* takes four annas as interest for every rupee advanced, which he calls *punjooth*, but in view of the fact that he recovers the *punjooth* within a period of six to at the most eight months, gives inferior quantity of the commodity and at higher rates than prevalent in the market and takes back at still better rates and in greater and better quantity, 50 per cent. rate of interest should be considered to be the most normal rate.

Zemindars having dealings with a particular *sowcar* can obtain small sundry things on credit from his shop, for which no surety is asked ; and such dealings take the shape of an account, which is after some time cleared up in a most unsatisfactory manner, is totalled up and a receipt is obtained from the *zemindar* for the sum struck up as balance payable by the *zemindar* and is attested by two neighbouring *sowcars* who can be trusted to support it in the court, if need be.

But the things are different if some cash is taken by the *zemindar* from the *sowcar*. The latter would never, now, advance it without taking some land from the *zemindar* as an outright sale duly executed and duly registered, with an oral agreement to return it at a specified time, if money were paid back to him. All this puts the seller at the mercy of the purchaser and his honesty ; and such transactions have now a most unhappy ending for the seller. Another very curious form of lending invented by the *sowcar* is that before lending any money he makes the *zemindar* agree to a court decree, which is obtained by filling a sort of an arbitrator's award for the amount sought to be raised, in a civil court. After obtaining the court decree, which includes

interest, etc., the money is paid to the borrower in such manner as the *sowcar* deems fit.

The co-operative societies have done very good work in Sind during the short time they have been in existence ; and as Government find it impossible to finance or help the agricultural industry, they, in their own interest, should not grudge spending enough money on strengthening the staff of the Government Co-operative Department, without which, in my opinion, further expansion of the co-operative work in Sind is impossible.

In the Lar division, it is a common practice for the *zemindar* to give himself or to get his cultivators one seer of rice per day per every working member of his family from the time he starts ploughing or even a little earlier till grain becomes available in the harvesting time.

The Imperial Bank or the joint stock banks take no interest in the agricultural industry ; and it is most difficult for any *zemindar* to obtain any loan from them, unless it be on the security of a house situated in the Municipal area, which the *zemindars* generally do not have.

The co-operative societies, on the other hand, give loans to small *khatedars* ; and cannot finance the entire industry, without substantial assistance from other bodies, like the Imperial Bank, etc., and also without the active co-operation of the Government.

As remedies for this state of affairs, I would urge the immediate expansion of the Co-operative Movement, the establishment of land mortgage banks which could help even the bigger *zemindars* to pay off their old debts and even help the smaller men to purchase some land of their own, a close check on the account books of the money-lenders and their proper control and, if it be not outside the province of the Committee, some education.

QUESTION 2.—There are no markets for the sale of the agricultural produce. The grain is now sold away by both the bigger and smaller *zemindars* and the *khatedars* at the *kharas*, the thrashing-grounds. People generally never know the correct current prices for the commodities and accept whatever the *sowcars* declare to be the prevalent rate.

The sale price for the grain is never paid at the time of the sale. It is paid to the seller later on in small sums and small instalments as necessity presses the *zemindar* to ask for it. The money is recovered by the *zemindar* with some difficulty always, as the *sowcar* always consults his own convenience first. He never thinks of paying until he has himself disposed of the grain.

There is a possibility of the establishment of markets doing some good ; and I would suggest that as an experimental measure they should be started at some selected places, where they are likely to be helpful. The greatest difficulty, however, is that the *zemindar* has not the patience to wait or to postpone his needs, which are always heavy and urgent. He wants money, whatever he can get ; and is, therefore, compelled to sell away his grain at the first opportunity. If co-operation can come in this line and help the *zemindar* with some advances, on the security of his grain, things would improve considerably. The establishment of the grain sale societies in Sind and their work is being watched by the *zemindars* with considerable interest. They are no doubt the pioneers in this line of work ; and it is only proper that Government should help fully this Department, which is doing the work, which ordinarily should first be done by it.

QUESTION 3.—The value for the rice land in this district ranges between Rs. 50 and Rs. 150 per acre; and the value of the rest of the land is between Rs. 30 and Rs. 100 per acre.

The land auctioned by Government for non-payment of assessment or in satisfaction of court decrees fetches at the most 75 per cent. of its proper value. Sales by private negotiations, unless they be the result of some utmost urgency, obtain much better value.

QUESTION 4.—There is no legal impediment to the sale or mortgage of land in Sind, except when it is held on the restricted tenure, in which case it cannot be sold without the permission of the Collector.

There is no land mortgage bank in our province; and not even a *zemindari* bank in this district (Hyderabad) with the result that long-term loans or bigger loans than at the most Rs. 1,000 cannot be obtained from any place, and the *zemindars* are compelled to seek the assistance of the *sowcar*, which cannot be had without the utmost difficulty.

QUESTION 5.—There are no figures available to me of the actual indebtedness of the agricultural population; and all I can, therefore, say is that the agricultural population is sunk in indebtedness; and there are very very few people indeed who can be said to be free from debt. All the borrowings are mostly from the *sowcar* class, to which the land is passing rapidly.

I know very well that the entire holdings of both big and small *zemindars* have passed to the *sowcar* class and the original holders have become themselves ordinary *haris*, cultivators, mere tenants-at-will. The result is that the agricultural population is steadily losing real interest in the industry; and if this process continues, at its present pace, I should not be surprised, if agriculture becomes the least efficient industry in Sind, in spite of all that the scientific departments of the Government may say to the contrary about it.

QUESTION 6.—Dairy farming and even poultry could advantageously be encouraged as a supplemental industry to agriculture. It is a fact that in these days it is more difficult to obtain eggs in the country side than the towns like Hyderabad or Karachi. It shows the neglect of it all.

QUESTION 8.—The Dekkhan Agriculturists' Relief Act gives no protection to the agricultural population. Some new Act should be brought in; and the Dekkhan Agriculturists' Relief Act should be repealed in favour of it.

QUESTION 9.—An Act to protect the interests of the agricultural population as against the money-lenders' ways is urgently needed, if the former is to have life worth living.

Oral Evidence.

(*Summary of Oral Evidence in Sindhi.*)

I am a member of the Bombay Legislative Council and a *zemindar* here. I pay Rs. 20,000 assessment. I was the Chairman of the District Central Co-operative Bank five years ago. I am a member of the Saidpur Co-operative Society.

Very few *zemindars* cultivate lands themselves. Generally they employ labourers. Land improvements are carried out by the *zemindar* himself directly through paid labourers. When *haris* borrow from *sowcars*, the *zemindars* stand surety.

Sayed Mahomed Kamil Shah.

In the *batai* system the arrangement is that half the cultivation expenses is contributed by the *zemindar*. Harvesting is done half and half. In some places the *zemindar* has to pay final expenses for seeds and in some places the *hari* has to pay. But when the seed is sown for the first time, the *zemindar* has to put in the seed.

There is no difference in the rate of interest on the borrowings of *zemindars* and *haris*. The *sowcar* charges the same rate. One in a hundred *haris* may have capital of his own. And one in a thousand *haris* has become a landholder himself. The *haris* do not cultivate individually, but one or two families combine and cultivate the land.

In Sind every one has to depend on the *sowcar* for agricultural operations. On account of frequent bad years the *zemindars* cannot save anything. One bad year means practically two bad years—one which was bad and the following when it is difficult to carry on agricultural operations. Those who can save something in good years spend the amount in land improvement, and some purchase land ; but these are very few.

There are some small *khateddars* in Sind. They have to borrow capital at a high rate of interest. There should be more banks so that co-operative societies can get more money to finance agriculturists. Co-operative societies can advance money to *haris* through the *zemindar* and not directly.

I am in favour of land mortgage banks for redeeming old debts. These banks should effect their recoveries in small instalments for long period. The industry is such that nobody would be able to say that if a man is once redeemed, he will not go into debts again. Take the present case. For the last four years the seasons have been very bad. During the first year the crops were eaten away by locusts, second year there were floods, third year frost, and again floods during the fourth year. If we get a succession of bad years in this way, it will be practically impossible for *zemindars* to go out of debts.

As regards the question of marketing, if there is a market, and if people see that they can get better rates by selling in the market than by selling in the villages, they will bring their produce to the market.

Dairy farming and poultry would be advantageous, if encouraged. If *zemindars* keep some pasture grounds, they can take to these subsidiary industries. Ordinarily the grass that is now given to the cattle is so bad that the *zemindar* considers it to be very injurious for his crops, and, therefore, he tries to eliminate the grass as far as possible.

The *zemindars* do not carry out land improvement on account of want of adequate finance. Formerly *sowcars* used to advance, but now they have stopped it. If Government were to advance *taccavi* for land improvement, there would be demand for it.

The *zemindars*, who save some money, spend the savings in carrying out land improvements, and some of them buy ornaments also, but they again pledge the ornaments and raise loans. The rate of interest on advances against ornaments is about six annas in the rupee. In other cases it would be about eight annas.

There is a tendency amongst *zemindars* to carry out land improvements, if they have money with them. For instance, they would construct *bandharas* and wells.

Amongst the *zemindars* who have large holdings about six per cent. only are free from debt, others are indebted. They are in debt because agriculture is not paying. For the last few years the seasons have been bad and the crops have failed, and the river is not steady.

It cannot be said with certainty that *zemindars*, who would take loans from *zemindari* banks even without any interest, would become immune from debts for all times, but there is no doubt that they would be able to lead a better life and would be able to carry out improvements in land, if they are freed from debts.

As regards marketing, I want that markets should be established in an experimental way and it should be seen whether the producers are able to get better prices. My fear is that, if the buyers were to combine, the producers would not be able to get good prices. Therefore, if places are selected and if the markets would give a good account of themselves, they will have a better future.

In my opinion the present *batai* system is better than the cash rent system. The *haris* would not join and work together, if they are given lands on lease. From the *zemindar's* point of view the objection would be that, if a tenant takes the land on a lease for five years, he will have no permanent interest in the land and at the end of five years the land would be spoiled, and the *zemindar* would have to spend a lot of money in improving the land again. From the view of the cultivator, he himself has no cash, and the co-operative societies will not be able to finance him adequately to enable him to pay cash profits to the *zemindar* and to do agricultural operations at proper times.

There are many instances of *sowcars* advancing money after taking some land from the *zemindar* as an outright sale duly executed and duly registered, with an oral agreement to return it at a specified time, if money were paid back to him. There are many disputes pending in the court. There are also many cases in which the *sowcar* gets the decree passed against the *zemindar* before the amount is actually advanced.

I recommend that the Government should strengthen the co-operative bank and its staff, because at present the societies are not so financially strong as to employ their own staff, etc., and, in my opinion, the Co-operative Movement does require Government assistance.

The Imperial Bank or the joint stock banks take no interest in the agricultural industry, and they do not advance loans to *zemindars*. The bank has not to fear from the encumbered estate, because the manager of the encumbered estate will attend to the claim of the bank, and repay the loans from the income of the estate.

If the manager of the encumbered estate thinks that the debt cannot be paid off within twenty years, he has the discretion of selling the land. He has to make a plan of redemption of debts in the very beginning when he takes charge of the estate.

I would have no objection to the scheme of centralization of finance in Sind in order to make a large and strong banking organisation and strengthen the Co-operative Movement.

Taccavi loans advanced by Government for land improvement are negligible and inadequate. They have reduced the amount they used to advance before.

Zemindars are in need of finance, and if they are advanced loans on the security of produce kept in godowns, it would be better. The Imperial Bank advance money against the produce in some upcountry centres, but they do not do that here. They should advance up to 75 per cent. of the value of the produce kept in godowns.

The co-operative banks do not advance large sums. They advance to a maximum of Rs. 1,000, and I do not think any special limits are sanctioned here if some *zemindars* want more money.

(The witness withdrew.)

Sayed Mahomed Kamil Shah.

Mr. NOOR MUHAMMED, B.A., LL.B., M.L.C., Pleader.

Replies to the Questionnaire.

QUESTION 1.—For the most part, excluding the cases of some individual *zemindars*, the agricultural industry in Sind is maintained and supported from the borrowings made from the village *sowcar*. Latterly the Co-operative Movement has come into the field; but the work is so vast and the Movement so young that it must necessarily take long to cover up any great area of the Province.

The present tendency of the *sowcar* in the villages is to lend money only to such *zemindars* and *khatedars* who enter into contract with him for the sale of their standing or future crops and to only those *haris* who work on the fields so leased to the *sowcars*. Thus it is that practically every *khatedar* has necessarily to associate himself with one or the other *sowcar* just to keep himself and his cultivators going. If he cannot succeed in securing such alliance, it becomes almost impossible for the *khatedar* to secure cultivators for his land, as they will naturally go to the man whose lands are leased to or otherwise held by one of the *sowcars*, and who can alone then assist them. The result of this is that it is not uncommon to see a cultivator going to his house empty-handed, having given everything to the *sowcars* on the corn-thrashing ground. In such circumstances the rate of interest is bound to be heavy. 36 per cent. rate of interest is very ordinary rate; and it goes to 50 per cent. or even more.

At present one hardly hears of any great part played by Government in financing agricultural industry or in helping it in normal years. The Co-operative Movement has certainly created a new hope in the minds of the agriculturists of Sind and there is a vast future before it in our province. But for this Movement, young as it is, conditions of the agricultural population of Sind would have been far worse than they are to-day.

In this district (Hyderabad), there is a practice (particularly in the Tando division), to give an advance of one seer of rice per day for every member of the cultivator's family, from the time he comes on the field till such time as the harvests begin.

QUESTION 2.—There are no markets or anything resembling them in Sind. The *sowcars* with whom the *khatedar* or the *hari* has dealings purchases the corn, at the thrashing ground, at the rate he announces to be then current, if any surplus grain is left to either of them, after the *sowcar* has made his recoveries of his debts or advances. The bigger *zemindars* also generally sell away their produce at the thrashing ground; and have no resource either to wait for better prices or to send it to big centres for sale.

The markets provided for cotton sales in a recent Act passed in the Bombay Legislative Council have not yet come into existence; and it is yet too early to say how far the establishment of markets for sales of agricultural produce would be taken advantage of by the people or how far they would really assist the people in finding new and better customers. But, speaking generally, pooling of produce by smaller men and co-operative effort is and should be welcome. For such a work, however, many more men in the Co-operative Department of Sind are necessary than are available. With more men, this line of work should, in my opinion, be successful. The fact is that the Sindhis generally accept the advice of the officers of the Co-operative Department without arguing and invariably act upon it; and that by itself, in my opinion, should make the co-operative effort in the matter of the sale of produce a really successful one, if only propaganda on the right lines is carried on.

QUESTION 3.—In this district the flow lands can be had for between 50 and 150 rupees per acre; and lift lands for Rs. 50 to Rs. 100. Lands sold in auction for non-payment of revenues or in satisfaction of court decrees generally fetch less value than they would if disposed of by private negotiation.

QUESTION 4.—Except lands held from Government on restricted tenure all land could be sold or mortgaged in Sind. A person who has been under the protection of the Manager of the Incumbered Estates cannot sell his released property beyond his life-time and that for very sound reasons. The proportion of land held by occupants on restricted tenure is also very small indeed.

There are no land mortgage banks or other banks giving long-term credit in this district and the necessity for one is very great.

As regards the clearness and simplification of the Record of Rights, if only a little attempt is made by the Revenue Department to enter up the names of the female heirs of a deceased occupant or to hold a proper enquiry for their omission soon after the death of the last holder, there would not be any trouble to the bank taking mortgages. Even now the Record of Rights in Sind is kept up in as satisfactory a manner as could be expected; and little trouble need be expected by any bank making advances to agriculturists on the basis of the Record of Rights.

QUESTION 5.—As regards this question the Managing Director of the District Co-operative Bank will make an effort to supply as approximate figures as can possibly be given.

I will only add that it is a pitiable sight to see the children of once very big *zemindars* actually tilling the ground as ordinary cultivators with not an inch of their own land, and the number of such unfortunate men is very rapidly growing.

Even now those of the occupants who hold land in their own name but have handed it over to the *sowcar* in one form or the other begin themselves to lose interest in their land and even the cultivators cease to take that kind of interest which may ordinarily be expected from them, considering the fact that proper tilling of their field is their only support of life.

QUESTION 6.—The principal industry supplemental to agriculture in Sind is in my opinion dairy farming, in which the women take so great a part; and it is a pity that these poor creatures do not get a sufficient return. If the Co-operative Movement can forgive too much loading, this is a line in which sufficiently successful work could be organised in Sind. But, as I have submitted before, more men are needed in the Co-operative Department to organise this work at least in the beginning; and the Government must come to assistance in providing men for the propaganda and organization work.

QUESTION 8.—The Dekkhan Agriculturists' Relief Act has done more harm than good to the agriculturists. It has already run its course; and any amendment of it would be flogging a dead horse. Altogether a new Act giving real protection to the agriculturists against the brains of the money-lender is necessary. It should be an all-India measure and should not follow the lines of the Punjab Money-lender's Act, which has pleased no one.

Oral Evidence.

11523. *The Chairman:* Mr. Noor Mahomed, you are a pleader, an M.L.C., and a *zemindar*?—Yes.

11524. You are at present the Chairman of the District Central Co-operative Bank, Hyderabad ?—Yes.

11525. As a pleader, do you think that there is anything in the present legislation or in the legal procedure which has seriously affected the credit of agriculturists ?—No.

11526. You say, "The Dekkhan Agriculturists' Relief Act has done more harm than good to agriculturists. It has already run its course" ?—My point is that it has affected the credit of agriculturists in this sense that it has made a *sowcar* a clever man.

11527. Does he not take a sale deed instead of a mortgage ?—The *sowcars* have devised round about methods of getting over the Dekkhan Agriculturists' Relief Act.

11528. You say, "It has already run its course." Do you wish that this Act should be abolished or should be modified ?—I think this Act should be repealed; and some other act is necessary.

11529. You think that a mere modification will not do ?—No.

11530. *Mr. J. N. R. Mehta :* On what lines do you want another Act ?—The chief thing is that a *zemindar* should have his credit. Any Act that is passed should not destroy the credit of a *zemindar*. Now as it is, a *sowcar* knows that there are obstacles in the way of his recovery and, therefore, he adopts to get an outright sale and all other things.

11531. *The Chairman :* Do you know the Usurious Loans Act ?—No.

11532. Is it because of the Dekkhan Agriculturists' Relief Act that people do not think about it ?—I do not think that hardly one per cent. of the legal practitioners know about the Usurious Loans Act.

11533. What is your own view about the question of financing *haris* who after all cultivate most of the land in this presidency ?—They get finance.

11534. Do you think that it is possible for co-operative societies to finance *haris* safely ?—Yes.

11535. On what security ?—The *zemindar* has to bear the responsibility.

11536. He will have to be the surety ?—Yes. Through the *zemindar* the *hari* problem will have to be taken and the *zemindar* will of course be willing to stand as security for him.

11537. Should societies finance *haris* directly or through a *zemindar* ?—Through a *zemindar*.

11538. *Mr. Kamat :* What about the lien on the half share of a *hari* ?—If a co-operative society finances a *hari* and manages to have a lien on the half share, or whatever it may be, of a *hari*, it will solve the problem in a much better way.

11539. *The Chairman :* The co-operative societies now have a first charge but the difficulty is about enforcing it ?—As people are illiterate in Sind, it will be a difficult question for co-operative societies for some time to come.

11540. What do you think of the work which co-operation has done for *khatedars* ?—I think it is proceeding cautiously.

11541. What is the experience of your bank ? Have you many arrears ?—Now we have.

11542. Not on account of *haris* ?—No.

11543. As regards *zemindars*, what do you think is the best system of financing ?—I think the extension of the co-operative system is the best. A special organization like the *zemindari* bank will do, or the limit in the ordinary credit societies can be extended, in which case ordinary credit societies will do for them because there are not very many big *zemindars* in this district.

11544. Supposing a man wants Rs. 5,000 will you put him in the same position as a man who wants Rs. 50 or Rs. 100 ?—If a man wants Rs. 5,000 he must have a very big holding ; and his money will always be safer.

11545. But if he defaults, the whole society will suffer ?—But the number of such people in this district is very small. Personally I do not expect any trouble.

11546. So you would not favour a separate organization for big *zemindars* ?—No. A society's borrowing limit can be extended.

11547. It could even now be extended with the sanction of the Registrar ?—But the present policy of the Registrar is not to increase the limit but to decrease it as much as, he can.

11548. Do you think it is necessary to extend the system of Government *taccavi* for land improvement ?—Yes.

11549. Is your bank not in a position to give long-term loans ?—No.

11550. After all the intention of banking is saving. Unless some people save you cannot have money to lend to others ?—At least the experience of co-operators in this district has been very encouraging. People have learnt to save through co-operation.

11551. But not the big men ?—I think the condition of big men in this district is comparatively much better than the *zemindars* of the same category in other districts.

11552. But I am speaking about *zemindars* in general. Do you think there are any means by which they could be encouraged to save ?—I do not know the case of one single *zemindar* who can be said to be living in an extravagant manner.

11553. Do they not invest in land ?—There is not much investment also in this district.

11554. But there are some big *zemindars* who invest their money in land, are there not ?—I am here from 1915 and I do not know any *zemindar* who has made any purchases of land on a very large scale. I know of some *zemindars* who have saved money and have been making improvements.

11555. And increasing their profits ?—Yes.

11556. If they spend money on improvements, they must be leaving something also against bad years ?—No, they do not do so.

11557. Should they not do it ?—Yes ; but they do not have enough to save for bad years, nor do they have enough to invest.

11558. About marketing, do you think that in the present circumstances a central regulated market would be of any use to agriculturists themselves ?—If people are not in a position to bring their produce to a central regulated market, it would not be of much use to them.

11559. The question is whether cotton markets can be started. Now most of the people go to gins and unless they are accustomed to bring their produce to a central

place where there will be many buyers, the scheme will not be successful ?—Sind never had the tradition of taking the produce to the market.

11560. But as you know, marketing is very closely allied to finance during cultivation everywhere. Unless sufficient arrangements are made for finance during cultivation, any proposal for a central market is bound to fail ?—Exactly.

11561. The two must go together ?—Yes.

11562. With regard to the Cotton Markets Act, you state here that neither the *zemindars* nor the *haris* are accustomed to taking their goods to a central market. From this point of view would some changes be necessary in the Cotton Markets Act ? Do you think they will be successful in Sind ?—Personally I do not think that they will be successful in Sind.

11563. For establishing a market there must be a certain number of buyers so that there will be competition. Do you have those buyers ?—No; at the place where the produce is collected there is only one buyer.

11564. Do you think that pools will be successful ?—I think they will require tremendous propaganda.

11565. As regards dairy farming, I think there ought to be good prospects for dairies ?—Yes. Many *khatedars* have buffaloes.

11566. Is it the question of organization and marketing ?—Yes.

11567. Has no effort been made in this district in this respect ?—No.

11568. I expect in a place like Hyderabad people from outside bring their milk for sale ?—When I was saying about dairying, I had not in my mind the cases of places which are near the municipal towns like Hyderabad or Sukkur. I was thinking of the *mofussil*. If there is a society, all the cultivators owning buffaloes will bring their milk to the society.

11569. Do you want a society for the whole district ?—Five or six villagers can combine together and they can transport their *ghee* or butter to a central place and get better prices.

11570. Do you not think that similar efforts could be made round about big towns so far as milk is concerned ?—So far as big towns are concerned, the town people are purchasing milk from milkmen daily who take it to their houses. I do not think they will be successful in big towns or in places which are too near the big towns, but they would be, in my opinion, more successful outside.

11571. But there is always a large demand for milk in towns and, if the people round about it arrange for the transportation of milk to big towns, is not there a greater chance of success ?—I say that co-operative societies will have a better chance of success outside than in a place near the town.

11572. Do many people here deposit their money in savings banks or invest in cash certificates ?—None at all.

11573. Do you not think that it is possible to encourage thrift amongst *zemindars* ?—First of all these *zemindars* have no cash.

11574. However small their saving may be, you must inculcate the habit of thrift, is it not ?—Yes. This will be done only by education.

11575. Do they go in for insurance ?—No.

11576. Is there no room for insurance ?—No.

11577. But some of the *zemindars* are intelligent ?—I do not think that even the middle class *zemindars* are intelligent. I do not think that insurance business has any much chance of success.

11578. Insurance is a good way of saving, is it not ?—Yes.

11579. But you do not think that there is much chance of its success ?—No.

11580. *Mr. V. L. Mehta :* In the case of people who insure their lives, will it be against any religious injunction ?—No.

11581. Is investment in postal cash certificates against any religious injunction ?—No. I know *moulvies* who are investing their money in postal saving banks.

11582. *The Chairman :* Do they take interest ?—I do not think so.

11583. They must be taking full interest on cash certificates ?—They must be taking the full amount, but you will notice that they adopt some other means of getting over this difficulty.

11584. But is the objection of taking any interest gradually decreasing ?—Yes, very rapidly.

11585. *Mr. V. L. Mehta :* You say in reply to Question 8 that there should be some all-India measure for the protection of agriculturists against money-lenders. On what lines would it be ? What provisions exactly do you want ?—When I said this, I had in view the dissatisfaction that the Act had created in the Punjab. The cultivators are displaced and with them the money-lenders are displaced.

11586. *The Chairman :* Are the cultivators also displaced ?—Yes. If there is an all-India measure, it will not have the prejudice of a particular province and it will be a combination of so many good points which, I think, would appeal to most of the people.

11587. *Mr. V. L. Mehta :* Would you have regulation of accounts ?—Yes.

11588. With regard to any restriction on the rate of interest would you leave it to the Usurious Loans Act or to any other Act ?—There should be another Act which should restrict it also. Of course it is now being done by the Dekkhan Agriculturists' Relief Act.

11589. You said that it is being evaded ?—Yes.

11590. Something new should be brought in ?—Yes. Now, as it is, the Dekkhan Agriculturists' Relief Act is only serving one purpose, namely limiting down the interest. Beyond this, it is not useful.

11591. You have one section in our questionnaire about indigenous bankers. You must be coming in touch with several of them. Do you think it is possible to link up this system with the ordinary banking system and to make it serviceable to agriculturists ?—Some such thing is done here in Sind where the old tribal class has started a bank and if you just enquire from them, they will give you some idea.

11592. Then about financing and distribution of lands in the Barrage area, do you think there is any possibility of developing the peasant proprietorship ?—Certainly. If you have land mortgage banks, they can finance these small people to purchase land in the Barrage area and have their lands mortgaged with them.

11593. What about financing agriculture from year to year ?—I think after one or two years, the regular societies would advance for current agricultural expenses.

11594. **Just like societies elsewhere ?—Yes.**

11595. Do you think if there is any land mortgage organization to be started in the Barrage area, it should be the same organization as you recommend here for the financing of *zemindars* elsewhere or this organization should be kept distinct ?—I think that there should be one organization for financing the settlement operations on the Barrage area as well as for financing *zemindars* elsewhere.

11596. For the whole of Sind ?—Yes ; otherwise there will be competition between the two and recoveries will not be possible.

11597. *Mr. Kamat :* You say : " I will only add that it is a pitiable sight to see the children of once very big *zemindars* actually tilling the ground as ordinary cultivators with not an inch of their own land, and the number of such unfortunate men is very rapidly growing." Could you just give us an explanation why this pathetic phenomenon of the number is growing ? What is your own idea ? Why is it growing day by day ?—Because lands have passed out of their hands. Do you want me to go into all the transations ?

11598. Not necessarily. I want you to be quite frank ?—The *zemindar* has not been able to manage his business best. If he were clever he would not have come to this state. In other words the *zemindar* has foolishly become a prey to temptation.

11599. Two criticisms have come before us from two notable public men or officers who are non-Indian. One has emphasised the fact that a good deal of the trouble is due to the lack of thrift which you have just now referred to and the other officer, Mr. Dow, in his statement, has mentioned that so far as the *hari* is concerned there is lack of industriousness and diligence in him. He does not plough, manure and clear the land and that he sits idle. These are the two factors which are at the root of the evils ?—I think Mr. Dow praises a Sindhi *hari* so much that I do not know anything about this statement. I do not agree with the view of Mr. Dow that a Sindhi cultivator is not industrious.

11600. I ask you this question because if the root cause of these troubles is to be found in the habits of people, then I think there is no use trying to search for the economic evil ?—Yes.

11601. As for the first point, *viz.*, he is not thrifty, do you agree ?—I cannot say he is not thrifty. I say that he is very foolish, and circumstances have brought him to this position. The other party has been too clever for him.

11602. Do you not agree with the other point, namely, that the cultivator is not sufficiently diligent ?—No.

(The witness withdrew.)

Rai Bahadur PRITAMDAS, Honorary Secretary, Sind Divisional Co-operative Institute, Hyderabad.

Replies to the Questionnaire.

QUESTION 1.—AGRICULTURAL CREDIT.—Since the advent of the Co-operative Movement in Sind, which began in right earnest from the year 1918, the co-operative credit has been steadily on the increase and has to a very large extent relieved the Government of the necessity of advancing *taccavi* loans to smaller holders and has replaced the village

sowcar so far as the financing of small *khatedars* and actual cultivators in the co-operatively developed areas is concerned. The working capital of the rural agricultural societies rose from Rs. 30 lakhs in 1924-25 to Rs. 70 lakhs in 1928-29, of which Rs. 26 lakhs is their own capital.

For the purpose of this note, I divide the agriculturists into 3 classes, *viz.*, (1) those holding more than 500 acres as *jagirdars* and *zemindars*, (2) those holding from 100 to 500 acres, and (3) those holding less than 100 acres, as well as those who own no land, but take lands on contract for one or more years, as also the peasants who work on the *batai* system. From the table of holdings given below, it would appear that out of a total area of 62 lakh acres of occupied land, nearly 18 lakh acres or 28 per cent. is held by 2,178 or 1·2 per cent. holders, 35 per cent. of land or 21 lakh acres is held by 5·9 per cent. or 10,279 holders of 100 to 500 acres, while 93 per cent. of holders of less than 100 acres hold only 37 per cent. of land, on an average of 14½ acres each.

Classified holdings of occupied land in Sind.

Holdings area	Total area	No. of holdings	Average holding	Percentage of each class
Up to 5 acres	1,47,326	54,526	2·7 acres.	0·25
5 to 15 ,, ...	4,29,914	54,904	7·8 ,,	7·10
15 to 25 ,, ...	4,01,853	23,260	17·5 ,,	6·60
25 to 100 ,, ...	13,76,850	29,978	46·2 ,,	22·65
100 to 500 ,, ...	21,00,379	10,279	209·2 ,,	34·70
Over 500 ,, ...	17,45,746	2,178	1,043·4 ,,	28·17
	62,02,068	1,75,125	....	100 0

The large holders distribute their land among the *haris* for cultivation on the *batai* system. They have to advance *taccavi* loans in the shape of food grain and small cash amounts to *haris* for their maintenance during the cultivation season and have also to finance them for seed and other necessaries. There is a tendency amongst the steady *zemindars* that after a good harvest they invest all their surplus funds in purchasing more lands, with the result that after a poor harvest, they have occasionally to borrow to meet their current requirements. There are some easy-going *zemindars* who, to avoid the trouble of management, give their land on the contract system for a number of years, and are satisfied with a safe annual return of their large holdings. At its present worth, the land does not give them a return of more than 4 or 4½ per cent. The large holders, if steady and careful, as a rule stand in no need of finance, and can manage to pull through one or two bad seasons. In case of need they can borrow in the open market at 6 to 9 per cent. and occasionally up to 12 per cent. It is only the indolent and luxurious big *zemindars* who stand in need of finance, not so much for agricultural purposes, but mostly for living a high life. Notwithstanding their large holdings and pretty big incomes they are always in debt. One reason for their heavy indebtedness is the very large unearned increment in prices of land which has accrued to them during the past 20 or 15 years. They borrow on any terms, without due consideration of their repaying capacity from the produce of their land, simply on the strength of their valuable holdings, and have to sell portions of their land to satisfy their creditors, and when the have

exhausted all other means, they make over their lands to the Manager, Encumbered Estates, to rid themselves of the pressing demand of their creditors. The facts and figures regarding such *jagirdars* and *zemindars* may be obtained from the Manager's Department, as they would furnish material for an interesting chapter in the economic history of agriculture in Sind. I am not concerned with their indebtedness, as it is not really due to agriculture.

Most of the second class holders also get their lands cultivated on the *batai* system. Of late three co-operative *zemindari* banks have been opened at Mirpurkhas, Larkana and Shikarpur. Their share capital is 2½ lakhs, and working capital Rs. 9½ lakhs. It is yet too early to say whether they are an unmixed blessing. If these banks finance the *zemindars* for agricultural or reproductive works, they will be supplying a real need, but if they finance the indolent and luxurious *zemindars* for non-productive purposes, they will serve no useful purpose. I am of opinion that while it is necessary to provide co-operative finance for holders up to 250 acres, the larger *zemindars* should stand in no need of finance if they are steady, and if after a good harvest, instead of investing all their surplus in the purchase of new lands, they put by something as an insurance against a bad season. It is not really the possession of large acreage that counts, but it is increasing the yield of soil by better management that conduces to the prosperity of the holder, as well as of the country as a whole.

The land coming under annual cultivation in Sind is about 40 lakh acres, of which about 30 lakh acres come under irrigation. The unirrigated cultivation does not require much finance, so I will omit it from my calculations. Of the irrigated area about 50 per cent. or 15 lakh acres belong to big *zemindars*, who finance their *haris*. Some of the medium class *zemindars*, who are not members of *zemindari* banks, become members of co-operative societies, and are generally their Chairmen. They not only borrow about Rs. 1,000 themselves, but they stand sureties for their *haris*, who also enlist as members, and borrow from the societies. This system relieves the medium class *zemindars* to some extent of advancing *taccavi* to their own *haris*.

The agricultural co-operative credit societies of which there are about 900 in Sind have a membership of about 29,000, with a working capital of about 70 lakhs or about Rs. 240 per member. Of the total members about 25 per cent. or 7,000 are *haris*, so that out of total small landholders 1,62,688 only 22,000 or 14 per cent. have come into the Co-operative Movement. Although the system of agricultural co-operative credit has expanded rapidly in Sind, there is still vast room for further expansion. It is really amongst the third class holders that the effect of co-operative credit has been manifest. From the table of holdings given above, it will appear that the 1,62,688 small holders possess an aggregate of 23,56,000 acres of land, or an average of 14½ acres per head, of which about 48 per cent. comes under annual cultivation. The 29,000 members would be cultivating about 1,95,000 acres annually, and the finance available in societies is Rs. 70 lakhs, or an average of Rs. 36 per acre of cultivated area. This should be adequate, were it not for the fact that out of 70 lakhs more than half is permanently locked up with the members of the societies, and does not come into circulation. The amount actually in circulation does not, I think, exceed 32 lakhs, or less than Rs. 17 per cultivated acre. However, for a normal season this amount is enough, considering the fact that the *zemindar* or cultivator keeps in stock as far as possible sufficient food grain and fodder for feeding the labour and the cattle during the next cultivation season. It is only the shortage of these articles, specially after a bad season and occasional ceremonials, that compel the small *khatedars* and *haris* of

co-operative societies to resort to the village *sowcar*. The central banks have necessarily to restrict advance of further loans to societies which have been granted large extensions after a bad season. It does sometimes happen that the members approach the village *sowcar* for temporary finance, on any terms, to enable them to pay off their dues fully or partially to the central banks, to secure fresh loans from them which, after repayment of the *sowcar's* temporary loan, leaves them a portion for the current agricultural expenses. This results in applications for *taccavi* loans from Government or supplementary loans from the village *sowcar*.

So far as the financing of the small *khatedars* and cultivators in the co-operatively developed areas is concerned, I am of opinion that in a normal season about 80 per cent. finance is provided by the co-operative credit, and about 20 per cent. by the village *sowcar*, generally to make up the shortage of food grain, and for supply of cloth, condiments, oil and oil cake. The *sowcar* puts on his prices and charges about 19 per cent. (one pice per rupee per month) interest on his outstandings. Almost all the Mahomedan *khatedars* of the third class are members of co-operative societies in the developed areas. The undeveloped areas are (*a*) Upper Sind Frontier district, which has mostly big *zemindars*, (*b*) the Desert portion of Thar and Parkar district, in which the very small hamlets are too much scattered to be found into societies, and (*c*) southern portion of the Karachi district which is far away from the railway communication and (*d*) the hilly portions or Kohistan of the Karachi and Larkana district, in which some cultivation is carried on on timely rainfall. In the developed areas only those Mahomedan *khatedars* are excluded who are either undesirable, or are averse to borrowing even to improve their economic condition. The Hindu *khatedars* have not come into the Movement in large numbers, firstly, because they can generally borrow in the open market at less than 12 per cent., and secondly, because they are averse to shoulder the joint responsibility with the less pecunious Mahomedan members. For the last few years, the Hindus have evinced a desire to come into the Movement, but they as a rule prefer to have separate societies for themselves.

There is at present very little demand for finance for permanent improvements. It is confined to digging of wells for the early sowing of paddy seedlings or for small areas of garden crops. The occupied land is already developed. There is a likelihood of considerable demand for finance for land improvement as well as for purchase of land after the Barrage construction. For the current agricultural operations also the demand for co-operative credit will increase. The annual cultivation in the Barrage Zone at present is about 21 lakhs acres. After 10 years it is expected to rise to 34 lakhs, after 20 years to 40 lakhs, and after 30 years to 53 lakhs.

As 75 per cent. of the land coming under annual cultivation is at present commanded by the canal system, there is never a total failure of crops. Partial failures are due to (1) irregular rise and fall of the Indus, (2) floods and heavy rains, (3) locusts and other pests, (4) plant diseases, (5) malaria and cattle diseases. During poor seasons, remissions and Government *taccavi* are availed of. The central co-operative banks have to give extensions on a large scale, with reasonable restrictions on fresh loans. Further deficiency is made up by resorting to village *sowcars*.

The co-operative banks charge the societies 7½ to 8 per cent. interest, and the societies charge their members 9-$\frac{3}{8}$ to 10-$\frac{15}{16}$. The Government *taccavi* loans bear interest at 7·3 per cent, and the rate charged by the village *sowcar* is anything from 15 to 37 per cent.

Rai Bahadur Pritamdas.

according to the credit-worthiness of the borrower. The co-operative banks usually make their advances repayable two-thirds after 9 months and one-third after 21 months.

The Imperial Bank and the joint stock banks take no part in financing the cultivation. The village *sowcar* has still the monopoly of finance in tracts not co-operatively developed.

Assuming that 30 lakhs of acres come under annual cultivation under the canal system of which 28 per cent. is financed fully by the big *zemindars* and another 22 per cent. by the middle class *zemindars*, the finance required for cultivating the remaining 50 per cent. is 15 lakhs $\times$ 20 = 3 crores, bearing in mind the fact that each cultivator, large or small, tries as far as possible to keep food grain and fodder from the last year's crop. After a bad season much more than Rs. 20 per acre may be required to make up for the food deficiency, but on such occasions Government *taccavi* may be resorted to. In a normal year the finance provided by village *sowcars* amounts to about $2\frac{1}{4}$ crores, and most of this is in kind.

The finance in kind consists generally of food grain, cloth, condiments, oil and oil cakes, and occasionally seed also, but in developed areas, the seed is usually supplied by a *taluka* development association or a union. The village *sowcar*, except in special cases prefers financing in kind, as that gives him a double advantage. As a matter of fact he does not maintain a large cash balance on hand. Of late some *zemindars* have undertaken to finance their *haris* on the system of village *sowcars*, but in a majority of cases they prove more exacting than the *banias*.

Finance in kind is very uneconomical from the cultivator's point of view, but that cannot be helped so far as the cultivator's requirements of daily consumption are concerned. For supply of seed, food grains, cloth and oil cakes, I am of opinion that the *taluka* development associations or unions, or collective supply and sale societies should be further developed. If competent managers are provided for such institutions, the central banks may finance them to a reasonable extent on the security of the reserve funds of the affiliated societies. Such institutions should be empowered to keep in deposit portion of the reserve funds of their affiliated societies to render them efficient service.

Government *taccavi* to members is not always granted in consultation with the managing committees of societies. I am of opinion that *taccavi* loans to members should be given with the consent of the societies. The Government agency has got greater facilities for recovery than the co-operative societies, so in the event of the same party being financed by both the agencies, the societies' dues fall into arrears.

Before concluding my remarks on the co-operative finance I offer the following points for consideration :—

The central banks receive deposits from the public generally for 12 months or lesser periods. They advance loans to societies, repayable two-thirds within one year and one-third within two years, on the assumption that the deposits from the public will not only be maintained, but will go on increasing as their share capital rises. In well-managed banks the whole share capital *plus* the reserve is invested in gilt-edged securities to obviate the necessity of maintaining large cash balances. So long as the agricultural societies pay their dues in time, all goes well. Recent experience has, however, shown that owing to successive three or four bad seasons, societies have fallen into heavy arrears. In the nature of things this may be expected in agricultural finance to a greater or less extent owing to uncertainty of crops. When the arrears are due to negligence or indifference, coercive measures are adopted for recovery, but when

they are due to causes over which the cultivators have no control, it would not be in consonant with the objects of the Movement to enforce recoveries by sale of lands. Extensions are sanctioned on a large scale followed by further advances within reasonable limits for the ensuing season. There is no immediate cause of alarm, but it is possible that, in extreme cases, the public confidence may receive a rude shock, resulting in sudden rush not on a single bank but simultaneously on all the central co-operative banks including the Sind Central Bank. Prudence requires that some provisions should be made to meet such an emergency. I would suggest the following :—

(*a*) That the system of long-term deposits up to five years may be introduced by offering a slightly higher rate of interest.

(*b*) That the Government may approve well established central banks for receiving deposits under the Indian Trusts Act. Such deposits are genrally long-term ones.

(*c*) That in the case of central banks, receipt of deposits may be permitted up to 12 times their share capital *plus* the reserve.

(*d*) That the Imperial Bank may give cash credit to central banks fully to the extent of the gilt-edged securities deposited by them at the same rate of interest as the securities themselves earn, also up to 50 per cent. of the overdue arrears in the societies owing to poor harvests, on the collateral security of societies' bonds. Such cash credits to be omitted in computing the borrowing limits of the banks.

(*e*) As the Government has been relieved to a considerable extent of the necessity of making *taccavi* advances to the medium and small class *zemindars* since the advent of co-operative credit, it may be pleased to consider the feasibility of recouping the central banks to a reasonable extent, in cases where owing to continuous bad seasons, it has been found impossible to effect recoveries. Such loans may be written off on the recommendation of the Registrar in the same way as portions of Government *taccavi* advances are remitted by it.

(*f*) Some of the credit societies or *zemindari* banks are very much handicapped, by their members making over their lands to the Manager, Encumbered Estates, in which case the recovery of their dues is indefinitely delayed. The rules of encumbered estates management may be so modified that on admission by the Manager of the claim of a co-operative society, the Government may advance the admitted amount, to the society, and debit the same as *taccavi* loan against the member, or the manager may pay the society dues like those of the Government land revenue.

QUESTION 2.—MARKETING OF CROPS.—The principal crops of Sind are rice 25 per cent., wheat 12 per cent., cotton 8·5 per cent., *bajri* 21 per cent., and *juar* 12 per cent., are also cultivated side by side with cotton, but they are for local consumption. There is marked tendency for rise in the percentage of cotton cultivation.

The *hari* sells his share of cotton to his *zemindar* in repayment of *taccavi* advanced to him, at rates favourable to the *zemindar*. If his share of cotton does not pay the whole *taccavi*, the balance is recovered from his share of *juar* or *bajri*. Out of the remaining grain, the *hari* repays the village *sowcar's* debts. The rate of grain allowed to him either by the *zemindar* or by the *sowcar* and the way his grain is measured, are generally to his disadvantage. The residue of grain, if any, and *kirby* he keeps for his own use. While his stock of grain lasts, he purchases all the necessaries by payment in grain. When his stock is exhausted he draws for his food on *zemindar* and for other necessaries on the village *sowcar*. As a rule the *hari* gets little or nothing in cash.

Rai Bahadur Pritamdas.

The bigger *zemindar*, who can generally wait for favourable rates, disposes of a portion of his produce at the prevailing rates soon after the harvest to meet his immediate requirements. He keeps sufficient stock of food grain for his own and for his *haris*' use, and sufficient fodder for his cattle for the following year, and sells the rest of his produce as suits him best. He makes forward sale of standing cotton, if he is offered a fair price. As a rule he keeps himself informed of the prevailing rates, and strikes his bargain with due care. Some of the big *zemindars* who are indebted to the *sowcar* effect their sales through him as a sort of patronage, but in some cases the *sowcars* finance them on the understanding that they would get repayment in kind. So far as the bigger *zemindars* are concerned, I think the traders do not make much more than the usual trade profits in dealings with them. In case of small holders and *haris* it is different. Majority of small holders effect forward sale of standing cotton crop with the local traders or agents of ginning factories, and being always in need of cash, they strike bargains generally advantageous to the trader, to secure an advance of Rs. 2 per maund. The trader is careful in offering a rate to allow a suitable margin on the right side, but there are occasions, when the cotton rates fall below his expectations. In such cases he resorts to various subterfuges to evade full payment, and may find fault with the quality of the cotton, claims larger allowance for dirt, and manages to get weighment with faulty scales and weights. On the other hand the small cultivator is relieved of the trouble of carrying his cotton to a ginnery, and of providing packing material for it. The trader brings the scales, weights, gunny bags and conveyance to his door. The small trader carries the cotton to a ginnery and makes full payment generally within a few days of delivery, but in some instances finds a plea for delaying payment. Quite one-tenth of the entire cotton crop, which pickers get as their share, is sold to the village shopkeeper at a cheap rate for purchase of little comforts or necessaries of life. It is generally the poor cultivators and field labourers who contribute the most to the traders, profits.

Similarly in the rice areas, the big *zemindar* can wait for favourable prices and sell their produce at fair market rates. The smaller holders and cultivators sell their produce to the nearest husking mills immediately after the harvest. In the case of rice also, the small traders or mill agents go round, purchasing the produce on the spot and transporting it to the mills. The millers husk the paddy, and sell the unpolished rice for local consumption, and boil the suitable qualities into *josi* rice for export.

There is nothing special about the sale of wheat, *juar*, *bajri*, oil seeds and pulses.

In a few centres, the cotton and paddy crops of societies' members are sold through the existing co-operative sale societies, which have been started recently. They have not yet developed sufficiently to be popular with the growers. One difficulty is to provide the same facilities to the small cultivators as are done by the traders, and the other is the provision of efficient and trustworthy management. I am of opinion that a special officer of the Deputy Assistant Registrar's grade should be appointed to develop this branch of the Movement, which in importance is second only to the provision of cheap credit. An impetus may be given to the co-operative sale by opening co-operative ginneries in cotton centres, and co-operative husking mills in paddy centres, under efficient management.

The Government may either subsidise liberally or provide cheap finance for the construction of warehouses, and the installation of necessary plant and machinery to the extent of 75 per cent. of the total cost, the ginning or husking society itself finding 25 per cent. in the shape of share capital. The Government loan may bear interest at 3 per cent. and may be made repayable in 12 equated annual instalments.

The central banks can conveniently finance the sale societies on the security of the delivered produce at 6½ per cent. to the extent of 60 or 70 per cent. of the estimated value of goods, as the loans advanced to agricultural societies begin to be repaid soon after the harvest, and the surplus funds then available can be usefully employed until required for the ensuing cultivation season.

The ginning or the husking society will work in collaboration with the sale society on the same premises, but each will maintain its accounts separately. The sale society will provide the gunny bags and conveyance on the hire system, but the weighment will be made at the warehouse of the society. The sale society may advance the grower up to 60 or 70 per cent. of the estimated price on delivery, charging him 7½ per cent. interest thereon until his produce is sold and account cleared. The sale society will arrange for ginning or husking, at the co-operative factory, and effect sales to the best advantage of the grower. When once these sale societies are established, it will be easy to have a central co-operative sale office at Karachi.

QUESTION 3.—VALUE PER ACRE OF LAND.—The value of land, other things being the same, depends on its situation. Assuming the soil itself to be normal, the price will depend on (1) whether it is a flow or a lift land, (2) its proximity to the head of a canal, (3) its proximity to a railway station, and (4) its proximity to a large town. A lift land at the tail of a canal may fetch less than Rs. 30 per acre, while the same at the head may fetch Rs. 60. A lift land away from railway station may range from Rs. 30 to Rs. 50 per acre, the same within a mile or two of a railway station ranges from Rs. 60 to Rs. 100 per acre, while near a large town it may fetch up to Rs. 250 per acre owing to the facility of marketing valuable garden crops. Flow lands in the Larkana district are known to fetch heavy prices upto Rs. 500 or Rs. 600 per acre, but in other districts they range from Rs. 80 to Rs. 150 per acre according to their situation and facility of communications. Lands sold for non-payment of revenue, or to satisfy a court's decree as a rule, fetch lower prices than those sold by private negotiation.

QUESTION 4.—LEGAL IMPEDIMENTS TO MORTGAGE.—The civil law has provided several safeguards in favour of agriculturists as against money-lenders. I am not in a position to give these details, but it is a matter of common knowledge that a money-lender or *sowcar* no longer advances loans on land mortgage. He gets the borrower to effect a sale outright, and to execute a sale deed at considerable expense, and then allows him to retain possession as a tenant, with a promise that on his repayment of the entire amount within a stated time, the land would be restored to him. This system entails a heavy loss on the borrower.

There is no land mortgage bank in Sind, but there is a great demand for one. To a very limited extent the existing co-operative banks advance long-term loans for five years, for permanent improvements, or for redemption of old debts, but this does not satisfy the demand. Whether *zemindars* borrow for agricultural purposes or for unproductive purposes, or for meeting their ancestral liabilities, the fact remains that their diminished credit requires the provision of a land mortgage bank to save them from the heavy interest and the loss consequent on conditional sales. At the same time such a bank should not be hampered with the disabilities imposed by law against the money-lenders for recovery of its overdues.

Whether Sind should have a central co-operative land mortgage bank of its own, or it should have a branch of the Provincial land mortgage bank requires some consideration.

Rai Bahadur Pritamdas.

The fact that Sind has comparatively a large number of big landholders makes it desirable that it should have a central mortgage bank of its own, but it would be comparatively easier and cheaper to raise the debenture money in the Bombay market, of course Sind will also contribute towards debentures. Whether a central bank or a branch of the Provincial Mortgage bank is opened, that institution will have its agencies in all the districts, with advisory committees for internal management and supervision.

The Provincial or the Sind central land mortgage bank may be permitted to issue debentures on which the interest may be guaranteed by the Government. The Government may also purchase 25 per cent. of the debenture certificates sanctioned, to create confidence in the investing public. To secure the Government against any loss, the same safeguards may be provided as were done in the case of debentures issued by the Bombay Provincial Co-operative Bank at the start. The Provincial or Sind central mortgage bank may encourage long-term deposits by offering a higher rate of interest, and may utilize the surplus funds of central co-operative credit banks.

A central mortgage bank in Sind may be started as soon as a minimum share capital of Rs. 2 lakhs is subscribed, of which half the amount must be paid on allotment, and the balance by five annual instalments. Debentures up to five times the subscribed capital may be issued bearing interest at 5½ per cent. on the security of the mortgage deeds, which shall be deposited with the Registrar or other representative of debenture holders.

In the case of land mortgage bank, the limit of borrowing may be fixed at 12 times the share capital *plus* the reserve fund.

For the first five years, the Government may lend the services of an officer of the grade of a *mukhtiarkar* for ascertaining the rights of ownership, the inspection and valuation of the land offered in mortgage, and the amount advanced shall not exceed 50 per cent. of the valuation of the mortgaged land. The travelling expense of the officer to be borne by the borrower. The borrowing members shall subscribe to the share capital up to at least 1/20th the amount borrowed. The loans shall bear interest at 9 per cent. payable annually on the amount outstanding. The entire loan shall be repayable within ten years by equal annual instalments. The instalments may be paid in advance after a good harvest but no extensions shall, as a rule, be granted. Non-payment of three instalments shall entitle the bank to foreclosure.

QUESTION 5.—ESTIMATED CREDIT REQUIRED FOR AGRICULTURE.—As explained above, I am of opinion that so far as the small and medium class agriculturists are concerned, they are financed in co-operatively developed areas to the extent of about 80 per cent. by the co-operative societies, and about 20 per cent. by the *sowcars*. The members of co-operative societies who cultivate about 195,000 acres annually are indebted to the extent of about 70 lakhs to their societies and about 17 lakhs to *sowcars*. In other areas the ratio varies. The above works out to about Rs. 45 per cultivated acre, and is equivalent to 1½ times the estimated crop value for the year, or about 29 per cent. of the value of their holding assuming Rs. 75 to be the average price per acre. The Revenue Report of Irrigation Works in Sind for 1927-28 shows that 29,73,000 acres were irrigated and the value of crops grown was Rs. 856½ lakhs. In 1926-27 the area irrigated was 31,57,000 acres, and the value of crops grown was Rs. 948½ lakhs. These figures give the average value of crop per acre as Rs. 29 and 30, respectively. I presume this is exclusive of the value of fodder raised. Taking the above figures as our basis, the *zemindar*, who on an average gets 40 per cent. of the produce, realizes Rs. 12 per cultivated acre out of which he pays Rs. 3 land revenue and Re. 1 for canal clearance,

leaving him a net income of Rs. 8 per cultivated acre. As 52 per cent. of his holding remains fallow, he gets a return of 5 per cent. on the present worth of his holding, with all the bother attendant on land management.

The peasant or the real cultivator is always indebted either to his *zemindar*, or to the *sowcar* or to the co-operative society, and very often to all, fully to the extent of his share of produce for the ensuing year, and sometimes more. The medium and small *zemindar* to maintain himself and his *haris* during the cultivation season draws on his stock of food grain, so far as available and borrows the rest. The *haris'* share of produce at Rs. 18 per acre is $30 \times 18 = 540$ lakhs. I believe they are indebted to the extent of 600 lakhs. I am not sure whether the amounts or rather food grains advanced to *haris* by their *zemindars* should count as a debt. They have to be fed during the cultivation season if they are to serve. Excluding the indebtedness of *haris*, I think the small and medium class *zemindars* are indebted at least to the same extent as the members of the co-operative societies, *i.e.*, $1\frac{1}{2}$ times the estimated value of their ensuing crops, from 15 lakh acres of cultivated area or roughly Rs. 675 lakhs, out of which they finance their *haris* also. Much, however, depends on each year's harvest.

The indebtedness of large holders may be ascertained firstly from the Registration Department, and secondly from the Manager, Encumbered Estates.

There are cases in which small holders have increased their holdings considerably by close application, intensive cultivation and steady life, but more often the small holders have sold their holdings either to bigger *zemindars* or to *sowcars*, and are living as tenants (*mujeries*) hiring other *zemindars'* lands on rent and managing them. Their lot is the most unenviable, as they do not work like *haris*, and wish to live the life of small *khatedars* without the wherewithal.

The peasant as a class is always indebted to the extent of his prospective produce or more. He has for ages been used to a bare maintenance, and he knows that so long as his services are required he shall get his bare maintenance and nothing more. If he happens to get a bumper crop, the *zemindar* on the one hand and the *sowcar* on the other try to squeeze as much as possible out of him. In some respects the *zemindar* happens to be harder than the *sowcar* even, but there are some honourable exceptions. The *hari* has no incentive for hard work, and in many cases leads the life of a serf under the influential *zemindar*. It is inherent in his nature to be attached to agriculture and rural life, which pays him the least.

I am enclosing a copy of my enquiry in a few villages of Hyderabad, which may give a fair idea of the agricultural conditions in Sind.

QUESTION 6—SUBSIDIARY INDUSTRIES.—The small subsidiary industries allied to agriculture are (1) ginneries, (2) rice husking mills, (3) dairying, (4) *gur* making to a small extent and (5) garden produce.

Under the heading "marketing" I have indicated the lines on which Government may help the formation of co-operative ginneries and rice husking mills, which are at present owned by traders. Their establishment in suitable cotton and rice centres will materially help the sale societies in securing fair prices for their members, produce, at the same time they will provide a subsidiary labour to peasants' nearer home.

I have been advocating the establishment of milk and egg collecting agencies in suitable centres which, while providing the cultivators with a supplementary daily income, and raising their standard of comfort, and increasing their staying power after a poor

harvest, will give an impetus to dairy farming and poultry breeding at all the centres within easy reach of cities. What is wanted is the services of an organizer for establishing such collecting agencies, and an arrangement for wholesale disposal of milk and eggs in a city. At present the villagers convert their milk into *ghee*, which yields them about one anna per seer of milk, and their eggs fetch little or no value. By co-operative effort they will realize more than 0-2-6 per seer of milk and about 0-7-0 per dozen of eggs net.

The *hari* and field labourer can earn fair wages by doing canal and *karia* clearance work, as also collecting ak (*calotropis procera*) pods of which the cotton fetches a higher price than Egyptian or American cotton in the London Market. The plant grows wild in the sandy parts of Sind. The Punjab has been exporting this cotton for some years past. I have persuaded the Sindhi peasants to collect the pods during their off season, but they are too indolent to go out of the ordinary groove.

Rope making, mat making, chick making, basket making are other industries which may be organized in the river and lake tracts abounding in Hunj, Sar and other grassses. Each of these industries is now worked by non-agricultural people, who work about four months in the year. They are financed by traders, who make large profits from these poor men's labour. Active propaganda is necessary for organizing these industries on co-operative lines. The co-operative banks can very well finance such industries, when they are established on the right lines.

QUESTION 6A.—The above-mentioned industries and weaving are not availed of by cultivators to improve their economic condition.

QUESTION 7.—RELATIONS BETWEEN BANKS OF VARIOUS TYPES.—The co-operative banks have very little to do with the joint stock banks and the indigenous banks. The Imperial Bank deposits the surplus funds of co-operative banks, but allows no interest on current accounts. It gives free of charge remittance transfer receipts for transmission of co-operative funds. It has also given some cash credit facility to the Sind Central Co-operative Bank, as also the facility to district banks for drawing on their current accounts with the Sind Central Bank up to Rs. 5,000 per day by presentation of a cheque for payment at the local branch. A further facility of drawing up to Rs. 20,000 or Rs. 25,000 under this system would be welcome, as it would help in keeping surplus funds within the Movement, and enable the district banks to earn some interest on them.

There is no competition between the co-operative and joint stock banks, except to a small extent as regards the deposits from the public. This competition is not much felt as the co-operative banks are restricted from borrowing more than eight times their share capital and reserve.

I have enumerated under Answer 1, the concessions that the Imperial Bank and the Government may grant to the co-operative banks to stimulate the growth of the Movement. I would further suggest the co-operative institutions to be exempted from income-tax altogether. At present the interest earned on Government or gilt-edged securities is taxable. The co-operative banks investing in them make absolutely no profits from them. The banks pay actually a higher rate of interest on the money invested in securities. The money is invested to obviate the necessity of maintaining large cash balances. The income-tax is deducted at one anna six pies in the rupee, *i. e.*, at the maximum rate, and the banks have to apply for the refund of the whole or a portion.

When the co-operative sale societies are organized in suitable centres, a liberal concession may be made in freight on agricultural produce consigned by a co-operative society to the nearest sea-port.

I have detailed above the extent to which the co-operative credit has met the requirements of agriculturists. For the small traders in *taluka* towns a few urban societies have been recently started, but there is need for many more. Only a few weavers' societies have been formed, and are financed by co-operative banks. The Movement has rightly concentrated on provision of credit for agriculturists first, but it is high time that it developed in other directions also.

QUESTION 8.—CREDIT AFFECTED BY THE DEKKHAN AGRICULTURISTS' RELIEF ACT.—The Dekkhan Agriculturists' Relief Act has very considerably reduced the credit of agriculturists. If it were not for the advent of the Co-operative Movement, the financing of agricultural industry would have presented a very difficult problem.

SECTION II.

The indigenous *sowcar* has played a very important part in the agricultural economy from time immemorial, and it will be long before he is altogether eliminated. Until the seventies or eighties of the last century, he was patronized by the *zemindar* or *rais* of the village. He acted as the *zemindar's* and *hari's* financier, banker, supplier and salesman, and there was mutual trust between them. The *sowcar* helped the *rais* through all monetary difficulties to the utmost of his power, and stood by him through thick and thin. For the services he was allowed a fairly high interest, ranging from 12 to 20 per cent, according to the circumstances of each case, as also a suitable reward after a bumper crop. He would wait an indefinite time for recovery of his dues, feeling secure in the strength of unwritten law that the *rais'* debts were those of honour and binding on him as well as on his posterity. The *rais* and his *haris* considered him as their own man, and would protect his honour, life and property as their own. I daresay there were some unscrupulous *sowcars* then also, who imposed on the unwary agriculturists to satisfy their greed with impunity, but it was always open to the *rais* to transfer his patronage to a more reliable *sowcar*. Similarly there were some recalcitrant *zemindars* who evaded payment, but the *sowcar* knew how to deal with them. It was only in extreme cases that law courts were resorted to. Even during the present century the late *rais* Jan Mahomed Bhurgri, upto the last days of his life, employed the Hindu *sowcars* as trustworthy agents for all his transactions, and upto the present day the Hindu *zemindars* entrust the *sowcar* with all their produce for sale, as and when directed, on the usual trade commission, and have current accounts with them. They allow each other 6 per cent. interest, and clear the accounts periodically. Given a fairly intelligent client, the *sowcars* behave properly. Some of them take undue advantage of a simple illiterate agriculturist, who cannot check his account, but such is the case all over the world. The above system was very suitable for the agricultural economy in that the surplus money of big *zemindars* together with the *sowcars'* capital was utilized for financing the smaller *zemindars*, and the money remained in the villages.

During the last 40 or 50 years these relations have been materially disturbed. To make up for his bad debts the *sowcar* raised his rates of interest and resorted to objectionable means. There was action and reaction. The protection afforded to the agriculturists by the Encumbered Estates Act and the Dekkhan Agriculturists' Relief Act tended to widen the gulf, and materially reduced the credit of agriculturists in the market.

The co-operative credit has displaced the *sowcar* to the extent of about 14 per cent. and has touched the mere fringe of supply and sale business. The bulk of finance, supply and sale is still in the hands of the *sowcar*, but, while under the old order, things were fairly tolerable except in case of unwary *zemindars*, they are now worse than before the advent of protective legislature. Till such time as the *sowcar* continues to be an important factor in the agricultural economy, every possible means should be adopted to check his greed, but there should be no impediment to the recovery of his just claims. But the most important point, in my opinion, is that every endeavour should be made to awaken the agriculturist, and befit him for intelligently attending to his business so as to safeguard his interest.

Economic Enquiry in a few Villages of Deh Sipiki (Taluka Hyderabad, Sind), 1927.

Deh Sipiki was selected, not because it is typical of Sind, but because it is most suitable for our present enquiry, in that there is a large number of small *khatedars* in it, the largest landholder possessing not more than 130 acres, and most of the *khatedars* holding 5 to 15 acres only. It is in such tracts that the effect of the Co-operative Movement may be expected to show the best result. Our object was to find a centre, where a well developed society existed in proximity of a village having no society, but such a centre could not be found.

In centres suitable for co-operative work three or four villages were grouped together at first to form a society, as in the case of this centre, while some centres have been left alone as unsuitable for co-operative activities, like the Jacobabad frontier where there are big Baloch *zemindars* and the desert part of Thar and Parkar, where the people are nomadic.

The system adopted in Sind appears to be, to find a suitable centre for co-operative work, to start a central society to serve three or four villages within a radius of one mile, and later when the members grow beyond 60 or 70 to split the society into two or more societies and so on. There are five societies in this Deh, but we have confined our enquiries to villages financed by the Khudabux Junejo Society.

The N. W. Railway line runs through the Deh dividing it approximately into two halves, the longest distance from the Railway Station Khatian Road being about two miles. The Station is nine miles from Hyderabad. It has vast possibilities of development, being near Hyderabad (district town) and being in close proximity with the Railway Station. With perennial supply of water in the near future, it can supply vegetables and melons to the Hyderabad market.

The soil is neither very hard nor very soft, ranging from clay loam to sandy loam. It is irrigated mostly by lift. Practically all the land is cultivable. The irrigation is from inundation canals and distributaries fed from the Sarfraz and old Fuleli Canals. Water is available from June to September only. The cultivation is mostly *kharif*; very little *i.e.*, less than 10 per cent. land comes under the *rabi* cultivation as, after harvesting the *kharif* crop, there is very little moisture in the soil. If, in any year, there is any overflow of water owing to high inundation, some low land remaining uncultivated for the *kharif* is put under the *rabi* cultivation.

A *nar* (bigger water wheel) can irrigate about 12 acres of land for running which throughout the 24 hours two strong camels and two pairs of bullocks are necessary. Also it requires a *mujeri* (managing partner), three *haris* (labouring partners) and one boy

A *harla* (small water wheel), which is more generally in use, can irrigate about 7½ acres of land, for which two bullocks and two ordinary camels are required. Also a *mujeri* (managing partner) and two *haris* (labouring partners). The water wheel is kept running day and night by four shifts of six hours each. In case of casualties three shifts of eight hours each are resorted to.

The prevailing rent for a land of 7 to 8 acres is Rs. 80. The present worth of land is on an average Rs. 125 per acre. Considering the fact that about 53 per cent. land in this tract is left fallow every year, the rent realized on a land of 7½ acres is $80 \times 47/100$=Rs. 38 per annum, of which the land revenue which is about Rs. 3 per acre absorbs Rs. 10-9-0 and the silt clearance a few rupees leaving a net return of Rs. 25 on an investment of Rs. 1,037 or just 2½ per cent. so far as a capitalistic investment is concerned. The land has, however, been rising in value every year, with the early prospect of perennial supply of water. The land revenue is always paid by the *khatedar*, and the clearance of *karia* (water channel) carried out by him. The Government allows him annas 8 per acre, but the clearance generally costs more.

In this tract the landlord or one of his relations manages his land as far as possible. He can get his share as a manager if he or any of his relations manages up to 15 acres of land each, when he is considered a *mujeri* (tenant manager) and in addition to the landlord's rent he gets his share as *mujeri* also. The rest of his land is given out on rent or left fallow.

A *mujeri* (managing tenant) takes land on rent and cultivates it with the help of adult males of his family or of labouring partners. He has to find funds for financing the cultivation work, including the rationing of labourers and cattle in advance. For ration advances to labourers he charges no interest, although he may be paying it himself for his borrowings for the same purpose.

During the cultivation season all the *haris* live at the *nar* (water wheel). They are served with an early breakfast sometimes free of charges from the *mujeri's* house, consisting of ½ lb. *bajri* bread and whey (butter milk). They also get ½ lb. to 1 lb. of goat's milk free at night. They start work before sunrise and stop after sunset, with an interval of 1½ hours for noon meals and rest. In addition they have to attend the water wheel and the watering of field by turns at night. For 11 months in the year, the *mujeri* advances the *hari* (labourer) 3 *kasas* (96 lbs.) of *bajri* monthly or in all 13¼ mds. for the maintenance of his family, also small funds for purchase of cloth, and other necessaries. When the crop is sufficient the whole amount advanced is duly recovered, but after a poor harvest, a portion of advance remains outstanding against the *hari*, to be recovered from the crops of the following years.

Abad.—In some cases, when a large area of land gets ready for immediate sowing after a rainfall or overflow, and the *khatedar* or tenant has not sufficient labour or bullocks available for finishing the sowing operations in time, he requisitions the services of neighbouring workmen and bullocks and with their combined effort they finish the sowing operations in a day. For these services the workmen are fed with sweet rice, and the bullocks given adequate food for the day. This is known as the *abad* system.

For collection of harvest the following system is universal in Sind. Men, women and grown-up children of the village and neighbourhood, and often migratory labourers are employed for cotton picking and cutting the ears of corn. When the crop is good, each picker or harvester gets from 1/16th to 1/12th of his collection. From a poor crop he may get 1/10th and some time even 1/8th as settled beforehand.

Rai Bahadur Pritamdas.

Ahit.—Before the distribution of the produce, the following quantities per *hurla* are given to craftsmen for services rendered, whether the crop is rich or poor. This is called *ahit.*

Carpenter: Five *kasas* grain, 10 bundles of *kirby* and one basket of ears (yielding about 10 lbs. of grain). Note :—*Kasa* = 32 lbs. He repairs the water wheel and wooden parts of the field implements as often as necessary.

Potter: Three *kasas* of *bajri*, 10 bundles of *kirby*, and one basket of ears. He supplies all the earthen pots required for the water wheel as also those for drinking water on the field and for the household.

Blacksmith: Three *kasas* of *bajri*, 5 bundles of *kirby*, and one basket of ears. He supplies one plough share, one scythe and one *ramba* free, and attends to all the repairs of iron implements and parts and the sharpening of tools.

Barber: Gets 2 *kasas* of grain, 5 bundles of *kirby*, and a basket of ears.

Meghwar (*chamar*) gets 2½ *kasas* of grain, 5 bundles of *kirby*, and one basket of ears.

He supplies leather thongs for yokes, etc., for the water wheel, and repairs shoes and other leather articles.

Any grain given in charity to a *syed*, a *mulla*, or a beggar is given from the *mujeri's* share only.

The produce of cotton or grain shown in our report below is the net produce after the above distributions are made. It follows that the actual yield per acre of cotton is about 3 per cent. more and that of *bajri* and *juar* about 12 per cent. more than what has been reported below. For craftsmen's services, only *juar* and *bajri* and *kirby* are distributed. During the period of cotton picking, each woman picker carries her share of pickings to the nearest village market, and by barter brings home some necessaries or comforts for the family. Each village shopkeeper has a heap of cotton pickings in a corner of his shop, and he is doing a roaring business at considerable profit.

Wandi System: After paying the land rent to the landlord and meeting the cost of seed and manure, and the expenses of lighting and smoking at the resting place, the produce is divided as below :—

On a *nar* (big water wheel) the produce is divided into nine equal shares as below :—One share for *mujeri* (managing partner), one share for each of three *haris* (labouring partners), half a share for the water wheel, four shares, one for each strong camel or a pair of bullocks used, and half share for the boy.

On a *hurla* (smaller wheel) the produce is divided into 5½ shares as below :—One share for *mujeri* (managing partner), one for each of the two *haris* (labouring partners), half share for each bullock or an ordinary camel and quarter share for the small water wheel.

The amount of *wandi* ranges from Rs. 40 per share in a bad season to Rs. 200 in an exceptionally good season, with cotton fetching a high price, but with a 10 or 12 anna crop it ranges from Rs. 100 to 125.

Considering the prevalent *wandi* system as it is, we find that a peasant family may be considered to be above want according to the local standard, if his *wandi* (share) comes to Rs. 120. Assuming a peasant family to consist one adult male, one adult female and one child, its requirements are 4 lbs. *bajri* per day or 18¼ maunds per annum valued at Rs. 90, clothing Rs. 30, oil, tobacco and condiments Rs. 24, total Rs. 144. Of this the housewife can make about Rs. 24 by cotton picking and harvesting the rest is to be earned by the peasant himself. If there is a boy over the age of eight years, he can earn his livelihood.

To ensure a *wandi* of Rs. 120, the land should yield Rs. 106 per acre. Taking a unit at 7½ acres, the expenses of cultivation amounts to Rs. 795 as below :—

	Rs.
Rent of land, 7½ acres	80
Manure for 3 acres cotton	40
Seed cotton and *bajri*	12
Weeding	33
5¼ *wandis* at Rs. 120	630
Total ..	795

795 ÷ 7½ = Rs. 106 per acre.

Anything above this gives the peasant a few extra comforts, and anything shorter involves him in debt. The prosperity of a village may be judged from the above standard. Apart from the necessity of cultivation of *juar* and *bajri* for provision of staple food for the people and fodder for the cattle, it is worth while considering, as to how far a cotton crop gives financially better results. The extra cost involved in cotton cultivation is roughly as below per acre.

Value of seed Rs. 2, value of manure Rs. 10, weeding Rs. 8, extra ploughing Rs. 8 ; total Rs. 28.

Putting the average net yield of cotton at 10 maunds per acre as compared with 9 maunds of grain and 42 bundles of *kirby*, of *bajri* and 8 maunds of grain and 50 bundles of *kirby* of *juar*, an acre of *bajri* at the present rates yields Rs. 45 worth grain and Rs. 14 worth of *kirby*, total Rs. 59, and an acre of *juar* Rs. 32 worth of grain and Rs. 27-8-0 worth of *kirby*, total Rs. 59-8-0. At the present rate of cotton at Rs. 11 per maund, 10 maunds per acre of cotton yields Rs. 110. Deducting Rs. 28 on account of the extra cost of production, cotton at present rates has an advantage of Rs. 22 or 23 over *juar* and *bajri* with the rate of cotton at Rs. 9 it has no advantage. The interculture of cotton with *til* seed has the apparent advantage of making up any deficiency in the cotton crop due to frost or boll-worm as also of providing valuable fodder for camels. The rate of *til* seed is about Rs. 10 per maund at present. It would be better from agricultural point of view to grow *til* seed crop separately.

In our enquiry we have taken all the figures for 1925-26 as it was too early to obtain figures for 1926-27. Many of the cultivators had not yet disposed of their produce and repaid their loans to the society or the *sowcar*. Besides the year 1926-27 has given exceptionally low produce owing to vagaries of the river and the destruction of crops by locusts.

Below is summarized the economic condition of *khatedars*, managing tenants, labourer partners, and village craftsmen of the village Khuda Bux Junejo, consisting of 22 families. Total population is 126, *i.e.*, 35 adult males and 34 adult females and 47 children.

There are nine landholders with a total holding of 330⅜ acres, the maximum holding being 130 and minimum 4½ acres. Of the total area, 285 acres are held by four brothers, the most important persons or *waderas* of the village. The remaining 45⅜ acres are held by *khatedars* on an average of 7½ acres each.

The *waderas* cultivated 120 acres under their own management and gave 35 acres on rent. In all 196½ acres out of 330 came under cultivation or just 60 per cent., which is

very nearly double the average percentage coming under cultivation for the whole of Sind. Of the cultivated area 87 acres or 45 per cent. came under cotton cultivation and about 55 per cent. under *bajri* or *juar*. Some *khatedars* possessing a large number of cattle set apart an acre or two for purely fodder crops. The rotation is cotton and *bajri* or *juar*. The land to be brought under cultivation is dry, ploughed in February and March. The portion selected for cotton is manured and ploughed three or four times.

All farm yard manure is conserved properly, and no portion of cow-dung is used as fuel as is the custom elsewhere. This centre abounds with *babul* trees and there is no dearth of firewood. As much manure is procured from the local areas as supply and funds permit. The three *waderas* spent Rs. 800 for purchase of manure, besides using their own farm yard manure on 58 acres of cotton cultivated, and the other *khatedars* in addition to their own farm yard manure purchased Rs. 275 worth of manure for 17½ acres of cotton cultivation. On an average Rs. 14 worth of manure per acre was used on cotton. The average yield of cotton per acre was 10·25 mds. and of *bajri* about 9 mds. on the owned land, and the average price of yield per acre was Rs. 81.

In case of rented land the average yield of cotton per acre was 6·25 mds. and of *bajri* about 8 mds. The average price of yield per acre was Rs. 67. The lesser average being due to poorer quality of land, less manure used and less ploughing. Of the 5 managing tenants 3 claim to have purchased Rs. 60 worth of manure each.

Taking the economic condition of each class, we find that the three *waderas*' families holding an area of 285 acres between themselves effected during the year a saving of Rs. 2,282 of which Rs. 600 was invested in purchase of land and the balance in the increase of livestock. As the most important persons in the village they have to maintain a pretty high standard of living and to keep their board open to all visitors, official and non-official. They appear to be steady and decent without being lavish.

Of the remaining six *khatedars* holding between them 45 acres of land, five effected a saving of Rs. 589 of which Rs. 108 was paid in the discharge of old debt and Rs. 227 in the investment of live stock; while one had a deficit of Rs. 167 owing to poor yield of cotton crop. Their standard of living is fairly high, though they have not much to spend for the feed of visitors. The case No. 6 (Appendix A) is worthy of attention, in which a holding of 4½ acres has maintained a family of five with a balanced budget for the year. The family possesses 2 bullocks and 1 buffalo, 3 cows and a calf, but has a debt of Rs. 540 or nearly the entire price of its holding.

Coming to the case of tenant managers (*mujeries*) we find them economically worst off. Five of them cultivated 35 acres of land with the help of labourer partners. Only one had a net saving of Rs. 91 and one had a balanced budget. The remaining three had deficits of Rs. 46, 172 and 42 respectively. These five owe the society Rs. 1,285 and excepting the first, the remaining four owe the *sowcar* also Rs. 242 bearing interest at 18¾ to 37½ per cent. This is due to their living on the style of small *khatedars* without possessing the wherewithal while their share of the produce is equivalent to that of a labouring partner, who is free from the interest charges. They have to provide the cattle and funds for the whole upkeep, and bear the burden of the whole interest. With a bumper crop, the amounts advanced to labourers are recovered, otherwise there is always some advances outstanding against the labourers, which are not counted as a safe asset. Case No. 13 (Appendix A) had a good chance of paying off the major portion of the *sowcar's* debt amounting to Rs. 80 but did not do so, having evidently spent away his saving in some uneconomical way.

The *mujeries* (tenant managers) live on the style of small *khatedars*. Their dress is the same, they live partly on *bajri* the staple food, and partly on wheat and rice, and maintain some milch animals for their milk and butter requirements. The five tenants dealt with here possess besides the 14 draught animals, 10 cows and 10 goats. They do not take any outside work and their females do not do any field work like the picking of cotton. Yet there are cases when by diligence and prudence *mujeries* have raised themselves to the position of *khatedars* (*vide* case No. 5, Appendix A) and by uneconomical habits a *khatedar* reduces himself to the position of a tenant.

Field Labourers.—Much of the labour is migratory. They come from other parts of the country, work on the fields for the time being, and return to their homes. There are only three stationary labourers' families in the village, consisting of four adult males, four females and seven children. Men work as labouring partners on the field. During the last year, their shares of *wandi* came to Rs. 125, 120 and 100 respectively, or an average of Rs. 115. Three house-wives earned Rs. 161 by picking and harvesting, and one house-wife by her work procured some little comforts for the family. One of the families consisting of eight members owns three cows and five goats. The goats' milk and whey are used by the family, the sale proceeds of butter feed the cows. The labouring classes scarcely ever use butter. They live on *bajri*, whey and goat's milk. The *zemindars* distribute whey freely to the poor and supply a little milk to their *haris* in the evening.

The three labourers' families owe the *zemindars* Rs. 377 bearing no interest. One family had a saving of Rs. 59 which went to reduce its debt, two families had deficit of Rs. 36 and 20 respectively.

Craftsmen.—There is one blacksmith, one *chamar*, one weaver and one *od* (builder of mud walls).

The blacksmith is an outsider Pathan settled in the village with a family of eight members. He got Rs. 552 worth of grain and *kirby* in the shape of *ahit* mentioned above, from 80 *hurlas* served by him, besides Rs. 160 from the shop work, making a total of Rs. 712. Of this he spent Rs. 135 on material for the shop and Rs. 377 on household requirements. Out of a net saving of Rs. 80 he paid Rs. 58 towards his loan account, and Rs. 22 as interest. He had borrowed from a *sowcar* Rs. 110 at 20 per cent. for a marriage, of which he still owes Rs. 80. But for this debt he is well off. He owns a buffalo, 2 cows and 6 calves.

The *chamar* has a family of seven members. He got Rs. 94 worth of grain and *kirby* as *ahit* from 16 *hurlas* served by him, besides Rs. 180 from the sale of shoes, making a total of Rs. 274, of which Rs. 50 was paid for leather, and 224 was spent on household requirements. He owes nobody anything and appears to be happy. He owns a cow and a calf. His only grievance is that he has not the sole monopoly for removing the skins of dead animals, in which he is sometimes preceded by others.

Weaver who is *meghwar* by caste, immigrated from Barmer 20 years ago, with an ancestral debt of Rs. 400 bearing interest at 18¾ per cent. He has a wife and five children. He made Rs. 80 by weaving, his four sons earned Rs. 140 in the shape of wages and his wife earned Rs. 32 by weeding and harvesting : total Rs. 252, of which he spent Rs. 182 on living, paid Rs. 30 towards debt and saved Rs. 40. Until recently he owned a cow, but sold it off for Rs. 80. He now possesses two calves only. But for

the ancestral debt he is alright. He is in no hurry to discharge the debt. He has been paying Rs. 30 annually towards it, which does not even cover half the interest, while the *sowcar* appears to be satisfied with a safe return of 7½ per cent. and the amount of outstanding debt growing instead of diminishing.

Od (builder of mud walls).—Family two adult males and one female, earned Rs. 180 by building mud walls and another Rs. 12 by his wife picking cotton. This income just sufficed the family's simple requirements. Besides six donkeys which are maintained for carrying the mud, he owns one cow with a calf and 10 goats. The donkeys are fed on the refuse of stables and a handful of *bajri* per day. The goats live on shrubs and babul pods, while the butter of cow pays for its feed.

There is one Syed family in the village consisting of eleven persons. Its income from charity was Rs. 400 which was all spent for its maintenance. The Syed has followers in several villages of the centre. This village contributes only a share of his maintenance.

Livestock.—Of the village consists of 31 camels, 47 bullocks, 38 she-buffaloes, 59 cows, 62 calves, 84 goats, 2 horses and 6 donkeys. The land cultivated was 196½ acres, and as the ploughing is done by bullocks only, each pair must have ploughed 8¼ acres of land on an average of 3 times during the year, besides working the water wheels. With the exception of a few camels reserved for riding all are employed in working the water wheels during the cultivation season, and carrying manure before cultivation. There are no bullock carts in use.

Milch Animals.— Assuming that half of the animals remain in milk, and allowing 12 lbs. of milk per buffalo and 6 lbs. per cow and 1½ lbs. per goat per day, the milk produce should work out to (19×12) *plus* $(30 \times 6) = 408$ lbs. of buffalo and cow milk, and $(42 \times 1{\cdot}5) = 63$ lbs. of goat milk amongst a population of 116 persons. Allowing a lb. of milk per head of population and 20 lbs. for visitors, there would be 335 lbs. left for butter making. At one oz. of butter per lb., the amount of butter would be about 21 lbs. per day or $365 \times 21 = 7{,}665$ lbs. for the year of which about 70 per cent. or 5,365 lbs. was used in the village by *khatedars* and managing tenants, and about 30 per cent. or 2,300 lbs. was sold for Rs. 1,782.

Debts.—The loans borrowed from the co-operative society amount to Rs. 5,213 by *khatedars*, and Rs. 1,285 by tenants, total Rs. 6,498. Those borrowed from *sowcars* amount to Rs. 760 in the case of *khatedars*, and Rs. 242 in the case of tenants, total 1,002 showing that the society finances the villagers to the extent of 87 per cent. of their requirements, which is satisfactory.

The parties that have resorted to village *sowcar* for loan are either small *khatedars* or managing tenants. The *waderas* have no need to borrow from them and the labourers are financed by their employees. We notice that when ornaments are pawned the rate of interest charged is 18¾ or one pice per rupee per month. While there may be some reason for paying a high rate of interest, on an unsecured loan, the payment of 18¾ on a well secured loan is very uneconomical. Propaganda appears to be necessary to impress on the people that unless a loan is required for a brief period not exceeding six months, it would be better to sell the ornaments outright, and make them again when funds become available as the making of silver ornaments does not exceed four or five per cent. of the value of silver. In two cases unsecured loans bear 27 per cent. interest and in one instance 37½ per cent. In two cases Rs. 60 and 23 are borrowed from kinsmen without interest.

During the last five years there have been only four marriages in the village, but no deaths. There must have been cases of infant mortality, but that could not have been an expensive affair. One *khatedar* (Case 4, Appendix A) spent Rs. 1,300 and another (Case 7, Appendix A) Rs. 800 on the occasion of marriages. The first had a saving of Rs. 1,000 and the second Rs. 500, the parents specially mothers usually reserve as much as they can, generally in the shape of ornaments for the prospective marriage of their children. The first received Rs. 300 in the shape of communal contribution called *Pahat* and the second Rs. 140. The latter had also to borrow Rs. 160 to make up the shortage. The blacksmith (Case No. 19, Appendix A) spent Rs. 160 on wedding, of which Rs. 50 was received from communal contribution and the rest was borrowed. A *hari* (Case 15, Appendix A) spent Rs. 100, all borrowed from the *zemindar*.

Pahat.—Is an ancient system of co-operation, by which all members of a community, relations and friends contribute their quota on the occasion of a marriage or death. In the case of big influential *zemindars* it may amount to some thousands of rupees.

Results achieved by co-operation.—It is not possible to estimate accurately the economic gain of the village since the opening of the co-operative society; it is claimed that:—

(1) More land has come under annual cultivation. This may be ascertained from the Revenue Record for the whole Deh, but there is no means of finding this for this village only. From the general enquiries made by us the area of cultivation by the village has increased by 20 or 25 per cent. in six years.

(2) More area comes under cotton cultivation. For the last year our enquiry shows 45 per cent. under cotton; it is asserted by the *khatedars* of the village that eight years ago the cotton area did not exceed 33 per cent. In 1926-27, however, owing to a fall in cotton price during the previous year, there has been a decrease in cotton cultivation.

(3) By adoption of dry-ploughing long before cultivation, and judicious use of manure, the yield of soil has increased. We are told by the cultivators that although they were aware of the benefits of dry-ploughing and manure long ago they had not sufficient funds at their disposal for better tillage and purchase of manure. It is said that the average yield of cotton was less than six maunds, and of *bajri* about six maunds per acre, ten years back.

(4) By cash payment they now get pure and good seed, whereas before the advent of co-operation, the smaller *khatedars* and tenant managers got seed on credit, of an inferior quality. Similarly they can purchase draught animals of better quality with cheaper credit provided by co-operation.

(5) The saving under interest, assuming that the borrowing from *sowcars* amounted to the same figure, *i.e.*, Rs. 6,500, is roughly Rs. 650 per annum. The *waderas* paid the *sowcar* a minimum interest of 20 per cent., but the smaller *khatedars* and managing tenants paid from Rs. 25 to 37½ per cent. before coming in the Co-operative Movement.

(6) They have become more businesslike, and majority of them are thrifty. They have increased their holdings and livestock as detailed above.

APPENDIX A.

Village Khudabux Junejo, Deh Sipiki, Taluka Hyderabad, Sind, showing Class of people, Holdings, Population and Livestock.

Serial No.	Occupation	Holdings	Adult males	Adult females	Children	Total	Camels	Bullocks	Buffaloes	Cows	Calves	Goats and sheep	Horses and ponies	Donkeys	Total
		Acres.													
1	*Khatedar* ..	100	2	3	3	8	9	10	12	8	10	..	..	..	49
2	Do. ..	55	1	2	1	4	5	8	5	3	5	14	1	..	41
3	Do. ..	130	1	3	..	4	7	6	8	6	5	40	1	..	73
4	Do. ..	11½	2	2	..	4	1	2	6	4	4	..	..	..	17
5	Do. ..	5⅞	2	2	2	6	4	4	2	3	3	5	..	..	21
6	Do. ..	4½	1	1	3	5	..	2	1	3	1	..	..	..	7
7	Do. ..	9½	2	2	2	6	1	2	1	4	5	..	..	..	13
8	Do. ..	7	3	1	2	6	..	4	1	9	3	..	..	..	17
9	Do. ..	7	1	1	3	5	1	..	1	2	4	..	..	..	8
10	Man Tenant ..	..	2	1	1	4	1	2	..	4	2	4	..	..	13
11	Do. ..	..	2	1	2	5	1	2	..	1	2	2	..	..	8
12	Do. ..	..	1	1	..	2	1	..	..	..	2	..	..	..	3
13	Do. ..	..	1	1	..	2	..	3	..	1	1	4	..	..	9
14	Do. ..	..	2	2	2	6	..	2	..	4	4	..	..	..	10
15	Labourer Partner. ..	..	2	1	1	4	..	..	..	..	..	..	..	..	..
16	Do. ..	..	1	2	5	8	..	..	..	3	1	5	..	..	9
17	Do. ..	..	1	1	1	3	..	..	..	..	..	..	..	..	..
18	Syed ..	..	2	2	7	11	..	..	..	..	..	..	..	..	
19	Blacksmith ..	..	2	3	3	8	..	..	1	2	6	..	..	..	9
20	*Chamar* ..	..	1	1	5	7	..	..	..	1	1	..	..	..	2
21	Weaver ..	..	1	..	4	5	..	..	..	..	2	..	..	..	2
22	*Od* (mud wall maker) ..	..	2	1	..	3	..	..	..	1	1	10	..	6	18
	Total ..	330⅜	35	34	47	116	31	47	38	59	62	84	2	6	329

APPENDIX

Showing the Economic Condition of Cultivators of Khudabux Junejo

Serial No.	Holdings Acres	Cotton		Bajri			Juar			Til seed	
		Area cultivated	Produce maunds	Area	Grain maund	Kirby bundles	Area	Grain maunds	Kirby bundles	Area	Grain
1	100	20	275	22	192	800	..	..	..	..	..
2	55	20	150	14½	120	500	..	..	..	..	..
3	130	18	160	15	144	600	..	..	..	..	..
4	11½	2	17	3	36	200	..	..	..	1	4
5	5½	4½	70	4	20	100	..	..	..	..	..
6	4½	2½	27	2½	36	150	..	..	..	..	..
7	9½	3	36	6½	40	300	..	..	..	..	..
8	7	3	27	3½	24	140	..	..	..	..	..
9	7	2½	15	4½	48	240	..	..	..	..	..
10	....	3	20	4	24	200	1	8	100	..	..
11	....	2	10	3½	24	140	1½	12	120		..
12	....	2½	12	4½	36	250	..	..	..	..	..
13	....	2	20	2	24	200	2	12	200	..	..
14	....	2	10	3	36	240	2	12	100	..	..
Total ..	330⅜	87	849	92	804	4,060	6½	44	520	1	4

Rai Bahadur Pritamdas.

A1.

Village, Deh Sipiki, Taluka Hyderabad, Sind.

Wheat		Total area cultivated	Value of crops	Other sources of Income	Total Income	Savings + or Deficits —	Savings how invested	Land purchased or sold in last 5 years	Debts due		
Area	Grain								Co-operative Society at 10 1/4 per cent.	Sowcar Interest	Other Interest
..	..	42			4,249	+911	Livestock	+ 30 Acres Rs. 2,450	1,540	..	
..	..	34½			2,381	+238	Do.	+ 6¼ acres Rs. 1,000	892	..	
10	60	43			3,248	+1,133	Land and livestock.	+ 6 acres Rs. 600	600	..	
..	..	6			510	+52	..		240	..	
..	..	8½			890	+255	Livestock.	+ 5¾ acres Rs. 600	410	300 18¾%	
..	..	4½			496	..	..		400		140
..	..	9½			684	+108	Old debt		331	200 18¾%	
..	..	6½			501	+174	Livestock.		360	..	
	..	7			438	—167			440	60 27%	60
..	..	8			520	+91			216	..	
	..	7			383	—46			350	50 18¾%	
..	..	7			444	—172			234	25 37½%	
..	..	6			568	..			220	80 27%	
..	..	7			442	—42			265	87 18¾%	
10	60	196½			15,754	+2,962 —427		+ 48 Acres Rs. 4,650	6,498	802	200

Summary of the Economic Condition of Village Tajo Junejo, Deh Sipiki, Taluka Hyderabad, Sind.

The village consists of 21 families. Total population 109, *i.e.*, 55 adult males, 32 adult females and 42 children.

There are 10 *khatedars* with a total holding of 260¾ acres, the maximum holding being 44½ acres and the minimum holding 6 acres. Of the total area 131¾ acres was cultivated by the *khatedars* themselves and 21 acres were let out on rent. Total brought under cultivation was 152¾ acres or 58½ per cent. as compared with 60 per cent. of the Khudabux Junejo village. Some tenants took 9½ acres of additional land from *khatedars* of adjoining villages for cultivation.

Only one *khatedar* used Rs. 100 worth of manure and 2 tenants Rs. 40 worth of it, in addition to their own farm yard manure, but of these tenants one reaped a good harvest, he having sufficient supply of water. The crop of the other two suffered owing to inadequacy of water supply.

Of the total area of 162½ acres under cultivation 57¾ acres or 35½ per cent. was put under cotton intercultured by some with *til* seed. The remaining was put under *bajri* and *juar*. The average yield of cotton per acre was 8·8 maunds in the case of *khatedars* and 6·1 maunds in the case of tenants. The average yield of *bajri* and *juar* in the case of both *khatedars* and tenants was 6 maunds per acre. The average price of yield per acre was Rs. 66 in the case of *khatedars* and Rs. 55-8-0 in the case of tenants. These results compare unfavourably with those reported for the Khudabux Junejo village, due chiefly to the lands of this village being further away from the main Sarfraz Canal, and hence receiving lesser supply of water. Even the *bajri* cultivation, which may be expected to withstand a little deficiency of water, gave a poor yield. The use of manure does not appear to have improved the results.

Taking the economic condition of each class, we find that of the ten *khatedars*, only three effected a saving of Rs. 1,807 which was paid towards the reduction of their debts, while seven of them had a deficit of Rs. 1,255-8-0. One of these is not a member of the co-operative society. He himself cultivated only 14 acres out of a holding of 42 acres. He does not like to expand his activities. He owes the *sowcar* Rs. 500 carrying interest at 18¾ per cent. His deficit for the year amounted to Rs. 160 (Case No. 3). Endeavour may be made to bring him in the co-operative society. The remaining nine *khatedars* owe the co-operative society Rs. 3,465 bearing interest at 10½ per cent. and the *sowcar* Rs. 7,040 of which Rs. 120 is on 37½ per cent. and the balance on 18¾ per cent. Three of the *khatedars* have mortgaged their holdings for Rs. 1,600, 600 and 750 respectively, the balance Rs. 4,090 is unsecured. Of the three *khatedars* who have mortgaged their lands, one (Case No. 9) has already sold his holdings of six acres owing to the failure of this year's crops, another (Case No. 1) a holder of 43½ is labouring under the heavy load of old debt of Rs. 2,600 incurred by his deceased brother, which he is striving to redeem. His is a suitable case for "old debt redemption." The third party (Case No. 7) with a holding of 23½ acres has mortgaged his land for Rs. 600 having had a deficit of Rs. 290 last year, owing to deficiency of water. This year's general failure of crop must have made his case much worse. With two subsequent good crops, he might pull himsefl up, but with one more poor crop his case might become hopeless. One *khatedar* (Case No. 4) with a holding of 44½ acres owes the *sowcar* Rs. 1,800, which he has been striving to reduce effectively. The 18¾ per cent. interest is a heavy drag on his resources. His also is a suitable case for old debt redemption. His grievances against

the co-operative society is that it does not advance him sufficient funds for cultivating the land ; Rs. 535 advanced is too little for a holding of 44½ acres.

Only one *khatedar* in the village (Case No. 6) appears to be tolerably sound financially. With a holding of 22 acres he had an income of Rs. 1,410 and a saving of Rs. 100 last year. During the last five years, he got married, built a house, and reduced his old debts. He now owes the society only Rs. 500.

One *khatedar* (Case No. 10), a holder of eight acres, was too lazy to cultivate his own land. He rented out his land and draught animals to a tenant, on condition that he would get half the produce of the land. He owes the society Rs. 220 and the *sowcar* Rs. 140, and had a deficit of Rs. 90 last year. By a little effort he could have released himself from the *sowcar's* debt.

Speaking generally, owing to unfavourable situation of the land of this village as regards water supply compared with the Khudabux Junejo Village, its staying power is very little, and the general failure of crop this season will affect it seriously. The *khatedars* of this village cannot afford to live on the style of those of village Khudabux Junejo.

Of the five tenant managers (*mujeries*) only one (Case No. 13) had a balanced budget, with no other debt excepting Rs. 190 of the co-operative society. The remaining four tenants had a total deficit of Rs. 518 during the last year. Between them they owe the society Rs. 1,065 bearing interest at $10\frac{5}{6}$ per cent. and the *sowcar* Rs. 1,312 bearing interest at $18\frac{3}{4}$ per cent. This class is financially worst off as already detailed in our report of the Khudabux Junejo Village.

The three craftsmen in the village appear to have just enough for their simple needs, but two of them owe the *sowcar* Rs. 200 and Rs. 180 respectively, bearing interest at 37½ per cent. which is a heavy drag on them. The debts were incurred for marriages, and will, owing to heavy interest, take ages to clear off. The three petty shopkeepers and hawkers earned Rs. 1,250, and effected a saving of Rs. 554 which they invested in their business.

There are *no* labourers' families permanently residing in this village.

Livestock of the village consists of 20 camels, 12 buffaloes, 51 bullocks, 38 cows, 36 calves, 42 goats, 2 ponies and 1 donkey.

The land cultivated was 162 acres, and as the ploughing is done by bullocks only, each pair of bullocks on an average ploughed 6½ acres of land three times during the year, besides working the water wheels during the cultivation season, and carrying manure before the cultivation.

Milch Animals.—Assuming that half the animals remain in milk, and allowing 12 lbs. of milk per buffalo, 6 lbs. per cow and 1½ lbs. for goat per day, the milk produce would be $(6 \times 12)+(29 \times 6)+(21 \times 14) = 217$ lbs. among a population of 109 persons. Allowing 1 lb. per day, there would be left for butter making 108 lbs. At one oz. per lb. the amount of butter would be 9 lbs. per day or a total of 3,285 lbs. for the year. Of this 90 per cent. appears to have been used up in the village, and only 9·75 per cent. or about 4 maunds of *ghee* was sold for Rs. 275.

Ceremonials.—During the last five years there were six marriages. One amongst the *khatedars*, two amongst the barbers and three amongst the petty shopkeepers. The *khatedar* spent Rs. 400 of which Rs. 100 was by communal contribution (*pahat*) and Rs. 300 borrowed. The barbers spent Rs. 340 on two marriages of which Rs. 45 was from past savings, Rs. 60 was contributed by community and Rs. 235 borrowed. The petty shopkeepers spent Rs. 1,900 on three marriages of which Rs. 800 was from savings, Rs. 1,000 was paid by two bridegrooms (*sowcars* of village Mooso Khatian) and Rs. 100 borrowed.

There were four deaths, three amongst the *khatedars'* families costing Rs. 180 of which Rs. 90 was contributed by the community, Rs. 60 was from past savings, and Rs. 30 borrowed. One death in the porter's family cost Rs. 40 which was borrowed. Altogether the cost of ceremonials was Rs. 2,860 in five years, or an average of Rs. 572 per annum.

It will be seen that when conditions are unfavourable, co-operative credit does not materially improve the condition of cultivators.

APPENDIX B.

Village Tajo Junejo, Deh Sipiki, Taluka Hyderabad, Sind, showing class of people, area of holding, Population and Livestock.

Serial No.	Occupation	Holding acres	Members of family.				Live Stock								Total
			Adult males	Adult females	Children	Total	Camels	Bullocks	Buffaloes	Cows	Calves	Goats and Sheep	Horses and Ponies	Donkeys	
1	*Khatedar* ..	43½	1	3	5	9	3	6	1	4	5	..	..	..	19
2	Do. ..	19	1	1	1	3	1	2	1	1	2	..	..	..	7
3	Do. (Non-member) ..	42½	3	2	1	6	2	6	4	4	3	6	..	..	25
4	*Khatedar* ..	44½	4	2	2	8	3	5	3	4	7	20	..	..	42
5	Do. ..	42	2	3	5	10	1	4	..	3	3	..	..	..	11
6	Do. ..	22½	2	2	2	6	3	5	..	3	3	..	..	..	14
7	Do. ..	23½	1	1	2	4	1	2	..	2	..	..	..	..	5
8	Do. ..	9½	2	2	1	5	1	2	2	..	..	..	..	..	5
9	Do. (since sold) ..	6	1	..	..	1	..	2	..	1	1	..	..	..	4
10	*Khatedar* ..	8	1	1	2	4	..	4	..	3	2	..	..	..	9
11	Man Tenant ..	..	4	2	..	6	1	4	..	2	..	..	..	..	7
12	Do. ..	..	1	3	2	6	1	1	..	..	..	..	..	..	2
13	Do. ..	..	2	..	1	3	1	3	..	3	1	8	..	..	16
14	Do. ..	..	2	2	3	7	1	2	..	2	..	..	..	..	5
15	Do. ..	..	1	1	2	4	1	3	..	..	..	..	..	..	4
16	Potter ..	..	1	1	3	5	..	..	..	2	1	3	..	..	6
17	Barber ..	..	2	2	2	6	..	..	..	1	1	..	..	..	2
18	Do. ..	..	1	1	1	3	..	..	..	1	1	2	..	..	4
19	Petty Shop-keeper. ..	..	1	1	..	2	..	..	..	1	3	..	1	..	5
20	Do. ..	..	1	1	3	5	..	..	1	..	..	..	..	1	2
21	Hawker ..	..	1	1	4	6	..	..	1	1	3	3	1	..	9
	Total ..	260½	35	32	42	109	20	51	13	38	36	42	2	1	203

Rai Bahadur Pritamdas.

APPENDIX B_1

APPENDIX

Shewing the economic condition of Cultivators of Village

Serial No.	Holding Acres	Cotton		Bajri			Juar			Tilseed	
		Area cultivated	Produce maunds	Area	Grain	Kirby bundles	Area	Grain	Kirby bundles	Area	Grain maunds
1	43½	12	120	8	72	500	1	16	120	Inter	5
2	19	2	10	3	12	140	2	12	60	..	..
3	42¾	3½	40	5½	56	460	5	24	200	..	..
4	44½	9½	95	20	48	1,100	10	48	600	Inter	5
5	42	3	7	3	42	250	1½	6	Fodder.	,,	3
6	22¼	6¾	80	7	60	300	..	..	..	,,	3
7	23½	3	12	3	1½	50	1½	8	70	,,	2
8	9¼	2½	18	5	24	150	..	..	..	..	..
9	6 (Since sold).	2	5	3½	20	140	½	4	50	..	..
10	8	2	10	4	16	100	2	24	200	..	..
11	....	2	20	4	32	200	..	..	..	..	..
12	....	2½	12	5	24	250	..	..	..	Inter	1
13	....	2½	20	3½	30	300	..	..	..	..	..
14	....	2	12	3½	24	120	..	..	..	..	..
15	....	2½	7	3	18	120	..	..	..	Inter	2
Total	260¾	57¾	478	81	479½	4,180	23½	142	1,360	..	21

Rai Bahadur Pritamdas.

Tajo Junejo, Deh Sipiki, Taluka Hyderabad, Sind.

Fodder		Total area cultivated	Value of crops	Other sources of income			Total Income	Saving + or Deficit—	Land purchased or sold during 5 years	Debts due		
Area	Grain, if any			Rent	Garden crops	Dairy Produce				Co-operative Society at 10 ½%	Sowcar Interest	Other Interest
..	..	21	2,112	..	..	..	2,112	+752	..	640	2,600 / 18¾	
..	..	7	300	160	..	..	460	—391	..	280	120 / 37½	
1	5	15	1,134	..	..	100	1,234	—160	..	Non-member.	500 / 18¾	
..	..	39½	2,372	..	325	..	2,697	+955	..	535	1,800 / 18¾	
..	..	7½	448	120	..	..	568	—177	..	210	530 / 15¾	
..	..	13¾	1,410	..	..	21	1,431	+100	..	500	..	
..	..	7½	24⅜	..	..	..	24⅜	—290	..	410	600 / 18¾	
..	..	7½	382	..	..	50	432	—27	..	350	..	
..	..	6	358	..	..	..	358	—120	..	320	750 / 18¾	
..	..	8	406	..	..	..	203	—90	..	220	140 / 18¾	
..	..	6	400	..	..	..	400	—34	..	230	500 / 12¾	
..	..	7½	338	..	..	..	338	—123	..	350	62 / 18¾	
..	..	6	425	..	..	..	425	..	..	190	..	
..	..	5½	288	..	..	50	338	—112	..	250	500 / 18¾	
..	..	5½	242	..	..	..	242	—249	..	235	250 / 18¾	
1	5	143¼	10,858	280	325	221	11,481	+1,807 —1,773	..	4,720	8,352	

Summary of the economic condition of Village Shadi Rajar Deh, Sipiki, Taluka Hyderabad, Sind.

The village consists of 14 families, population 58, *i.e.*, 27 adult males, 16 adult females, and 15 children.

There are nine *khatedars* with a total holding of 261 acres, the maximum holding being 46½ and minimum holding 10 acres. Of the total area 95 acres was cultivated by the *khatedars* themselves and sixteen acres given out on rent. Total brought under cultivation 111 acres or 42·6 per cent. as compared with 60 per cent. of Khudabux Junejo village and 59 per cent. of Tajo Junejo village.

Only four *khatedars* in addition to their own farm yard manure used 200 rupees worth of purchase manure in their cotton cultivation of 16½ acres, or an average of Rs. 12 worth per acre but excepting Nos. 3 and 4 (Appendix C_1) their yield was poor owing to deficiency of water. The tenants used only their own farm yard manure.

Of the total area of 111 acres under cultivation, only 21 acres or 19½ per cent. was put under cotton, and 90 acres or 81 per cent. under *bajri* and *juar*. The average yield of cotton was 7·9 maunds per acre in the case of *khatedars*, and only 3 maunds of cotton with 2 maunds of intercultured *til* seed per acre in the case of tenants. The average yield of *bajri* and *juar* in the case of *khatedars* was 6·7 and 9·8 maunds respectively. One *khatedar* got 4 maunds of *til* seed exclusively from ½ an acre of land. In the case of tenants the yield of *bajri* was 3·8 and of *juar* 6½ maunds per acre. The average price of the yield came to Rs. 58-10-0 per acre in the case of *khatedars* and Rs. 41-8-0 in the case of tenants. These are worse than the results of Tajo Junejo, bad enough though the latter are. These two villages have put in less labour and manure in the land. Taking the cost of cultivation into consideration the *wandi* share woud be too small either for a labourer or a pair of bullocks. The inadequacy of water is mainly responsible for it, but the poor results react on the cultivator who gets demoralised and indifferent.

Taking the economic condition of each class we find that of the 9 *khatedars*, five effected a saving of Rs. 1,362. This was due not to agricultural produce, but to sale of lac Rs. 325, firewood Rs. 146, garden produce Rs. 80, trade Rs 760 and wages Rs. 240. Considering the extent of their holdings, their standard of living is much below that of Khudabux Junejo Village. Case No. 1 (Appendix C_1) cultivated only one-third of his holding, just enough to maintain his family, but supplemented his income by trade and silt clearance contract, effecting a saving of Rs. 625 thereby. Case No. 2 (Appendix C_1) cultivated less than one-third of his holding to meet the bare requirement of his family, but had to borrow for a marriage. Case No. 3 (Appendix C_1) is the Secretary of Khudabux Junejo Society. He appears to be thrifty, and has been investing his saving in land and livestock. No. 6 (Appendix C_1) is an indifferent cultivator, but makes up his deficiency by trade in *kirby*. No. 7 (Appendix C_1) cultivated six acres of his own and five acres taken on rent. His agricultural produce was just enough for his maintenance, but he saved Rs. 126 from the produce of garden and *babul* trees. No. 4 was a member, who from his own savings purchased 9½ acres three years ago. He has now ceased to be a member. The rest, *i.e.*, Nos. 5 and 9 (Appendix C_1), who are not members of the society, are indifferent and put forth no effort at improvement. The last has actually sold a portion of his land to a member *khatedar*.

Rai Bahadur Pritamdas.

Tenant managers were only two. One of them cultivated nine acres and had a deficit of Rs. 25 at the end of the year. Another cultivated 6½ acres, and made up his deficiency of Rs. 60 by silt clearance.

DEBTS.—The 4 *khatedars* members owe the society Rs. 1,317 and one case No. 2 (Appedix C_1) owe a *sowcar* also Rs. 50 bearing interest at 37½ per cent. besides Rs. 100 to a friend without interest, the rest are not indebted. One tenant owes the society Rs. 225 and another Rs. 59. The latter is a new member who, before coming into the society, owed the *sowcar* Rs. 100 bearing interest at 25 per cent. It is expected that he would soon borrow from the society to pay off the *sowcar's* debt. This village appears to command very little credit with the *sowcar*. The total borrowings amount to Rs. 2,111 of which Rs. 1,631 is from the society, Rs. 150 from the *sowcar* and Rs. 330 from the *zemindars* and craftsmen.

There are two labourers' families in the village, one of which consists of a single man doing job work to maintain himself, and the other consists of six members, two of whom are adult males. One of these works on *wandi* system with a *khatedar*, the other does job work. The family had a deficit of Rs. 114 which was borrowed from the *khatedars* without interest.

There is only one craftsman, a porter in the village. He earned Rs. 280, just enough for a family of seven members, according to his simple mode of living.

Livestock of the village consists of 16 camels, 31 bullocks, 12 buffaloes, 29 cows, 16 calves, 58 goats and 2 donkeys.

The land cultivated was 111 acres, so each pair of bullocks had to plough an average of seven acres three times, besides working the water wheel. The sixteen camels worked the water wheel during the cultivation season, and carried manure before cultivation.

CEREMONIALS.—During the last five years, there were five deaths, on which Rs. 350 was spent, and two marriages on which Rs. 650 was spent total Rs. 1,000 of which Rs. 400 was contributed by the community. Average expense per annum on ceremonials was Rs. 200. Here too owing to the deficiency of water, the co-operative credit alone has not materially improved the condition of cultivators. But for the early prospect of perennial supply of water from the Barrage Canals we would have recommended the digging of some wells for raising garden and vegetable crops to improve the economic condition of this and Tajo Junejo village.

APPENDIX C.

Village Shadi Rajar Deh, Sipiki, Taluka Hyderabad, Sind. Showing class of People, area of Holdings, Population and Livestock.

Serial No.	Occupation	Holding acres	Members of Family				Livestock								Total
			Males adult	Females adult	Children	Total	Camels	Bullocks	Buffaloes	Cows	Calves	Goats and sheep	Horses and Ponies	Donkeys	
1	*Khatedar* ..	46½	4	..	1	5	2	5	4	6	4	..	..	..	21
2	Do. ..	46½	1	2	4	7	2	4	2	3	3	..	..	..	14
3	Do. ..	46	2	2	1	5	5	5	3	2	..	8	..	..	23
4	Do. ..	34	2	1	..	3	1	4	..	..	..	40	..	..	45
5	Do. ..	23	1	..	..	1	..	..	..	1	..	..	..	..	1
6	*Khatedar* and Trader.	17	3	1	..	4	1	1	..	2	..	..	..	..	4
7	*Khatedar* ..	22	3	2	1	6	1	2	2	2	..	4	..	..	11
8	Do. ..	16	2	2	..	4	2	4	1	4	5	..	..	..	16
9	Do. ..	10	1	1	..	2	1	..	..	1	..	..	..	..	2
10	Tenant ..	..	1	1	1	3	1	3	..	3	3	..	..	..	10
11	Do. ..	..	2	2	..	4	..	3	..	2	..	4	..	..	9
12	Labourer ..	..	1	..	..	1	..	..	..	..	..	1	..	1	2
13	Do. ..	..	2	1	3	6	..	..	..	2	..	1	..	..	3
14	Potter ..	..	2	1	4	7	..	..	..	1	1	..	..	1	3
	Total ..	261	27	16	15	58	16	31	12	29	16	58	..	2	164

Rai Bahadur Pritamdas.

APPENDIX C_1

APPENDIX

Showing the Economic condition of cultivators of Village

Ser	Holdings acres	Cotton		Bajri			Juar			Tilseed		Fodder Area	Total area cultivated
		Area cultivated	Produce Maunds	Area	Grain Maunds	Kirby Bundles	Area	Grain Maund	Kirby Bundles	Area	Grain Maunds		
1	46½	4	14	11½	102	500	..	..	..	..	..	..	15½
2	46½	2	14	9	54	300	1½	23	200	..	..	..	12½
3	46	9	90	16½	120	600	..	..	..	..	..	2	25½
4	34	2	20	6	50	240	1½	4	120	..	..	..	9½
5	23	..	..	..	..	..	..	..	..	..	..	..	..
6	17	..	..	10	24	150	..	..	..	..	..	..	10
7	22	1½	10	7½	40	300	1½	8	150	½	4	..	11
8	16	1½	10	8	72	500	1½	24	150	..	..	..	11
9	10	..	..	..	..	..	..	..	..	..	..	..	..
10	....	1	3	6	25	160	2	12	190	Inter	2	..	9
11	....	..	..	3	9	100	3½	24	200	..	..	..	6½
Total.	261	21	161	77½	496	2,850	11½	95	1,010	½	6	2	110½

Rai Bahadur Pritamdas.

C_1

Shadi Rajar Deh, Sipiki, Taluka Hyderabad, Sind.

Value of crops	Other sources of Income								Total Income	Savings + Deficit —	Land purchased or sold in 5 years	Debts Due		
	Babul seed	Babul Wood	Dairy	Wages	Camel Hire	Trade	Garden	Rent				Co-operative Society at 10½%	Sowcar Interest	Other Interest
800	40	..	250	..	..	530	..	..	1,620	+625		192		
702	65	..	..	..	..	20	..	105	892	—3		400	50 / 37½	100
1,860	50	..	..	180	..	..	..	..	2,090	+365		500		
656	120	15	..	..	..	..	..	..	791	+156	..	..	..	..
..	..	..	..	..	..	..	..	100	100	..	..	..	..	..
165	..	..	..	..	..	290	..	..	455	+90	..	..	..	110
571	..	15	25	..	..	..	..	..	611	..	..	225	..	..
81⅛	50	20	..	..	..	..	80	..	96⅛	+126	..	..	..	..
..	..	96	..	..	12	..	..	..	108	..	..	..	..	..
373	..	..	..	..	..	..	..	..	373	—25	..	255	..	..
271	..	..	..	60	..	..	..	..	331	..	..	59	100 / 25%	..
621½	325	146	275	240	12	840	80	205	833⅛	+1,362 / —28	..	1,631	150	210

Suggestions for improvements.

In the case of some *khatedars* of Tajo Junejo village, it has been observed that they are labouring under a heavy load of old debts bearing interest at 18¾ per cent. Arrangements may be made to redeem these debts and relieve them of the long struggle in meeting the heavy interest charges. The scope of the society may be widened to enable it to advance the medium class *khatedars* up to a limit of Rs. 1,500 in lieu of the present limit of Rs. 1,000. With a better supply of water in the near future, they have better prospects before them.

The situation of these three villages near a railway station makes them very suitable for diary farming and poultry breeding. No attempt is at present made to improve the breed of cattle. In the near future, Sind will have to face the problem of finding a large number of draught animals for tillage of the extra Barrage lands, and any systematic attempt at cattle breeding would be most welcome. There is no reason why the male buffaloes in Sind should not be utilized for tillage as is done in other parts of India. They are at present slaughtered away. We suggest that a butter and egg collecting agency be opened co-operatively at the Khatian Station, to serve the large number of neighbouring villages of which there are 10 in Deh Sipki only, which will give an impetus to dairy farming and poultry breeding.

There are some private forests in the neighbourhood, which may be taken on contract co-operatively for grazing purposes. The Government may also reserve any available lands for grazing purposes, if possible.

The milk brought by each individual may either be transported fresh or be skimmed at the agency, the price of the cream extracted be paid down and the skimmed milk returned to the owner for his use. Similarly the price of eggs brought by each individual may be paid down on delivery. Each villager can keep some poultry without much expense and trouble which will give him some subsidiary income daily and make him happier.

Without such an agency it would not be possible for each individual to run to Hyderabad (9 miles) with his small produce. There is plenty of demand in the Hyderabad market for fresh milk, butter and eggs. The latter are imported all the way from Peshawar.

I have learnt subsequently that buffaloes would not do for draught work in the hot dry climate of Sind.

Oral Evidence.

11603. *The Chairman :* Rai Bahadur Pritamdas, you have been for a number of years closely in touch with agricultural and co-operative activities in Sind ?—Yes, for 11 years.

11604. And you have made some enquiries about and have been in contact with agriculturists ?—Yes.

11605. You have divided the agriculturists into three classes, *viz.*, (1) big *zemindars* holding more than 500 acres, (2) small *zemindars* holding less than 500 acres and (3) small *khatedars* holding less than 100 acres and those who have no lands. But would it not be logical to separate the *haris* from the small *khatedars* ?—Amongst *haris* also there are two classes. One class consists of those who take lands on contract for one year or more, and the second class includes those who work on the *batai* system.

11606. *Mr. J. N. R. Mehta:* Which of the two systems is more prevalent ?—The villages that I have actually visited and made economic enquiries into have generally small holdings ranging from 5 acres to 30 acres. There we have the contract system, and there is very little of the *batai* system. Where there are big *zemindars* holding over 500 acres, there is the *batai* system, but where the holdings are less than 100 acres, they are given on contract system or the holders cultivate themselves or with labour.

11607. *The Chairman:* When the lands are given under contract, I suppose the rent is fixed ?—It is settled beforehand in the tract that I have visited. The contract money is fixed in cash at Rs. 80 or Rs. 90 per acre.

11608. Is it an annual contract ?—In some cases it is given for five years also and in some cases three years. For small holders it is one year or even one season.

11609. *Mr. J. N R. Mehta:* Which of the two systems is better in your opinion ?—For the *zemindar batai* system is better, but for the labourer I do not think there is much difference.

11610. *The Chairman:* Under this system which prevails in Sind where most of the land is cultivated by men who have no permanent interest in the land, is there much work done by way of permanent land improvement ?—Very little.

11611. Not even by the small *khatedars* ?—There are a few instances, but they are exceptions. I know of an instance in which a man who inherited only 5 acres of land has increased his holding to 150 acres after twenty years of hard work. But such cases are exceptions.

11612. Apart from that, is it not also a fact that some of the settlers from the Punjab have been able to save more and better themselves than their Sindhi brethern ?—Yes, they are more hard working, and they carry on cultivation on a better system than the Sindhis. I know for a fact that their yield is about 30 to 40 per cent. more than what a Sindhi *hari* has produced.

11613. Do your co-operative societies finance *haris* to any large extent ?—About three years back the co-operative societies used to advance to *haris* about eight or ten times as much as they do at present. They used to give them loans on a very extensive scale and to a large number of *haris*, but it was found by experience that when the *haris* left a certain tract, it was very difficult to recover the arrears, and unfortunately in some cases the loans were given not on the surety of the *zemindar* but on the surety of other *haris* or *khatedars*, and we found that when they left the tract it was very difficult to effect recoveries from them and the sureties had to pay. So, for the last 18 months we have put a greater check on the advances to *haris*.

11614. But if you get the *zemindar* to stand surety for the *hari*, would you still object ?—Then there is no objection.

11615. Which is the better system, financing the *zemindar* and let him finance the *hari*, or financing the *hari* and let the *zemindar* stand surety ?—From the point of view of banks and societies it is not safer to finance the *hari* direct.

11616. From the point of view of the *haris* ?—As a general rule *haris* cannot be trusted because they may leave at any time. There may be some exceptions.

11617. In one case you give the loan of Rs. 1,000 to a *zemindar* and let him distribute Rs. 1,000 to 10 *haris* each, and in the other case you give Rs. 1,000 to *haris*, and if the *haris* fail, you have the *zemindar* as surety. It has also been represented to us that

the *zemindar* may take Rs. 1,000 from the society and advance only Rs. 600 to *haris* and use Rs. 400 for himself. Where is the harm in giving the *haris* on the security of the *zemindar* ?—There is no objection.

11618. If the *zemindar* does not stand surety, it is not safe ?—No. I do admit the honesty of the *hari*, but in practice I have found that he is not honest, and we cannot trust him.

11619. *Mr. J. N. R. Mehta :* What is your experience about the honesty of *zemindars* and *khatedars* ?—They are very steady people.

11620. *The Chairman :* But the *zemindar* has land as security. A man must have credit or character ?—I know there are *zemindars* at present who can easily raise money at 6 per cent. in the open market, but there are others who cannot get it at less than 9 to 10 per cent.

11621. Can you suggest any way by which some of your bigger *zemindars*, who have more than what is really required, can be made to save and invest ?—Very few would save here. So far as Mohamedan *zemindars* are concerned, they are averse to earn any interest on the deposits. There are instances where money in the shape of gold coins and sovereigns is kept buried.

11622. In the Hyderabad district ?—Yes.

11623. Is it due to want of confidence in the institutions in which they can deposit or is it on religious grounds ?—On religious grounds, and they do not feel sufficiently interestsd in the upliftment of the country.

11624. *Mr. J. N. R. Mehta :* The last witness stated that such class is rapidly decreasing. Do you agree with that ?—Yes, the class is decreasing.

11625. *The Chairman :* Do many Mohamedans deposit in your bank ?—Not more than four or five.

11626. Do they receive interest ?—Yes, but they do not utilise it for their own use.

11627. What is your experience about the *zemindari* banks in Sind ?—We have three in Sind. One is at Mirpurkhas, which has been working for the last three or four years. I have heard that these banks are working satisfactorily, but I have no personal experience.

11628. What is your experience about provision of finance to these big *zemindars* by separate institutions ? Do you think a separate institution is necessary ?—I am averse to bringing these bigger *zemindars* into rural co-operative societies, because, I am afraid, if they come in large numbers the poor would not be adequately financed.

11629. *Mr. J. N. R. Mehta :* On the other hand, would that not be a better security to the bank ?—We are following the practice of having *zemindars*, who are holding 200 or 300 acres, but if we go on bringing big holders, I am afraid, most of the money will go into their pockets.

11630. *The Chairman :* I see from your statement that 25 per cent. of your members are *haris*, as according to your figures out of 29,000 members 7,000 are *haris* ?—Yes, all told we have more than 40,000 members in the Co-operative Movement, but if I omit the members of the urban banks the number comes to 29,000.

11631. You suggest that there should be an arrangement made for the supply of all the articles that the agriculturists want through the Taluka Development Association.

Has that been done here ?—It has been tried in Tando Allahyar section. It was tried in Hatri section also with good results and it is being tried in Shikarpur and Larkana to some extent, but the results are not quite what I should like to have, because those people who manage these things have not yet learnt proper business methods.

11632. There is a very important point which you raise about finance in bad years. As you say, your deposits are mostly one-year deposits and when there is a succession of bad years the position of the bank becomes rather difficult. You have no practical experience of these difficulties ?—No such difficuty has arisen.

11633. What is the actual procedure ? Supposing one year is bad, do you give them an extension ?—Yes.

11634. And if the second year is also bad ?—It is like this. Supposing we have advanced Rs. 4,000 to a certain society, and if the season is bad, there is never a total failure but there is some crop, and so instead of paying Rs. 2,500 they pay only Rs. 1,500. For the new season we would advance not Rs. 2,500 but up to Rs. 1,500 only.

11635. Does that drive them to the *sowcars* ?—Yes, it does.

11636. That also endangers the position of the bank ?—Our position is this. We take assets of the society, and we generally advance them to the extent of one-third of the value of assets ; but if we find that there are certain members who, without sufficient reasons, try to be defaulters, we have to be hard on them.

11637. Supposing that all the circumstances are in favour of the society, that is to say, all the people, who ought to have paid, have paid, and that there is sufficient margin and the season has been bad, do you not advance them fully in the second year ?—Yes, provided they have sufficient assets.

11638. Supposing the third year is also unfortunately bad ?—We go on decreasing our finance. We do not give them the full amount that they require.

11639. Do they restrict their operations or do they go to *sowcars* ?—They go to *sowcars*.

11640. Then as soon as the crop is ready, the *sowcar* would realise his money. So you are not better off ?—Quite ; but our difficulty is that we cannot go on advancing depositors' money without recovering our advances. So we have to put certain restrictions on our advances.

11641. Do you give any concession as regards instalments if there are consecutive bad years ? You cannot expect them to pay the whole amount in one instalment ?—We do make allowances for bad seasons.

11642. The first remedy you suggest is that the system of long-term deposits up to five years may be introduced, and that in the case of central banks, receipt of deposits may be permitted up to twelve times their share capital *plus* the reserve. But I do not understand how increasing the limit of eight times to twelve times the share capital would improve your position. It will worsen your position because you will have more liabilities as against your assets ?—My idea is to provide more money in the Movement to meet the results of bad seasons. For instance, if that restriction of receiving deposits up to eight times is removed, and if it is raised to twelve times, we will be in a position to receive more deposits, and we will be able to give extensions on a larger scale.

11643. You also suggest that Government should come forward and recoup the central banks. Do you mean recouping the losses ?—Where it is impossible to effect recoveries due to continuous bad years, Government should recoup the central banks to

a reasonable extent. Of course there are not many such cases. There are cases in which Government give remission for their *tacavvi* under certain circumstances. We have to be very hard on these poor people. We know that they cannot repay, but we have to insist upon repayment. But if we had a chance of recovering from Government, we might remit something to these poor people.

11644. Do you think it would be desirable, where there are two bad years in succession, for the central bank or the provincial bank to ask Government to place a part of their *taccavi* or famine relief fund at the disposal of the bank for advances as loans ?—Yes.

11645. *Mr. J. N. R. Mehta :* What is your suggestion about recouping by Government the central banks ?—I mean that just as in certain bad years Government remit *taccavi*, so should co-operative societies remit a part of their advances made to their members, and those losses which the societies suffer should be made good by Government. Also in genuine cases where inspite of the efforts of the *haris* they have not been able to repay their loans to the society owing to continued bad season, and where the bank or the society considers that a little remission would help them to re-establish them would it not be proper to demand from Government the same kind of remission as Government remit some *taccavi* ?

11646. Do you know of any country existing anywhere, where Government holds itself responsible for the losses as suggested by you ?—I cannot quote any instance. What I mean to say is that we more or less help the Government. If it was not for the co-operative banks, Government would be giving so much *taccavi*. The co-operative banks come in and they relieve Government of their duty. If the banks undertake the responsibility, it is but fair that remission should come from Government.

11647. *The Chairman :* About marketing, do you not think that marketing here as well as elsewhere is closely connected with finance during cultivation ?—Yes, it is closely connected. Unless the financing agency and the original selling agency work hand in hand there would be difficulty.

11648. Is the greater part of the produce sold to *sowcars* ?—It is only in tracts which are not co-operatively developed that the *bania* has a monopoly. In fact I find that these village *sowcars*, who advance money to the cultivators, do it on the hypothecation of the produce.

11649. What is your experience of places where there are co-operative societies ? Do the members take the produce to the societies or to the *sowars* ?—If there happens to be a ginning factory near by, they take the produce direct to the ginning factory, and they get proper terms there. But if they are far away from the ginning factory, they sell it on the spot to the *banias* who go to the village. Even if a large quantity is to be sold, they prefer to sell on the spot to avoid the inconvenience of packing it in *bardan* and taking it to the market.

11650. In cases where the *zemindar* takes the *kapas* to the ginning factory, is he subject to any trouble there as regards the quality or the price or the weighment ?—I have seen and inspected transactions, and I have found that in the beginning the gin owners used to take 82 lbs. for a maund, that is, 41 seers, making an allowance of one seer for them. I am told by the gin people that subsequently the growers artificially added some dirt, and, therefore, they had to raise it to 42 seers, and now the prevailing practice is 42½ seers. This is one thing. Then there is such a thing as previous bargain.

The ginning factory owner or his agent finances the cultivator, and they fix the price of the produce beforehand, and when the produce is brought to the factory, they add all sorts of dirty material, and the ginning owners either give them less than the bargain price or make a greater allowance on account of dirt and foreign material. I am told sometimes they use false weights too.

11651. You say in your statement: "The members of co-operative societies who cultivate about 1,95,000 acres annually are indebted to the extent of about 70 lakhs to their societies and about 17 lakhs to *sowcars*." How is this estimate made out ?—The economic enquiries in certain villages showed me that in that particular case 87 per cent. was advanced by societies and 13 per cent. was borrowed from *sowcars*.

11652. Is this for current purposes, or does it include old debts ?—That is only for current purposes and not for old debts.

11653. Is there any estimate about the old debts of any particular tract or village ?—None.

11654. Have your central banks made any estimate about any particular societes ?—No, I do not think so.

11655. Speaking about indigenous banking, you say that the relations between the *zemindar* and the bankers till about 40 or 50 years back were good and that they have been strained during the last 40 or 50 years. What has been the special cause ?—The Dekkhan Agriculturists' Relief Act.

11656. But was not the Dekkhan Agriculturists' Relief Act applied to Sind in 1905 ?—I think it was in 1894.

11657. *Mr. Kamat:* About subsidiary industries, you suggest the services of an organiser for establishing and collecting agencies. Has this proposal been placed before the authorities ?—I only once personally suggested it to the Registrar. The Registrar was willing to give us an honorary organiser for this work, but the funds did not permit.

11658. Supposing such an organiser is appointed, do you think the chances for development of these industries are very great ?—Certainly.

11659. Without the help of the Registrar, do you think nothing could be done in the meanwhile till the financial stringency goes away ?—I have been waiting for the last two and a half years, and I have not been able to find much time for that work, and at present the Institute has given me a propaganda officer especially for this work, but I have lent his services and he is doing some other useful work.

11660. About the total cultivating land in Sind and the number of cultivators, is your difficulty lack of finance or lack of labour ?—I do think that Sind is short of labour, because we see that for all the road making and other engineering works we have to import labour from the Punjab and Cutch. There is deficiency of labour here.

11661. There are 8,000 holders who hold 8,32,000 acres of land which seem to be a large proportion. It either means that they cannot intensively do agriculture or that there is room for more labour to be imported into the province ?—We do require more imported labour.

11662. *Mr. J. N. R. Mehta:* It is said that co-operative banking has not been able to help the *haris* much or even the *khatedars*. It is an allegation which is often

made in public that our Movement is mainly for the *zemindars* and that we refuse to extend our Movement to the *haris*. Have you any suggestions to make to this Committee so that co-operative banking can be extended toward *haris* not only for their current expenditure but also for making them small peasant proprietors ?—Unless we entirely change the tenure of the land, under the present conditions of cultivation, I do not think we can help the *hari* very much.

11663. How can you help a smaller man who is considered a slave in Sind. How can you get him out of his slavery ? The other day the District Co-operative Conference made even a stronger allegation than slavery to the effect that a *zemindar's hari* is a slave and to a greater extent financially as also otherwise. It was an open allegation by responsible leaders both in the public and on the platforms ?—There are two aspects of this question. In several instances I find where the *zemindar* is a very influential party, that is to say who knows all the revenue officials and police officials and who is supported by them rightly or wrongly, there the poor *hari* is really a serf and is worse than a slave. His family is not safe, his property is not safe and he is in the worst possible condition, but there are other cases in which the *hari* has the upper hand. I know of instances where a *hari* has the upper hand and is quite independent of the *zemindar*. Where the *zemindar* uses mild method and is kind, there the *hari* has the upper hand. I know of instances in *jaghirs* where there are *mourosi haris* and who have a permanent claim on the land. Here we find that there is not the least objection to finance and we do finance them; but where a *hari* has nothing and his character is also doubtful, I do not see how I can help him. Unless we change the whole system of cultivation and give him some kind of right in the land that he cultivates, we cannot help him.

11664. About strengthening the position of district banks and central banks in case there is a run on the bank, do you think that as a system or at least by some act or rule the Imperial Bank should be asked at least to advance half the sum on the strength of the promissory notes of societies which a central bank or a district bank has ? Do you think this will be a safeguard ? Suppose there is a run on the central bank, we have a limit in the Provincial Bank. This limit is not sufficient for a great run, would you advise that Government should be moved in such a manner as to permit it in some way either through the Imperial Bank of India or through the Reserve Bank or whatever the Central Bank of the Government of India may be to secure for the co-operative banks, which are accepted by the Registrar as well-managed, at least half the sum on the collateral security of promissory notes ?—I think it is practicable.

11665. *The Chairman :* Do *haris*, who are annual tenants, usually cultivate the same land from year to year ?—Not necessarily.

11666. But what is the practice ? Would you find *haris* cultivating the same piece of land for 10 or 20 or 30 years ?—No ; I find it is the other way. The *zemindar* keeps changing his *haris* from one plot to another.

11667. Do *haris* usually stick to the same *zemindar* or do they go from one to the other ?—It depends upon their relations.

11668. But do they generally continue under the same *zemindar* ?—Yes ; in Sind there are cases where they do continue under one and the same *zemindar*.

11669. *Mr. J. N. R. Mehta :* You said that *zemindars* can borrow in the open market at 6 to 9 per cent. interest. Is this from indigenous bankers or from banks or

amongst themselves ?—Some of the *zemindars*, and especially the Hindu ones have dealings with certain *sowcars*. They deposit all their savings with the *sowcars*. In fact, this has been the practice for a long time. To give you an example the late Honourable Ghulam Mahomed Bhwigadi used to keep all his deposits with the *sowcar* in the village who was a most reliable man and the arrangement was that he should pay six per cent. interest if he overdrew any amount over and above his credit balance with the *sowcar*. In the case of Hindu *zemindars* this rate is still universal.

11670. Is it generally between 6 and 9 per cent. ?—Yes.

11671. Would some of these *zemindars* be *sowcars* themselves ?—Yes, they sometimes do the lending business also.

11672. In your note you refer to something being locked up out of 70 lakhs of rupees. In what sense it is locked up ?—Out of 70 lakhs of rupees 26 lakhs of rupees belong to societies themselves. That is, it is their own share money and reserve. They borrow the balance to make up the 70 lakhs of rupees. Now this whole sum of rupees 70 lakhs does not come for circulation or a good part of it is permanently invested with the cultivators and there is only a certain part, *viz.*, about 32 or 35 lakhs of rupees that comes into recirculation.

11673. With regard to Government *taccavi*, you say that co-operative societies are not consulted, but I think that the Government resolutions and orders are clear on the question of Land Improvement *taccavi* and it is only with regard to the other type of *taccavi* that societies are perhaps not invariably consulted. Do you not think this rule is observed ?—No, not in some parts.

11674. *The Chairman :* Do you know of any district in which it was not observed ?—In Thar and Parkar district it was not observed.

11675. *Mr. V. L. Mehta :* Would you like to build up your relations with the Imperial Bank direct or through the apex bank ?—It will be better if we establish our relations with the Imperial Bank through the apex bank.

11676. About this land mortgage bank will you be able to raise capital only in Sind itself or will you have to approach other markets outside Sind ?—I think it will be easier and cheaper to raise it if we approach other markets as well.

11677. If Bombay has a scheme of a land mortgage bank of its own, will you have the same scheme for Sind or would you only arrange for its co-ordination ?—There are two points : One is the facility of selling debentures for which we have a better market in Bombay, but for us to have a land mortgage of our own is better because our requirements are much greater, possibly half of the presidency or more than that.

11678. The demands for the Bombay Presidency would be too greater ?—I believe the holdings are much smaller there. So the demand might not be greater.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Monday, the 20th January 1930.

Monday, January 20th, 1930.

HYDERABAD (SIND).

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Khan Bahadur AZIMKHAN, Deputy Registrar of Co-operative Societies, Hyderabad.

Replies to the Questionnaire.

SECTION I.

(A) PRESENT SYSTEM BY WHICH THE AGRICULTURISTS IN SIND OBTAIN FINANCE FOR.

(*a*) EXPENSES DURING CULTIVATION.—The main sources of finance for carrying on current agricultural operations in Sind are (1) co-operative societies, (2) the village *sowcar*, (3) Government.

In places where co-operative societies have been well established they generally fulfil the current agricultural requirements of their members. In other places the village *sowcar* is generally the principal financing agent. Regarding Government *taccavi* it may be observed that of late the Government have discontinued giving it under the Agriculturists' Loans Act except perhaps in some specified *talukas* where there is general scarcity. Such *taccavi* is, however, liberally granted when there are floods, famines or other unforeseen calamities of nature.

(*b*) FOR CAPITAL AND PERMANENT IMPROVEMENTS.—The agriculturists execute permanent improvements in their holdings either out of their own savings or by raising loans from *sowcars* or co-operative societies. The Government also annually earmarks a handsome amount for *taccavi* under the Land Improvement Loans Act and advances it to the agriculturists through co-operative societies if the applicant pertains to one, or through the *mukhtiarkars* if he does not.

(*c*) FOR SPECIAL NEEDS, *e.g.*, FAILURE OF MONSOON, LAND REVENUE, ETC.—In Sind cultivation does not depend upon monsoon. The River Indus generally attains a fair irrigational level in summer and some cultivation is, therefore, always possible. There do, however, occur at times failures of crops in some tracts owing to drought, diseases, floods, locusts, frost attacks, etc., and in such instances the co-operative societies as also the *sowcars* grant extensions to their constituents as also fresh advances for subsequent cultivation, though the rate of interest is materially enhanced by the *sowcars* on such occasions. The Government also in bad seasons comes to the rescue of the agriculturists and freely grants postponements and remissions of land revenue to them. *Taccavi* loans and gratuitous relief are also liberally made available to them.

As regards Government land revenue, the agriculturists generally pay it out of the sale proceeds of their crops. The dates on which such revenues are payable are fixed in such a manner as to afford the agriculturists such a facility. In cases, however, when the *zemindars* voluntarily hold back their produce with a view to obtaining better prices, or if their outstanding liabilities exceed their income, then alone is Government land revenue paid by raising loans from the credit and sale societies or from the *sowcars*.

(B) Rates of Interest charged on Loans and Nature of Security, etc.

The co-operative societies advance loans to their members at $9\frac{3}{8}$ to $10\frac{5}{16}$ per cent. per annum, generally on personal suretyship, backed up by the unlimited liability of all the members. The rates of the *sowcar* vary according to the position of his client and the nature of the security offered, *e.g.*, on the security of ornaments he charges 18 to 24 per cent., mortgage of land 24 to 36 per cent., while on personal security he exacts 50 to 75 per cent. It may, however, be observed in this connection that in places where co-operative societies are established the *sowcars* cannot but reduce their rates to some extent just to keep their clients permanently under their thumb. It may likewise be pointed out that the rates at which big merchants advance loans to big and respectable *zemindars* are not so usurious. Even on personal security such a *zemindar* can get loan at about 9 to 15 per cent. The usual condition on which the *sowcars* and merchants advance loans to the agriculturists (whether big or small) is that the produce of the latter must be disposed of through the agency of the former.

Money is seldom borrowed or advanced on the security of the standing crop. In some cases, however, the *zemindars* enter into forward sales with the *sowcars* and obtain cash advances on the strength of such sales. Even in such cases the standing crop is not, as a rule, offered as security.

Period of Loans to Agriculturists.—Ordinarily the agriculturists borrow (from societies as well as *sowcars*) what is technically known as crop loans and their period generally extends from 6 to 8 months, *viz.*, those of the cultivation season. Such loans are generally raised for current agricultural operations, *e.g.*, purchase of seeds, articles of daily requirements, maintenance of *haris*, etc. Co-operative societies with a decent capital advance loans to their members for purchase of bullocks and implements generally for a period of two years. Loans advanced by societies for land improvement or redemption of old debts are repayable in annual instalments extending over 5 years.

(C) 1. Government.—I have already stated above that ordinary *taccavi* under the Agriculturists' Loans Act has, since some years past, been discontinued by Government except in a few very backward *talukas* where general scarcity prevails. Such *taccavi* is, however, freely advanced all round in times of unforeseen calamities of nature, *e.g.*, floods, famine, etc. Government *taccavi* for land improvement is still granted to the agriculturists freely enough. When the borrower is a member of a co-operative society, the *taccavi* is advanced to him through that society which makes itself responsible for repayment of the amount, while in the case of other agriculturists the amount is advanced through the *mukhtiarkars*. With the growth and development of the district co-operative banks the pressure on Government resources for the grant of *taccavi* for land improvement also is gradually decreasing.

2. The Imperial Bank of India and the Joint Stock Banks.—The part played by the Imperial Bank of India and other joint stock banks in agricultural finance in Sind

is practically negligible. They scrupulously avoid to finance the agriculturists direct on a variety of considerations some of which are :—

(1) The agriculturists live mostly in the *mofussil* and the banks have, therefore, no knowledge about their solvency, credit, etc.

(2) The precarious nature of the agricultural industry at times makes it impossible for the agriculturists to keep up their credit and repay the loans to the banks on due date which is the last thing such banks can tolerate.

(3) Owing to the special legislations provided for the protection of agriculturists, *e.g.*, the Dekkhan Agriculturists' Relief Act, the Incumbered Estates Act, the Restricted Tenure Act, etc., the outside credit of the agriculturists has fallen considerably. The joint stock banks do not, therefore, deem it advisable to have any monetary dealings with them. In some cases arrangements are made by some of the influential *zemindars* to obtain short-term loans from the joint stock banks (ranging from 3 to 6 months) but in these cases also the banks invariably insist upon having sureties who are very well known to them and who are not agriculturists themselves.

Last year the Imperial Bank made a move towards financing agriculturists. They made cash advances to them up to about 60 per cent. of the value of produce deposited with the Bank and charged about 7 per cent. interest thereon.

3. Co-operative Banks.—There are about 900 agricultural credit societies in Sind which finance nearly 30,000 agriculturists. Their working capital amounts to nearly 68 lakhs. Of this 26 lakhs or 38·5 per cent. have been contributed by the members themselves in the shape of shares, deposits and reserve fund, while the remaining 41½ lakhs or 61·5 per cent. is outside capital raised as loans from district co-operative banks or non-members' deposits. There are 6 district co-operative banks in Sind with a working capital of Rs. 83 lakhs serving all the 7 districts of the Province. The district banks are the chief source of finance to co-operative societies and their loans on 31st March 1929 aggregated Rs. 36·5 lakhs or 52 per cent. of the total working capital of societies on that date. The agricultural credit societies advance loans to their members up to Rs. 500 per member and up to 1,000 in exceptionally deserving cases with the previous sanction of the Assistant Registrar. There are besides 3 *zemindari* banks in Sind (in Mirpurkhas, Larkana and Shikarpur) whose maximum limit of lending is Rs. 5,000 per member. In Larkana district, where there are very big *zemindars*, the maximum limit of lending is higher still, *viz.*, Rs. 10,000 (Rs. 5,000 for current loans and an equal amount for old debts and land improvement). The total amount of loans outstanding against the members of agricultural credit societies at the end of the last financial year amounted to Rs. 58·5 lakhs which works out to Rs. 166 per member.

4. Indigenous Banks and Bankers.—These do not play any important part in the finance of the agriculturists in Sind, the reasons being probably the same as those shown in the case of joint stock banks.

5. Professional Money-lenders.—In tracts covered by co-operative societies the agricultural finance is mostly controlled and governed by that agency. In places, however, where co-operation has not yet set its foot, the village *bania* continues to be the sole financier. He advances money to the agriculturists when needed and also supplies them with seed and articles of daily use. Owing to excessive greed for earning interest he

freely lends money to *zemindars*, sometimes on absolutely no security except perhaps the good sense of the borrower to repay. During famines and floods the same greed prompts him to grant extensions for the existing debts as also fresh advances for further cultivation.

6. MERCHANTS AND DEALERS.—These people carry on speculative business with the agriculturists. Before the crops are ready, specially paddy and cotton, some of the *zemindars* enter into forward contracts with the merchants and obtain cash advances from them. Ordinarily the *zemindars* obtain earnest money at Rs. 2 per maund of produce (promised to be sold at harvest), but if he requires more money as advance, the rate of produce offered to him is much reduced. Some of the big *zemindars* again require large amounts for their cultivation and in places where there are no *zemindari* banks (who can advance loans up to Rs. 5,000 per head) the local dealers grant cash advances to them wherewith they carry on cultivation. The dealers make such advances on interest varying from 9 to 15 per cent. but also impose a condition that the produce when ready will be sold to them or through them.

Generally the *zemindars* have account with the *sowcars* and no security is given for the loans taken partly in cash and partly in kind. In case, however, a substantial cash loan is required by the *zemindar*, the *sowcar* insists upon having his land in mortgage.

(D) ESTIMATE OF THE TOTAL AGRICULTURAL REQUIREMENTS OF THE AGRICULTURISTS IN SIND FOR EXPENSES DURING CULTIVATION.—In Sind the total area under cultivation comes to about 23 lakh acres. Calculating roughly the average cost of cultivation at Rs. 25 per acre, the total finance required for arable land will be about Rs. 5,75,00,000 or Rs. 6 crores nearly. Of this co-operative societies finance the agriculturists to the extent of about Rs. 70 lakhs or nearly $\frac{1}{8}$th of their total requirements.

OTHER REQUIREMENTS, *e.g.*, CAPITAL AND PERMANENT IMPROVEMENTS, AND OTHER SPECIAL NEEDS.—There is no data from which the above particulars could be furnished with any degree of accuracy, but my personal view is that about 2 crores must be required under the above heading.

(F) DEFECTS IN THE EXISTING SYSTEM OF FINANCE.—In paragraph 1 (D) above, I have observed that co-operative institutions have been financing the agriculturists up to about $\frac{1}{8}$th of the total requirements. The percentage of Government finance is also not very large. The bulk of the finance is thus still in the hands of the *sowcars*, which system of finance is the most defective and highly prejudicial to the interests of the agriculturists for obvious reasons. In the first place the *banias* charge heavy interest which, in case of the *zemindars*' failure to pay during the year, is added to the principal and the amount thus goes on swelling and in a short time becomes a heavy load. Again when the crops are ready the *zemindar* generally is under an obligation to sell his produce to his financing agent who cheats him in every possible way. He does not quote to him the correct prices (which even in the ordinary course are the lowest at harvest time) and in weighing also he uses his underhand tactics. The amount that accrues to the *zemindar* is then credited to the running account with the *sowcar* and as a net result of the year's toil the agriculturist generally finds that there is still some balance of the *sowcar* outstanding against him. This perpetual indebtedness of the agriculturists makes them rather pessimistic and they do not, therefore, devote their heart to the work with the result that the outturn of the crop is generally very poor. To guard against all possible chances of loss due to failures of crops under such circumstances as also to

safeguard their interests against the protective legislation provided for the agriculturists, the *sowcars* do not make cash advances except by having the agriculturists' land in mortgage or by having conditional sale deeds executed therefor. In the event of failure of repayment the land passes out of the hands of the agriculturists, and it has been found that every year big areas of such lands are being thus alienated from the hands of the agriculturists.

REMEDIES.—The following, in my opinion, are the potent remedies against the existing defects :—

1. Expansion and development of co-operative societies (credit and sale) and *zemindari* banks at all possible centres.

2. Flotation of land mortgage banks to redeem the old debts of *zemindars*.

3. To take steps for the application of the Land Alienation Act and also to frame a Rural Insolvency Act.

4. In order to prevent exploitation of agriculturists some special rules may be passed whereby the rate of interest of the *sowcar* may be fixed. He should also be required to maintain his accounts in prescribed forms and furnish copies thereof to the agriculturists periodically.

5. Licenses may be issued to professional money-lenders and their names may be registered.

It may in this connection be observed that whatever facilities and special legislation may be provided to protect the interests of the agriculturists and to help them in their profession, they cannot derive adequate benefit unless and until they are educated and are able to understand what is good or bad for them. Steps may, therefore, be taken to multiply schools in every corner of the Province so that the illiterate masses may at least learn up the three R's (*i.e.*, reading, writing and arithmetic).

CO-ORDINATION AMONG THE VARIOUS CREDIT AGENCIES.—At present there is practically little co-ordination among the various credit agencies and I would like to offer the following suggestions in that respect :—

1. The Imperial Bank of India which at present enjoys all the reserves of Government should be more accommodating to co-operative banks. The best form in which it can do so will in my opinion be to grant loans to co-operative banks up to about 75 per cent. of the value of the promissory notes of co-operative societies offered to them as collateral security. This concession will be found very useful particularly at a time when district banks are handicapped in meeting the calls of their depositors in the event of failure of crops, etc.

The Imperial Bank may also be moved to raise the present limit of encashing cheques of co-operative banks at the office of issue from Rs. 5,000 to Rs. 20,000. Needless to say that such cheques should be only for *bona fide* co-operative purposes.

It may also give interest on current deposits when they exceed Rs. 5,000.

The Imperial Bank should assist in the finance of the land mortgage bank. The best way in which it can do so will be to give advances to the mortgage bank up to about 75 per cent. of the value of the land mortgage bonds deposited with the bank and endorsed in its favour.

QUESTION 2.—The staple money crops of this Province are cotton and paddy though in a good many tracts of Upper Sind wheat is also produced in a large quantity.

COTTON.—Cotton is mainly the product of Hyderabad, Nawabshah and Thar and Parkar districts. Unlike the rest of the Presidency there are no organized markets for the sale of cotton in Sind. In central places of cotton growing areas, *e.g.*, Mirpurkhas (district Thar and Parkar), Tando Adam, Shahdadpur, Nawabshah (district Nawabshah), Hyderabad and Tando Jam (district Hyderabad) are situated big ginneries largely owned by exporting firms like Ralli Brothers, Volkart Brothers, etc. There are some Indian merchants also who own ginning factories. The sub-agents or brokers of these factories go about the villages in the season of cotton picking and purchase seed cotton direct from the growers on their fields. Generally the growers make forward contracts through these brokers for the sale of their standing crops and obtain earnest money at Rs. 2 per maund of *kapas* under transaction. The balance according to the terms of the contract is payable by the merchants at delivery time, though in actual practice it is found that it is paid long afterwards at the convenience of the purchasers. The purchasers, who are invariably the factory-owners, gin and press the *kapas* and book it to Karachi. Up to this stage I do not think any financing agency helps the dealers in this commodity, but as soon as the cotton bales are booked for Karachi, the sellers write *hundis* to the extent of about 75 per cent. of the value of cotton so booked on commission agents to whom the goods are consigned in Karachi. The commission agents or the actual exporting firms, who are the purchasers in the last stage, at Karachi have arrangements generally with the Imperial Bank of India and other joint stock banks for financing them against the security of cotton bales stored under the Bank's charge. When the bales are shipped, the exchange banks in Karachi discount the documents of the exporting firms.

PADDY.—Paddy is the biggest staple crop in Sind and is largely grown in districts Larkana and Sukkur of Upper Sind and Lar tract of districts Karachi and Hyderabad of Lower Sind. In the Nara Valley division of district Thar and Parkar also paddy is grown on a fairly extensive scale. There are different practices regarding the marketing of paddy in different tracts of the Province, *e.g.*, in Larkana district there are situated a number of husking mills in all the centres of paddy areas. The owners of these mills finance very liberally the intermediate buyers who, after making purchases either at the villages of the agriculturists or at the factory where the paddy is brought for sale, have it husked in the mills and booked to Karachi or other markets of consumption through the owner of the mill. When the price of the paddy so booked is received at the mill, the millowner recovers the amount advanced by him to the intermediate purchaser *plus* interest thereon as also his husking charges, commission as the selling agency, etc. In other places again there are wholesale merchants who purchase large stocks of paddy independently and after having it husked at the mills arrange for its sale also independently.

Till paddy is in the *mofussil* towns all the credit facilities (in the course of marketing) are provided by the millowners or local traders, but the moment it arrives Karachi or other destinations it is the joint stock banks or the indigenous bankers who finance the business.

As regards the possibilities of forming pools and of co-operative efforts generally in the marketing of produce it may be observed that owing to peculiar conditions of Sind it has so far not been possible for the agriculturists to pool their produce and dispose of it on wholesale basis. Unlike the Presidency there are no organized markets in Sind for the disposal of produce. In the *mofussil* the agriculturists have no godowns where they may store their produce; again there are the difficulties of transport, *e.g.*, purchasing gunny bags, hiring transport animals, etc. Lastly there is the system of forward sales

which is so common to Sind. All these factors combined make it difficult for the agriculturists to sell their produce jointly and obtain fair prices and correct weights therefor. An attempt has been made since the past few years to sell the produce of *zemindars* through the agency of co-operative sale organizations and about half a dozen sale societies have been set afloat with this aim in view. In the Lar tract the sale societies are dealing in paddy and have made a fairly successful beginning. The members of the existing credit societies round about the sale societies are required to enter into an agreement to the effect that they will not sell their produce except through the sale society. It is only when they enter into this sort of agreement that the co-operative credit societies advance loans to them. Owing, however, to the special features of marketing pointed out above, *e.g.* :—

1. Want of storage godowns,
2. Want of means of transport, gunny bags, camels, etc.,
3. Bad roads,
4. Firm grip of the middlemen in the business,
5. Violent fluctuations in the rates of produce specially cotton on account of which the agriculturists are generally inclined to enter into forward sales which is nothing short of speculation,

the working of the sale societies is beset with peculiar problems which it will take some time to solve and overcome. In my opinion the operation of the Marketing Act will to a very great extent help in a profitable disposal of the agriculturists' produce as also help materially towards the growth and development of co-operative sale societies.

The opening of the Barrage also will in my opinion contribute materially to the development of sale societies as large stock of cotton and other valuable produce will be available at each village or a group of adjoining villages.

QUESTION 3.—The Province of Sind is very vast and contains a large variety of soil, modes of irrigation, climatic conditions, etc. The value of land in it also therefore varies accordingly and ranges from Rs. 10 to Rs. 600 per acre.

The value of arable land among other things is chiefly determined by the different modes of irrigation which mainly are :—

1. Flow.
2. Flow aided by lift.
3. Lift.
4. Well.
5. *Barani.*

FLOW LANDS.—With the flow irrigation are grown different kinds of crops according to the climatic conditions and quality of soil. For instance, in places where there is abundance of flow water and the level of the land is low and the nature of soil sweet, the very best varieties of rice are grown there and the value of the land ranges between Rs. 200 and Rs. 500 per acre. If, however, the soil contains *kalar* rice of an inferior quality is grown there and the value of land ranges between Rs. 75 and Rs. 100 per acre.

Cereal crops also flourish well in flow lands, and if the soil is sweet and capable of retaining moisture, *rabi* crops also thrive well therein. The value of such lands ranges between Rs. 100 and Rs. 300 per acre.

FLOW AIDED BY LIFT.—Under this mode of irrigation only dry crops are grown and the value of such lands is about 25 per cent. less than the value estimated for flow lands (for dry crops) which works out from Rs. 75 to Rs. 205 per acre.

LIFT CULTIVATION.—The value of land under this class varies from Rs. 30 to Rs. 200 per acre according to the level from which water is to be lifted, degree of certainty of water supply, proximity to the main canals and quality of the soil.

WELL CULTIVATION.—This mode of irrigation has been found to be the most suitable in some tracts of north and middle Sind and the Malir tract of Karachi. It provides water for all the 12 months of the year and the supply is besides assured. It is, therefore, possible to grow some of the most delicate and valuable crops on this mode of irrigation. The value of such lands ranges between Rs. 300 and Rs. 600 per acre according to the quantity and quality of subsoil, water available and the depth from which it has to be lifted.

BARANI.—There is no regular monsoon in Sind. There are big tracts like Thar and Kohistan which entirely depend upon rain water. These tracts, though very vast, are thinly populated and are beyond the capacity of the existing population to cultivate, even when there is good rain. The land there has therefore no value. However, in a few convenient places where cattle-owners have settled down and small villages have sprung up, the land may be said to be worth about Rs. 10 to Rs. 20 per acre.

From the above it will appear that irrigational facilities are the chief factors which determine the valuation of land and in addition, therefore, the following other points are also taken into consideration in arriving at the valuation :—

1. Proximity to towns.
2. Proximity to Railway stations.
3. Existence of good roads.
4. Existence of sweet subsoil water for drinking purposes.

The above valuation relates to the sale of land by private and voluntary negotiation. Things are, however, different when lands are sold in auction for the payment of Government land revenue or court decrees. In such cases the price realized is hardly 50 per cent. of the value ordinarily received.

QUESTION 4.—In Sind the lands granted to agriculturists under the Restricted Tenure Act and Act III of 1899 cannot be mortgaged except with the previous sanction of the District Officer. Lands released from the protection of the Manager, Incumbered Estates in Sind, also cannot be mortgaged beyond the life-time of the mortgagor without the previous sanction of the Commissioner in Sind.

There are no land mortgage banks in Sind at present. There are 3 *zemindari* banks (at Mirpurkhas, Larkana and Shikarpur) which advance loans to big *zemindars* only, paying assessment of only Rs. 500 or more up to a maximum limit of Rs. 5,000 (The Larkana Bank in special cases, however, lends up to Rs. 10,000). Their function is exactly similar to that of ordinary credit societies, only with this difference that, while the latter are based on the principle of unlimited liability, the former have with special sanction of Government been permitted to work as limited liability concerns.

The Sind Central Co-operative Bank as also the other district banks of Sind have begun advancing long-term loans also, for redemption of old debts, and such loans are ordinarily

repayable in five annual instalments. The total amount of such loans outstanding on 31st March last was about Rs. 1½ lakhs.

Owing to illiteracy and general backwardness of the people of Sind they have accumulated heavy debts, for redemption whereof there appears no remedy but to grant them long-term loans. These could only be possible after the flotation of a land mortgage bank. Moreover, in view of the coming Barrage, there is expected to be a great demand for capital for purchasing land, effecting improvements in it, providing costly machinery and implements to substitute manual labour, etc. In my opinion, therefore, it is high time that a land mortgage bank should forthwith be started in Sind. The lines on which such a bank should work will be the same as those followed by such banks in the Presidency proper.

4. (*a*) IMPROVEMENTS IN THE RECORD OF RIGHTS.—At present the area standing in the name of each petty *khatedar* is not probably being shown in the village records though anna share of all the *khatedars* is being shown. It will be better if the area of each petty *khatedar* also is shown in the village records.

(*b*) SIMPLIFICATION OF THE PROCESS OF FORECLOSURE AND SALE.—The arbitration rules, as they exist at present, are good enough for land mortgage banks too.

The working capital of the mortgage bank proposed for Sind should largely be derived from debenture bonds, minimum rate (five and half per cent.) of whose interest should be guaranteed by Government. Government should not guarantee the principal amount of the debentures.

To secure Government against unnecessary loss arising out of the above guarantee I would suggest that the valuation of property accepted by the bank in mortgage may be made by an officer of Government, *e.g.*, the *mukhtiarkar*. The bank will accept in mortgage land worth at least twice the amount of loan and hence its interests will be well secured. Further, Government may have some representation on the board of management of the mortgage bank. With these safeguards the interests of Government will be adequately secured.

QUESTION 6.—Under this head may be classed the following industries allied to agriculture, though it may be observed that very few of the agriculturists take proper advantage of them—

1. Rice husking.
2. Cotton ginning.
3. Wheat threshing.
4. Dairy farming (including cattle breeding).
5. *Gur* making.
6. Hand spinning.
7. Basket and matress weaving.
8. Poultry rearing.

In my opinion there is much scope for organizing agencies which may collect the produce of the above industries and make arrangement to dispose of the same in market towns. At present the finance of such small industries is absolutely in the hands of the middlemen and while the price realized by the producer is very small, the amount paid for it by the consumer is very great. Immediate steps to organize the dairy and poultry farming could be taken in Sind with an appreciable degree of success. For instance the

cattle-owners in the *mofussil* villages produce milk, and in the absence of proper facilities for marketing it they take out butter and *ghee* from it which brings them a return of about Re. 0-1-3 per seer. If all the milk of a few villages is collected in one place, and disposed of collectively in a good market place, it will fetch at least Re. 0-3-0 per seer and will yield the milkman proper at least a return of Re. 0-2-6 per seer or cent. per cent. more than what he is getting at present.

Likewise poultry agencies could be organized in centres of groups of villages and eggs and chicken collected thereat. The same could be sent on to market places for sale where they will fetch much more than in the villages. In that way agencies could be organized for selling all the produce of village industries in market places at appreciably greater prices.

By organizing co-operative cotton ginning factories and paddy husking mills, etc., also we could enable the producer to get a better return for his produce.

EMPLOYMENT OF THE FARMER DURING THE OFF SEASON.—The amount of spare time at the disposal of the farmer in Sind varies according to the local agricultural conditions. In places where both *rabi* and *kharif* crops are grown the cultivator is practically busy throughout the year, but where there is only one crop, the agriculturist remains busy for about six months only. During the slack season the good agriculturist generally engages in dry ploughing, carrying his produce to the market for sale, clearing water courses, collecting manure, etc. The Sindhi agriculturist, however, (whether he is a *zemindar* or a *hari*) is generally apathetic by nature and does not easily make up his mind to employ his leisure time usefully and profitably. Moreover, he deems it derogatory to do any manual work not connected directly with agriculture. He is very fond of cattle breeding and rearing and disposing of milk, butter and *ghee* produced therefrom, but unfortunately this industry cannot be pushed on to any extensive scale on account of want of pasture lands. There are some herdsmen whose only profession is cattle rearing, but they too, in the absence of pasture lands, have to move about from place to place to feed their cattle. If such pasturages are provided in convenient places, it will be easy for the cultivator to take more interest in cattle breeding as a subsidiary occupation.

I would further very much advocate the establishment of industrial factories in rural areas. This has the advantage of removing congestion in big towns and distributing the existing population between towns, cities and villages in a more rational proportion. Government can prohibit the establishment of more factories in big towns on grounds of sanitation, etc., and divert them to rural areas by granting them plots at concessional rates, providing facilities for water, communications, etc. The factories cannot have agricultural labour to them permanently, as there is already shortage of it in Sind, but the spare time of the Sindhi agriculturist would be very usefully and profitably employed by working at such factories. There is a fairly good scope for subsidiary work to which the agriculturist can revert in the off season, *e.g.*, canal clearance societies, rope making, net and basket weaving, etc., but much propaganda is needed to move them to shake off their habitual apathy and lethargy and betake to useful industry.

Regarding the finance required to develop the above industries on co-operative basis it may be observed that the nucleus of capital must in the first instance come from the members themselves in the shape of shares or deposits and this amount could be supplemented by Government subsidies.

The question of marketing facilities for the products of such industries will arise only after such industries are actually organized and developed.

QUESTION 6 (A).—There are in Sind several small industries which are not in any way connected with agriculture, *e.g.*, weaving, pottery, lacquer work, dyeing work, calico printing, etc. These industries could also be helped by co-operation and actually about half a dozen weavers' societies have been started in Sind which are thriving well. The capital required for them is being furnished by the district banks.

The other industries pointed out above do not admit of co-operative effort and the Director of Industries is trying to see that they are helped to grow and gain strength.

QUESTION 7 (A).—It has already been stated above that the co-operative banks have no dealings generally with the joint stock banks except that in the case of some of the approved joint stock banks the surplus monies of the co-operative banks are allowed to be deposited. The Imperial Bank of India again cashes at the office of issue the cheques of the district co-operative banks drawn by them on the Apex Bank at par up to a minimum limit of Rs. 5,000. It has also granted cash credit of Rs. 1 lakh to the Sind Central Co-operative Bank of Karachi.

(B) AND (C).—There is at present no difficulty in the matter of finance of co-operative societies in regard to short-term loans. The district banks in Sind enjoy good outside credit and hence they are freely getting deposits which are generally for short terms. Some of the banks have reached their maximum borrowing capacity and have at times actually to refuse deposits to keep within the prescribed limit.

As regards long-term loans the societies in some of the deserving cases have been meeting the needs of their constituents, though it must be stated that with a view to execute redemption of old debts and land improvements on a large scale much long-term capital will be required for which a land mortgage bank is deemed to be very necessary. At present our district banks do not get long-term deposits.

(D).—There is no competition in this Province between co-operative banks and joint stock banks.

(E).—In my opinion the following concessions, if granted to co-operative banks and societies, will go a great way to stimulate and strengthen the Movement.

1. Inclusion of the Bombay Provincial Co-operative Bank's debentures in the list of trustee securities.

2. At present co-operative banks are debarred from the privilege of depositing trust monies and funds of the Court of Wards, etc., which are generally for very long periods. A provision may be made, if possible, whereby such funds may be placed with co-operative banks approved by the Registrar.

3. The Imperial Bank of India may be placed under the statutory obligation to finance co-operative banks on the security of promissory notes of co-operative societies endorsed by co-operative banks.

4. The district and urban banks may be permitted to draw on their current accounts with the Apex Bank by presentation of cheques at local branches of the Imperial Bank up to the limit authorized by the Apex Bank.

5. The district and urban banks may be permitted to receive loans and deposits up to ten times their paid up share capital *plus* the reserve fund.

6. The Imperial Bank of India may be moved to grant at least 2 per cent. interest on current account of co-operative banks and societies.

(F).—(*a*) THE AGRICULTURISTS.—In my foregoing paragraphs I have already observed that the Co-operative Movement has so far been meeting one-eighth of the total requirements of agriculturists of the Province.

As regards the finance of the small traders and the industrialists it may be observed that there are in Sind 30 societies organized for the purpose, with a membership of nearly 8,000. Their working capital on 31st March last aggregated nearly Rs. 30 lakhs and the loans outstanding against the members on that day aggregated about Rs. 25 lakhs. The average capital per member works out to Rs. 375 which, in my opinion, appears satisfactory. There is still a vast scope for financing both the agriculturists and the artisans through the co-operative agency. In the sphere of agriculture there is bound to be a great demand for further capital after the coming of the Barrage and it is hoped that the co-operative institutions will rise equal to the occasion, and provide adequate capital for the agriculturists, artisans and traders.

QUESTIONS 8 AND 9.—PROTECTIVE LEGISLATION FOR AGRICULTURISTS.—The existing protective legislation has affected the outside credit of the agriculturists adversely. The joint stock banks or indigenous bankers do not, as a rule, finance them. The village *sowcars* also are very cautious before advancing monies to them. Even for financing articles of daily requirement during the course of cultivation season they get bonds (inclusive of their usurious rates of interest) executed by the agriculturists in advance. When cash loans of a substantial amount are required, the *bania* gets conditional or in some cases even outright sale deeds executed and if repayment is not made within a stipulated period the land passes out of the hands of the agriculturist. It will thus be observed that the provisions of the Dekkhan Agriculturists' Relief Act, though meant to safeguard the interests of the agriculturists, are being tactfully evaded to the detriment of the agriculturists.

The advantage of the Usurious Loans Act has not so far been availed of as the agriculturists generally are quite ignorant of it. Even the educated people in most cases are not aware of the existence of such a legislation. It will be found to be very popular with the agriculturists if some propaganda is carried on and wide publicity given to it.

There are already a number of Acts provided to protect the agriculturists and the enactment of more Acts like the Punjab Land Alienation Act, the English Money-lenders Act, The Punjab Money-lenders Bill, etc., will also be welcome, but in order that the agriculturists may take due advantage of them they must, in my opinion, be trained in the first instance to acquire education, good habits, moral character, etc.

SECTION III.

The following are the institutions in existence for encouraging savings and investment habit among the people :—

1. Post office savings banks.
2. Joint stock banks.
3. Postal cash certificates.
4. Co-operative societies and banks.
5. Local *Sowcars.*

Advantage of the above is generally taken by the educated people in big towns. In rural areas the habit of thrift and laying by was practically unknown before and it is only after the opening of co-operative societies that people have begun to realize the benefits of savings habits to some extent. The co-operative societies do not, however, afford them sufficient facilities to make full use thereof because there do not exist any means of keeping adequate fluid resource available and profitably invested at the same

time. The co-operative societies can, therefore, accept fixed deposits only. Savings bank accounts are opened in a few good societies in close vicinity to district banks. If post office savings bank branches are extended to small villages the educated people will doubtless take advantage of them, but so long as illiteracy prevails among the masses they cannot make use of such institutions to any appreciable extent.

The influence of insurance and provident societies has not spread to rural areas. In urban areas too these institutions have so far brought under their fold the educated people only. This shows that education of the masses must precede any attempt to encourage them to make use of the banking institutions for laying by their savings.

So far the co-operative societies have been able to finance part of the agricultural population and teach them the habit of laying by something for the rainy day in the shape of shares in the society.

If an urban co-operative bank is opened in each municipal and *taluka* headquarters town it will afford sufficient banking facility and will also serve as an incentive to the people to save. The facility of post office savings bank should also be extended to as many villages as possible.

There used to be a practice in former times on the part of the agriculturists and other people having objection to take interest to leave their surplus money with the local *sowcars* and traders and draw on them whenever necessary. Such *sowcars* and traders allowed them the privilege of overdraft in case of need. During recent times there is manifest a lack of confidence between the agriculturists and merchants with the result that that system had died out.

Fortunately the keen feeling of Mussalmans against taking interest from bank is dying out and gradually they are considering bank interest as a part of business profit, and are ceasing to have religious objection against it. With the growth of education and development of the Co-operative Movement the adverse feeling against interest (whatever of it remains) will die out automatically.

The old conservative people of India do not like to invest their money in banks wherefrom it could be diverted towards the economic development of the country. They are afraid that by doing so they will be exposing their riches to danger and evil eye. Banks might fail, they might be called upon to make contribution towards loans or charitable enterprises and thus lose their money. They, therefore, prefer to bury up their riches by purchasing gold and silver. Some of them go on purchasing agricultural land and thus adding to their wealth.

2. POSTAL CASH CERTIFICATES.—Post office cash certificates are a very popular mode of investment particularly with the mediocre class of people of urban areas. The educated public of such areas are taking the best advantage of this investment. As regards the uneducated masses of the *mofussil* areas I do not think they are availing themselves of this facility to any appreciable extent. This is very probably due to their ignorance of the boon. In my opinion, if propaganda is carried on in the *mofussil* only for a year or two to popularize the purchase of postal cash certificates, the results achieved will be very satisfactory. The post masters at the branch offices could very conveniently attend to this work by having hand bills and instructions distributed broadcast amongst the public. The rate of interest on postal cash certificates has recently been increased from 4½ to 4¾ per cent. compound interest which, in my opinion, is quite reasonable and no change therein is suggested.

Khan Bahadur Azimkhan.

Postal savings banks, in my opinion, do afford all facilities to the public though in the *mofussil* it will probably be better if at the time of withdrawal the branch or the sub-post office entertain withdrawal applications immediately on presentation. At present I understand the withdrawal application has first to be sanctioned by the head office and then alone is payment made at the branch post office. This entails delay at times much to the inconvenience of the depositor.

Like the post office cash certificates the post office savings banks are also largely patronized by the educated public of the middle class. The illiterate masses are not taking due advantage of the system for obvious reasons. The system is, however, well known to the public and no propaganda is necessary. With the growth of education among the people and with the improvement of their financial position the post office savings banks are sure to gain further popularity.

The Government cannot in any way be said to be competing with other banks by offering attractive rates of interest. 4¾ per cent. interest on fixed deposits of a minimum period of one year is probably the lowest rate any bank is offering and in my opinion it cannot be called competitive.

In big towns and cities the people use their money in developing and expanding their industries or business wherein they may be engaged. The surplus, that they may have, they invest in bank shares, Government securities, etc. There are again the salary earners who also lay by their savings in the above manner.

The case is, however, different in the *mofussil* villages where a very large majority are agriculturists. The agricultural industry is very precarious, subjected as it is to the caprices of the river, uncertain climatic conditions, crop pests, etc. It has been observed that in Sind the agriculturists hardly get a good crop once in three or four years. The small agriculturists, therefore, even in a season of plenty have hardly anything to save after meeting their liabilities of previous years.

In the case of big *zemindars*, if they have any surplus funds, they usually spend them in unprofitable ceremonial expenses or idle pursuits. The more industrious of them invest their funds either in purchasing additional land or cattle or by purchasing jewels, gold and silver ornaments. A very small minority of them, *e.g.*, the intelligent and educated *zemindars* invest their monies in banks.

The farmers in Sind do not, as a rule, lend money to fellow agriculturists. In the first place they have hardly anything to lend, but even if they have something to spare, they do not lend it firstly because of their religious objections against interest and secondly because of their doubts about repayment, etc.

In some instances (though very few) Hindu *zemindars* do advance loans to their *haris*, neighbouring *zemindars* and fellow agriculurists, and they charge them interest ranging from 18¾ to 24 per cent.

Oral Evidence.

11679. *The Chairman :* Khan Bahadur Azimkhan, you are the Deputy Registrar, Co-operative societies, Sind ?—Yes.

11680. For how long have you been in the Co-operative Department ?—I took charge on the 1st April 1918.

11681. Would it be correct to say that the Co-operative Movement in Sind has been so far mainly directed to help the small *khatedars* ?—Yes. We have *haris* also. Two

years after my taking over charge, I was told that the actual cultivator was the *hari* and, therefore, he should also be helped. So we allowed the *haris* to come in and there are mixed societies. Several large landholders also represented to us that they did not receive any help from the Movement though they helped it. So, for these persons also, we organized *zemindari* banks.

11682. We find that the societies here are organized on a different line from that of the Presidency ?—Yes ; on the share capital.

11683. Are there any societies which have no share capital ?—No, all of them have share capital. In agricultural societies the value of a share is Rs. 20 payable in ten annual instalments. Ordinarily every member is induced to purchase five shares, that is to say, he has to pay Rs. 10 per year. Thus it comes to Rs. 100 per member at the end of 10 years. But then there are other members who are paying from Rs. 20 to Rs. 100 annually towards share capital and have built up a very good sum.

11684. After beginning to contribute towards five shares, do they increase the number of their shares ?—Yes ; in many cases they do so. In fact, when societies were first started the members used to take only one or two shares, but now they are taking many shares. Several *zemindars* are even paying Rs. 100 per year.

11685. What is the advantage of this system over the system prevailing in the Presidency ?—This system increases the members' own capital.

11686. Do the small landholders' societies finance the *khatedars* and their members fully ?—Generally in Sind there is much illiteracy amongst agriculturists and being in the grip of money-lenders, they are generally not honest and thrifty. Therefore the societies, though they take care in selecting members yet with a view to test the loyalty and honesty of members, grant small loans of Rs. 100 or Rs. 200 in the first year, in the second year Rs. 300 and so on.

11687. Do you say that in the first three years societies do not finance their members fully ?—Yes. But after the third year they are fully financed.

11688. Do the small *zemindars* go to *sowcars* for finance ?—No. In fact, the *sowcars* refuse to give loans to members of societies.

11689. After you assumed charge did you find a large number of *haris* coming into co-operative societies ?—Yes. In Thar and Parkar district nearly half the society members are *haris* and in Nawabshah and Larkana about one-third.

11690. Is it also the practice for *zemindars* to finance *haris* ?—Yes ; but we have to finance *zemindars* in order to enable them to finance *haris*.

11691. Is it better to finance *haris* through *zemindars* or direct by co-operative societies ?—Our experience has shown that it would be better to finance *haris* through *zemindars*.

11692. Does a *zemindar* use all the money in financing *haris* or does he use part of it for other purposes ?—He has to undertake the water course clearance and has to spend something for the improvement of the land in addition to the advances he makes to the *haris*.

11693. But what is your objection to the financing of *haris* direct ?—My objection is based on the fact that during the last three years the crops have failed and consequently the *haris* have migrated to other places and left their own *zemindars* also. One does not therefore know how to trace them.

11694. But you have their sureties ?—But those sureties say, " You first try to find out the *hari* and try all your means and if he does not pay you, we shall pay up ". Besides in some cases the committees have taken *haris* as sureties for *haris* and in such cases it has been difficult to recover the dues.

11695. Are there large arrears from *haris* on this account ?—There is a fair amount.

11696. If a *zemindar* stands surety, is it not a better system to advance directly to *haris* ?—Even now-a-days, the *zemindars* do not repay on behalf of the *haris*. They say, " Do your best to trace out the *hari* first and then come to us ".

11697. In the Thar and Parkar district where you say half the number of *haris* are members, have they been able to save by means of contribution towards share capital ?—Yes.

11698. How much do they usually contribute ?—They take five shares at least. That is to say, they would save Rs. 100 in ten years. In some cases some *haris* have even contributed Rs. 20 per year which will give them Rs. 200 at the end of ten years.

11699. How many *zemindari* banks have you got which advance up to Rs. 5,000 ?—There are three such banks ; in the case of Larkana we have gone a step further. The bank is at present giving Rs. 5,000 for current expenditure and Rs. 5,000 more for debt redemption.

11700. What is your experience about *zemindari* banks ? Have they been working satisfactorily ?—Yes. They have been meeting the needs of the fairly big *zemindars*.

11701. Is there any check used over the use of loans ?—Yes. The inspector of the bank goes round and sees how the money has been used ; he sees how much land is cultivated and makes a report to the bank whether the money has been used properly.

11702. Does a big *zemindar* member also go to a *sowcar* ?—Not necessarily ; but if he is a very big *zemindar* he has to go to a *sowcar* as the existing *zemindari* banks even cannot accommodate him.

11703. Do those for whom Rs. 5,000 will suffice go to *sowcars* ?—No.

11704. Have you devised any steps by which these people can be induced, if not compelled, to save ?—A member who has a share capital of Rs. 1,000 at least can alone get Rs. 5,000. Some of the members save their money by way of deposits also.

11705. Is there much by way of deposits in any of these banks ?—Yes, particularly in Mirpurkhas Bank.

11706. How old that Bank is ?—It is five years old.

11707. What is the amount of deposit there ? Will it be a lakh ?—Yes ; more than a lakh.

11708. Have you introduced the compulsory deposit system ? No ; we have got share capital system.

11709. Do they increase the share capital as they do in the case of small societies ?—No.

11710. Then there is a greater need for share capital ?—According to bye-laws every member has to subscribe Rs. 1,000 in order to be able to get a loan of Rs. 5,000.

11711. Has no one more than Rs. 1,000 ?—Not generally. In the beginning, however, when the bank was started, we had obtained Rs. 2,000 from some people as voluntary share capital.

11712. Is this allowed ?—It is allowed up to Rs. 3,000..

11713. In the case of members of a primary society, besides their share capital, have they been able to save anything ?—I have seen in Sind that generally in good years the members bring their savings to the society.

11714. Are there savings deposits in some societies ?—Yes. For example, in Tando Allahyar in case of some societies the members deposit their money at crop time and withdraw it at the time of sowing.

11715. What has happened during the last three years ?—They have withdrawn their savings on account of failure of crops.

11716. Is it a rule in these societies that the dividend is not to be distributed for the first ten years ?—Yes. According to bye-laws, the profits of societies are not to be distributed for the first ten years ; and after this period half of the accumulated profits are distributed amongst members and half are transferred to reserve fund.

11717. There must be several societies which are of more than ten years' standing ?—Yes. They have adopted now a resolution that all the ten years' profits, in order to keep the owned capital intact, should go to the reserve fund and that instead interest on loans be reduced from $10\frac{5}{6}$ to $9\frac{3}{8}$ per cent.

11718. Are there many societies of ten years' standing which have a large reserve fund ?—Yes.

11719. Are any of these societies in a position to stand on their own legs ?—In Sinjhoro *taluka* we have 6 or 7 societies which have a working capital (share capital and reserve fund) of Rs. 15,000 to Rs. 20,000 each and they do not borrow even from the Central Bank.

11720. This means that in these 10 or 15 years they have accumulated sufficient money to be able to do away with going in for any loan from the Central Bank for their current ordinary purpose ?—Yes.

11721. What is the rate of interest they charge ?—They have reduced their rate of interest to 9 per cent. and propose to lower it still to 6 per cent.

11722. Have they been able to do anything in the way of clearing of old debts ?—In fact, they are Punjabi societies. Their lands are under the restricted tenure and, therefore, they cannot mortgage or sell the lands. They are, therefore, generally free already.

11723. What about your Sindhi societies ?—They have carried all their profits to reserve fund but are still borrowing from the central banks as their holdings are generally large.

11724. Is there no purely Sindhi society whose reserve fund and share capital make it unnecessary to borrow ?—No ; there is no such society.

11725. As regards lands which are going to be given in the Barrage area, are your members taking any steps to get such lands ?—I think that unless and until a land mortgage bank is formed, it is not possible for them to purchase lands there.

11726. Have they not accumulated in some societies a certain amount in order to purchase lands ?—They have saved Rs. 200 to Rs. 300 and in some cases even more by way of shares.

11727. If they have saved anything, it can be paid as a first instalment. Have any *huris* been accumulating any money for purchase of lands ?—Yes ; they have accumulated Rs. 100 to Rs. 200.

11728. How much do they want ?—I do not know how much would be the price of and per acre, but, if the price is moderate, the *haris* might go in for it.

11729. What would be the security ?—The people will have to mortgage their lands.

11730. And people like the *haris* who have no lands ?—They cannot get a loan.

11731. Will they not get a loan ?—No. But I think Mr. Dow has prepared a scheme by which he wants to provide about 50,000 acres for *haris*. This scheme will help *haris* in getting lands. Then we can form societies from which they can get money for their current expenditure.

11732. Do you want societies to be formed for those people who get lands on the Barrage ?—Yes.

11733. Do your societies prepare maximum credit statements ?—Yes.

11734. From these statements will it be possible to find out what money they require for cultivation purposes ?—Yes.

11735. Have these figures been consolidated anywhere ?—No ; they are of course attached with loan applications in central banks.

11736. What is the practice here ? Does each member get his loan in a lump sum ?—Yes. The usual procedure is that members are given in a lump, but in Thar and Parkar district I have seen that the bank sanctions the full amount at once and the societies draw it in instalments and give it to their members in instalments.

11737. And in other societies they draw in one sum ?—Yes.

11738. Is it not wasteful to draw in one lump ?—They say that it is very useful because they need money for clearance and seed and have also to advance lump sum to *haris*.

11739. They must be requiring money also later ?—Yes. I think three-fourths should be given at first and one-fourth later.

11740. Do you not think that giving this money in one lump leads to a certain amount of wastage ?—I think so.

11741. Has any of the societies drawn up any scheme for debt redemption ?—Yes. They also preserve the names and addresses of members who have been redeemed.

11742. Have you any record ?—Yes ; several bonds have been redeemed by societies ; in Larkana district there are files of such bonds.

11743. Has any check been kept over those members who have been redeemed ?—Yes.

11744. What is your experience ? Have they borrowed again ?—At least it has not been brought to my notice.

11745. But has any enquiry been made ?—The auditor makes an enquiry annually.

11746. Is it a fact that *sowcars* here usually do not advance to members of co-operative societies in cash ?—It is generally the rule because as soon as the crop of a member is ready, the co-operative society keeps control over it and does not allow any one to take it. Therefore everybody feels diffident to advance loans to members of co-operative societies. The members of societies, especially the managing committee members, are very careful to see that the crop of members is not taken away by anybody. But I may say that during the last three years in some cases the central banks have not adequately given loans as owing to general failure they have granted postponement.

Besides some societies have reached their one-third limit of assets and so some members have been going to *sowcars*. If it is made half, it will help societies.

11747. Will it be safe ?—Yes.

11748. Do you mean that because the banks do not finance societies adequately and not on account of their fault that the members to a certain extent have been driven to *sowcars* ?—Yes.

11749. Do you think that in such cases help from Government is necessary ?—Yes ; I think some funds may be placed at the disposal of our central banks to tide over the crisis and to advance sufficiently to societies.

11750. Do Government advance *taccavi* in bad years ?—Yes, they do advance.

11751. Through co-operative societies ?—No ; generally they advance independently.

11752. Even to members of co-operative societies ?—To them they advance on a certificate of the society.

11753. Do they give *taccavi* to the members direct without consulting societies or do they give it after consulting the societies ?—When Mr. Henderson was here, he had given some *taccavi* loans to members without consulting the societies.

11754. But Government orders are that it should be given through a society ?—Yes ; but it can also be given on the certificate of a society that it has no objection to Government giving *taccavi* to a member of its society.

11755. Will you tell me how far the societies have displaced *sowcars* ?—In Tando Allahyar *taluka* and in some other well-developed *talukas*, societies have displaced *sowcars*.

11756. Which do you call "well-developed *talukas*" ?—The *talukas* like Tando Allahyar, Hala, Sinjhoro and some *talukas* of Larkana district, where the Movement is well-developed.

11757. Are there many such villages in these three *talukas* ?—In villages where there are good societies, I have seen myself such instances, and even in other tracts on account of the advent of the Movement the *sowcars* have reduced their rate of interest. In such *talukas* though the Movement has not developed, yet there has been some reduction in the rate of interest.

11758. You probably know that a proposal has been placed before us for centralization of finance in Sind, that is to say, all the central banks should combine, have one head office with branches instead of the present system of a district bank for each district with an Apex Bank in Karachi. What do you think of this proposal ?—I have read this scheme.

11759. But has such a proposal been placed before the Department ?—No. It is a good idea to pool together the capital of all district banks. It will be in that case better distributed, but I find at present that the directors of our district banks are very careful to run their respective institutions efficiently. They feel greater responsibility and while advancing loans are very careful, so also at the time of harvest they use all their efforts for recoveries and consider the Bank their own concern. If, on the other hand, the district banks are converted into branches, I do not think the advisory committees will take the same amount of interest. My own experience is that that of Hala and Mirpur Bathoro branches of the Sind Central Bank. They have advisory boards there which

do not even meet. They do not care to know even whether loans have been given properly and whether they have been returned.

11760. The Central Board has to depend then upon their own staff and not on the advisory committees ?—Yes.

11761. There is no local interest ?—No.

11762. This will be a great loss ?—That is what I feel.

11763. You think that the responsibility of running a local institution should be with the local people ?—Yes.

11764. You say : " Loans are seldom borrowed or advanced on the security of the standing crop ". Several people have told us that it is usual to take loans on the standing crop ?—Yes ; But the standing crop is not mortgaged.

11765. Is it not the understanding between a *sowcar* and an agriculturist that the standing crop should be brought to the *sowcar* for sale ?—Yes ; even before the crop is sown, when an ordinary loan is given, the understanding is that he will sell the crop through a *sowcar*.

11766. Are there forward sales ?—Yes.

11767. Have your societies been giving any long-term loans for land improvement ?—Yes.

11768. To any large extent ?—In fact the possibilites for land improvement are very few excepting digging of wells or erecting pumps and raising of bunds. So the amount required for land improvement is not much in Sind. However, some people have applied for such loans and they have been given.

11769. Have you been able to make much use of the *taccavi* placed at the disposal of the Co-operative Movement by Government ?—No ; not to an appreciable extent.

11770. Is there not much demand ?—No.

11771. Are you aware that the Imperial Bank is advancing on the security of produce since last year ?—Yes.

11772. Do many people take advantage of it ?—Last year only a few people took advantage of it, but this year a good number have done so.

11773. You estimate the average cost of cultivation at Rs. 25 per acre ?—Yes. Ordinarily for cultivation purposes the average amount required is Rs. 10 to Rs. 15 per acre, but in cotton areas the average cost is Rs. 40 and, therefore, if we take the average for the whole of Sind, it will come to Rs. 25 per acre.

11774. In cotton, what is the largest item ?—Manuring.

11775. Are you a *zemindar* ?—Yes.

11776. How much do you advance to your *haris* ?—Rs. 200 per *nar* cultivating 10 acres or Rs. 200 per *hari*.

11777. Is it the usual rate for all *zemindars* in Hyderabad district ?—Yes ; that is the usual rate with most of them.

11778. But there are some *zemindars* who give them food grains throughout the year. Is this in addition to cash ?—Yes. Then they give very little cash.

11779. But when you give Rs. 200 does the *hari* go to a *bania* too ?—No.

11780. About marketing, where do your members of co-operative societies generally sell their produce ?—Generally they sell through the local *banias*. We have, however, recently started sale societies.

11781. There are only a few sale societies ?—Yes; and where there are none, the members dispose of their crop through the ordinary *bania*.

11782. Not under compulsion ?—No.

11783. Do they get a better price than people who borrow from a *bania* ?—Yes. In case of a member of society he has the liberty to sell it to anyone from whom he gets better price. He is not compelled to sell through a particular *sowcar* or a *bania*.

11784. What is your experience about sale societies ?—It is a new movement, but the difficulty is that we have in Sind no organised markets with committees or arrangements for godowns or depôts.

11785. Where do your members sell their produce ?—We press them to bring their produce to our sale society, if any such exists in the neighbourhood.

11786. Where do the sale societies sell their produce ?—They sell it in the town locally.

11787. What advantage do members get by the present system ?—They get correct weights and better price.

11788. How many societies have you now actually working ?—Eight.

11789. What do they deal with ?—The society in Tando Allahyar deals in food grains and cotton. The society in Larkana deals in rice; that in Shikarpur deals in wheat and rice and that in Malir in potatoes.

11790. Of these eight, which are the old societies ?—Shikarpur and Malir.

11791. Are the members loyal ?—Generally the members who receive advances are loyal.

11792. Do the credit societies advance to members or the sale society at Shikarpur ?—In case of members of credit societies, loans are advanced by such societies and in the case of others the sale society.

11793. Do you think that organized markets are required ?—Yes.

11794. Would the other people bring their produce to the organized market ?—Yes. We will have more members in the sale societies then, if they see the advantage of the markets.

11795. Do sale societies make advances against the security of goods ?—Yes.

11796. Have they their own godowns ?—Yes.

11797. Do many take advantage of them ?—Yes, but unfortunately last year the rates fell and the people derived no benefit from holding back the produce.

11798. Where is this Act III of 1899 applied ?—It is on Jamrao.

11799. You say that loans for redemption of old debts ordinarily are repayable in five annual instalments. Is this a sufficient number of instalments ?—Yes. Ordinarily.

11800. Do they pay yearly ?—Yes.

11801. If the instalments are extended to 10 years, will it not facilitate the repayment ?—Yes.

11802. Have you made any attempts to organise the sale of milk and *ghee* ?—We are trying.

11803. In your statement you say that when there is one crop, the agriculturist remains busy for only six months. Has he any other occupation for six months ?—He is generally engaged in other agricultural business.

11804. Supposing he does all the agricultural business, will he be fully employed if he has only one crop ?—No ; I think after the Barrage is completed he will get full employment.

11805. In your statement, you say that the Bombay Provincial Co-operative Bank's debentures should be included in the list of trustee securities. But they are included ?—I did not know that.

11806. In your statement, you point out different institutions in existence for encouraging saving and investment habits among the people, and you include local *sowcars* as one of the institutions. How do they encourage savings ?—Some people do deposit with *sowcars*.

11807. Further on you say that if branches of post office savings banks are opened in small villages, educated people will take advantage of them. Are they doing it now where there are branches ?—Yes.

11808. Not agriculturists ?—No. Not agriculturists, but educated people and merchants do take advantage.

11809. But in small villages there will not be very many of these people ?—Yes, but I mean that by carrying on propaganda we might induce people to save.

11810. Later on you say that influence of insurance has not spread to rural areas. Do you think it requires propaganda ?—Yes.

11811. What do you think of insurance of cattle ?—I do not think it would be successful, because cattle die in numbers on account of epidemics.

11812. Does that happen often ?—Yes.

11813. What do you think of insurance of crops ?—I have not thought over it.

11814. Do Mussalmans now take interest ?—They have deposits and shares in the banks and are given interests and dividend thereon to which they have no objection nowadays. They have been accepting freely.

11815. *Mr. Kamat :* Khan Bahadur, during the last ten years of the Co-operative Movement, judging from the number of societies and the number of members, can you say that the Movement has made rapid strides in Sind ?—Yes.

11816. That is one way of judging the problem. But judge it from another standpoint. How many people, who really are within the Movement, are free from the clutches of money-lenders ?—I think so far as my knowledge goes, previous to the last three years many of them were free from *banias'* debts, because we had societies which tried to admit small people, who had very small requirements and, therefore, they could be redeemed of their small debts. Moreover, fortunately when we started the Movement in Sind, the first five or six years were very good and, therefore, they were redeemed of their small debts. In fact, during those years we could boast that some people had even purchased new lands ; but the last three years have been bad and so some people have been going to *sowcars* also.

11817. Of course, these three years have been rather exceptional. But, on the other hand, it has been alleged that the primary society has become a sort of second *sowcar* where there was one *sowcar* before, if not for major requirements, for minor requirements, and the indebtedness still remains. Do you not think that this allegation is materially true ?—So far as the best of the societies are concerned, it is not a fact. As regards others, the members on account of failure of crops have of late been going to *sowcars* for provision of food grains, or some such things, but not for big cash advances.

11818. About your *zemindari* banks, you stated that they were doing well. On the other hand, there is a view, for instance, yesterday Rai Bahadur Pritamdas stated in his statement : " I am of opinion that while it is necessary to provide co-operative finance for holders up to 250 acres, the larger *zemindars* should stand in no need of finance if they are steady." I want to know whether your *zemindari* banks finance even the bigger *zemindars* ?—No ; only second class *zemindars*.

11819. The second class man may be holding even 500 to 1,000 acres ?—Yes ; but we generally select the best people, and admit only those *zemindars* who are not dishonest or who are not heavily indebted or extravagant. That is why the work of our *zemindari* banks is going on well.

11820. What I wanted to be quite clear about was whether that finance is not wasted ?—No, because the Boards try their level best to admit only good and deserving people.

11821. We heard a suggestion from one of the pleaders that unless there is a liability of personal arrest, there is no check on the part of the agriculturist to borrow, and that there should be some sort of legislation or amendment of existing legislation so that this fear of arrest should remain there. Do you agree with that ?—That is only the *zemindar's* point of view. I know that particular *zemindar*. Some *haris* have taken away large funds of his and absconded. So he wishes them to be brought to book in some way or the other, but I do not think such legislation necessary. The *hari* runs away because he cannot pay. If the crops fail, whence can he bring the money ? And if he is arrested and sent to gaol, it will be hardship on the poor man. Ordinarily the agriculturist is honest if he has good crops. It is only when the crops fail and he cannot pay, and the *zemandar* also declines to advance him further loans, that he decides to run away.

11822. Speaking about the Barrage land area, is it true that some land is reserved for big *zemindars* ?—No.

11823. In your opinion, is it desirable that those who already possess lands in Sind should also be allowed to acquire more lands, or should lands be given preferably to *haris* who are landless ?—Preferably to *haris* ; but here it is a question of business. Government have spent crores of rupees on the schemes, and they will sell the land by auction, and naturally, the highest bidder will get it.

11824. You fear that this will happen so that the rich will be richer and the poor will have no lands at all ?—Yes ; but the Government are going to reserve some 50,000 acres for peasants which will help the *hari* class.

11825. Mentioning the remedies which you have suggested in your statement to remove the defects of the Movement, you say that steps should be taken for the application of the Land Alienation Act in Sind. Will you develop that ?—Yes ; I have stated that because now I find that on account of the Dekkhan Agriculturists' Relief Act the

things have come to this pass that if anyone wants cash of Rs. 300 or Rs. 400 from a *bania* he cannot get it unless he executes an outright sale deed. Of course, the understanding remains that, if he pays back the money, the land will be restored to him.

11826. You mean you are for such reasons in favour of Land Alienation Act for Sind ?—Yes, with some modifications. I do not want the Act for big *zemindars*, but we must protect small *zemindars* owning small areas of 250 acres or so. I do not, however, want to have the Punjab Land Alienation Act in toto.

11827. You want to modify it in the interests of small *khatedars* ?—Yes, they have been deprived of their land by *banias*.

11828. Are you also in favour of a Rural Insolvency Act ?—Yes ; it will help them.

11829. Supposing such an Act is passed in what ways would it wipe off old debts ?—It will be as in the case of other insolvents. What I mean to say is that some Act may be passed by which an agriculturist may have the same concession as enjoyed by other people in urban areas.

11830. You have stated that last year the Imperial Bank helped people with loans on the mortgage of their goods in godowns. How did that experiment work from the point of view of those who wanted to sell goods ?—As I have said above, last year there were fluctuations in prices, and ultimately the prices went down. The result was that the grain depositors got much lower prices than they had anticipated. It was exceptional last year. It is not always so ; and the people will certainly be benefited by holding up their goods.

11831. Was there any difficulty felt by the sellers to get their goods released from the bank as and when they wanted to sell ?—No ; there was no difficulty so far as I know.

11832. About the Encumbered Estates Act and its relation to primary societies, I think Rai Bahadur Pritamdas suggested that there should be some concession in favour of societies. What is your view ?—I will certainly welcome this, but it is not possible, because the Encumbered Estates Act protects all persons, who are in debt, whether the creditors are societies, Government or *sowcars*. As soon as the person is taken up under protection, the entire holding of his is managed by the manager, and he receives some allowance till his debts are wiped off.

11833. *The Chairman :* Are any Governmentdues the first charge ?—Yes, and the second claim is ours.

11834. Is that admitted ?—Yes.

11835. That is not under the law ?—That is by the Commissioner's orders.

11836. *Mr. Kamat :* You are not treated like *banias* ?—No ; our claim stands even above the first class mortgages of *banias* ; we have preferential treatment.

11837. Speaking about the allegation sometimes made that, when the *zemindar* is in debt, he tries to take advantage of the Encumbered Estates Act and defrauds the creditors, is that true ?—Generally when he is deep in debt, he has no other alternative but to go in for the protection of the Encumbered Estates Act.

11838. But the manager of the Encumbered Estates is not really speaking a judicial court ; he is a revenue officer ?—He is a revenue officer and has powers under the Land Revenue Code as Collector.

11839. But creditors cannot appear before him as they can appear before a judicial court and get some justice ?—Under the Act they cannot go anywhere else. And the appeal is preferred to the Commissioner.

11840. So you think that the system of adjudication of plaints before a revenue officer is satisfactory in the same manner as adjudication of plaints before a judicial officer ? After all it is a revenue court ?—In the civil court they might get better advantages ; but the idea is to help the agriculturists whose case is well understood by the revenue officers.

11841. Speaking about subsidiary industries, you have something like pottery and lacquer work here. Is there any scope of developing those industries in Sind ?—Yes.

11842. What attempts have been made ?—The Director of Industries had been here last year, and he has appointed some inspectors. They are considering how to develop these industries.

11843. You are in favour of having a Money-lenders' Act like the Punjab Money-lenders' Act. But have you studied carefully the provisions of the Act ?—I have not studied the Act itself, but some protective legislation of the kind is certainly welcome.

11844. *Mr. V. L. Mehta :* You suggest that one of the remedies for improving the present defects of the Movement is the expansion and development of co-operative societies. Is there anything at present to impede such expansion, say, the inadequacy of the staff ?—Not that, but it is the general illiteracy of the people. One cannot get even a single literate person in some places nor a good chairman or a secretary.

11845. Have you sufficient staff to audit and to look after more societies ?—So far as audit is concerned, the staff is alright. But for industries, if an industrial organiser is appointed, he will be of great help.

11846. About the land improvement loans placed by Government at the disposal of co-operative societies, you said that much use was not being made of these loans ?—There was not much need for them, because there were few objects for which loans were required.

11847. Is there no complaint as in the Presidency proper about the delay in the sanction of loans ? Does that keep back people from applying for loans ?—Not that ; but the procedure is such that it causes some delay.

11848. You want the Imperial Bank to advance against mortgage bonds. Do you not want the Imperial Bank to go in for purchase of these bonds ?—Both.

11849. Have any of your sale societies experienced any difficulties about storage accommodation ?—In the beginning generally they have small funds at their disposal, and so if a subsidy is given to them for this purpose, it will be helpful.

11850. Have they got subsidies from Government ?—Some of them do get it, but the amount is small.

11851. What is the area of operations of *zemandari* banks ?—In Mirpurkhas they have two divisions of the district and in Larkana the whole district.

11852. Is that not too large ?—No ; because the big *zemindars* know each other very well.

11853. What is the minimum below which they will not lend ?—We have no minimum.

11854. About the land mortgage organisation, do you want separate organisations for the Barrage area and for the rest of Sind, or one organisation for the whole of Sind ?—One organisation for Sind.

11855. Why do you say in your statement that other industries not allied to agriculture cannot be organised on co-operative basis ?—Because there is no industrial organiser here.

11856. Your Sind Central Bank has two branches. Do your other central banks have any branches ?—Larkana has one and Hyderabad has also one.

11857. Do you think that if more branches are started, some of the difficulties pointed out by you in your statement would be eliminated ?—Yes ; surely it will be a great help to the agriculturists.

(The witness withdrew.)

MUKHI DAYARAM, Hyderabad.

Replies to the Questionnaire.

I have personal knowledge and experience of only the second part of the questionnaire and will, therefore, deal only with those questions which pertain to it.

1. The ordinary functions of indigenous bankers of my experience are

(*a*) To receive deposits.

(*b*) To invest these in *hundis*.

(*c*) To advance monies on personal credit or against land produce to be sold on commission basis.

(*d*) To invest in the banker's own trade and business.

Note.—Majority of indigenous bankers are important industrialists and traders themselves.

2. The extent to which the banker can do as above depends largely upon the deposits he receives which in turn depend upon the amount of money available. Though he has capital of his own, yet his capacity for financing other parties is considerably increased by the money that is deposited with him.

3. I cannot say what is the aggregate capital invested by the different indigenous bankers of this place. It would be difficult for any one even to guess it. But I believe that; with the advent of the Imperial Bank which has Government security behind it, the business of indigenous bankers would be much less than in former times owing to its competition.

(*a*) The expenses of the indigenous banker are very low because his methods are simple. Indeed, I believe, this has contributed greatly to whatever stand he has been able to maintain so far.

(*b*) The relations of one indigenous bank with another are, to my knowledge and belief, excellent. We have the moral code of *bhaibandi* among ourselves and as a result there is seldom, if any, a dispute which cannot be settled easily and amicably. As for relations between indigenous banks with local joint stock banks, there are no relations at all. We are not recognised as their brothers because we have no legal status.

(*c*) The Imperial Bank affords no facility worth its name to an indigenous banker. The Bank treats him as any other ordinary merchant or client.

4. I submit herewith the form of *hundi* generally used.

5. The ordinary methods of an indigenous banker of granting a loan is on personal credit or against land produce. The rate of interest for the former is usually dependent upon the Bank rate which fluctuates according to the time of the year. As for the latter, it is usually 6 per cent. because the produce is in most cases sold by the banker for his client on commission basis. The rate of interest allowed on deposits depends upon the time of the year and is ruled by the general market rate.

6. I have no knowledge in this line as the town indigenous banker has no direct dealings with the small agriculturist in the *mofussil*. But the prosperity of town or village *shroff* cannot but benefit the small agriculturists.

7. There is no prejudice whatsoever against indigenous banker in this locality. It may be the Government and the joint stock banks who are prejudiced against us. It is indeed the indigenous bankers who are in direct and close contact with the trading and agricultural public and this contact has stood the strain of centuries. The confidence and courtesy which the joint stock banks have among themselves, they do not extend to *shroffs*. The law should allow the same facilities to indigenous bankers as to other banks. The Government Income-tax Department, for instance, when inspecting the books of an indigenous banker, demands information of accounts of parties which it does not do with other banks.

I am sure the dealings of indigenous bankers with their customers are done on quite sound lines. This system of banking would not exist if it were not so.

8. I would suggest general facilities should be given by the Government through a Reserve Bank to indigenous bankers. Financial help should be given to them more generously on the basis of approved security. Except at big centres, the Reserve Bank should have no branch. As it is, the branches of the Imperial Bank everywhere have almost killed the business of indigenous banker owing to competition. The books of indigenous bankers are kept on most sound lines and their system can be compared with the Western system most favourably.

I do not think any indigenous banker can have objection to regulating his operations better, if it is possible.

9. I believe that the security on the basis of which an indigenous banker works, is never exacting, compared to what a joint stock bank demands. In season time he is usually obliged to refuse a client owing to insufficiency of working capital.

10. My reply can be deduced from the above.

11. I do not think lot of money remains idle in the *mofussil* in the off-season as it is utilized by loaning it to the agriculturists for cattle, seeds, etc.

FORM OF HUNDI.

English Translation.

Rupees.....(in figures).....its half rupees.....(in figures), its double rupees.....(in figures). Please pay..... (drawee's name) written at.....(name of place) by..... (drawer's name) dated.....period.....(duration). Please pay to bearer in current money.

(Signature)

Mukhi Dayaram.

Oral Evidence.

11858. *The Chairman :* Mr. Dayaram, you represent the firm of Hiranand Tarachand ?—Yes.

11859. Is your firm very old ?—About 100 years, since the time of the Mirs.

11860. Were you bankers to the Mirs ?—Yes.

11861. Do you do other business besides pure banking ?—Yes ; we act as bullion merchants and commission agents.

11862. You say in your statement that the ordinary function of indigenous bankers is to receive deposits. Does it form an important part of the business here?—Yes.

11863. I ask you this because in the Presidency proper they do not receive large deposits, but they work on their own capital. Is it not so here ?—They have their own capital and they receive deposits also.

11864. Do you get fixed deposits ?—Yes.

11865. We were told yesterday that, while in the case of joint stock banks deposit receipts are issued without any stamp, in the case of indigenous bankers you have to fix the stamp at the same rate as on *mudati hundis* ?—On *khata* there is no stamp.

11866. Do you not issue any fixed deposit receipts ?—In Karachi there is a system of issuing fixed deposit receipts.

11867. Have they to fix a stamp ?—Formerly they had to, but now they do not, because they do not write the period on the receipt.

11868. Have they to fix the stamp if they were to write the period ?—Yes.

11869. Do you think that it is necessary in any way to remove this distinction between joint stock banks and indigenous bankers ?—Yes ; I think there should be no stamp.

11870. Are there some bankers in the *taluka* headquarters ?—In Sind no banker could be found in *taluka* headquarters.

11871. Are they usually in district headquarters ?—Yes.

11872. Is the business which the Hyderabadi bankers do much like the business of Shikarpuri bankers ?—Yes.

11873. We heard that the Shikapuri bankers go to Madras and Colombo and they also finance the *chettis* in Rangoon ?—Yes ; the Hyderabadis do not finance Madras and Rangoon *chettis*.

11874. Are these deposits received from all classes of people or from any particular class of people ?—Those who have no other business deposit with us.

11875. Do you receive any deposits from *zemindars* ?—No.

11876. Is the business you do like the business of joint stock banks, that is, opening current accounts, giving overdrafts cash credits and dealing in *hundis* ?—Yes ; it is very much like the business done by joint stock banks.

11877. You say that you advance money on the produce of land. Do you also make advances against railway receipts ?—Yes.

11878. You say in your statement that indigenous bankers also invest their money in their own trade and business. Bankers are commission agents and if they also carry on their own trade, is that not a handicap ? We were informed that one or two big firms

in Karachi went into liquidation, because they suffered losses in trade ?—Yes ; sometimes when they go in for speculation, they suffer losses.

11879. Are there not many such cases ?—Very seldom ; I do not think that I have known during the last 25 or 30 years that such bankers failed.

11880. You say that the business of the indigenous bankers has been diminished due to competition of the Imperial Bank. Competition in what way ? Attraction of deposits ?—Attraction of deposits, and the Imperial Bank has opened branches in small villages and *mandis*, and these branches compete with *shroffs*.

11881. Do they advance against produce ?—Yes ; and they have reduced the rates of discounting *hundis*. And the deposits there all go to the Imperial Bank branches, and that money goes to the head office, and no help is being given to the local people.

11882. It must have affected the bankers, but so far as traders and merchants are concerned, is it not useful to them to have advances at cheap rates ?—I think if there were more money, the traders would be benefited.

11883. You again say that the indigenous bankers have practically no connection with the joint stock banks. But some of the indigenous bankers, for instance, in Shikarpur, get advances and remittance facilities from the branch of the Imperial Bank ?—They do sometimes get loans.

11884. Not here ?—Not here, because I think there is not much business here.

11885. Probably the bankers have not approached the Imperial Bank ?—The bankers have approached, and the Imperial Bank does give advances, but not to a large extent. There are not many approved parties ; only a few are approved by the Imperial Bank.

11886. From the point of view of the Imperial Bank or any other joint stock bank, as the indigenous bankers do not publish their accounts or balance sheet, it is very difficult for them to know what their actual position is ?—I think if facilities are given to bankers, they would have no objection to publishing their accounts.

11887. You have given us a form of *hundi* in English. It is a bearer *hundi* ?—Yes.

11888. You have also other forms, as *shahjog*, etc. Are they common here ?—They are also common ; but they are discounted and, therefore, they write bearer.

11889. You know that there is a decision of the High Court, which says that, if there is a bearer *hundi* or a bearer cheque, it could be changed into order by endorsement. That is the present law. It was proposed by the Government of India that a bearer cheque should always remain bearer, because some people were in favour of that as that would be safe for the party which pays. What is your view ? Should once a bearer always remain a bearer, or should it be allowed to be changed into order ?—If it is allowed to be changed into order, it will bring inconvenience to merchants.

11890. In some places we found that it is now a practice to give a sort of English cheque form ?—Yes ; but the people here being mostly ignorant of English cannot fill up the cheque in English, but if it is in vernacular, they would do it.

11891. We have also been told that it would be desirable if the usages are standardised. Now different *shroffs* even in the same place have different usages. For instance, some give three days and some give five days' grace. Do you think it would be desirable if the

shroffs or other associations could come to a decision about the standardisation of usages regarding *hundis* ?—Yes, it would be desirable.

11892. Does your rate of interest depend on the bank rate ?—Yes.

11893. Sometimes during the slack season the rates vary ?—Yes ; but if we advance on goods to be sold on commission basis, it is only 6 per cent.

11894. You say in your statement : " There is no prejudice whatsoever against indigenous bankers in this locality. It may be the Government and the joint stock banks, who are prejudiced against us ". But so far as this Committee is concerned, we are not a bit prejudiced as you can see from the questionnaire, nor the Government ?—Yes ; but the way of the joint stock banks dealing is such that it is apparent that they are prejudiced against us.

11895. They do not know in the case of a particular man what his position is. Then you say : " The law should allow same facilities to indigenous bankers as to other banks ". What are the facilities required ?—The joint stock banks are treated as per English laws, and they take protection under English laws.

11896. Can you point out any particular facility which they enjoy and which you have not got ?—Once I remitted Rs. 30,000 to Bombay by Telegraphic Transfer from the Alliance Bank. I bought it at 4 o'clock. That Bank failed at 5 o'clock. In Bombay and Calcutta they suspended payment at about 12 o'clock. So I was advised by some pleaders in Karachi that I should file a suit. I went and engaged a solicitor in Calcutta and filed a suit. The suit went in my favour, but again the Imperial Bank made an appeal, and I was told that they would take advantage of English law, and the case would go against me, and I found that the case went against me.

11897. Does it show any distinction between the joint stock banks and the indigenous banker ? It must be purely a question of law ?—I could not see why they purchased the Telegraphic Transfer in Karachi when the Bank suspended payment at 12 o'clock, and I lost Rs. 30,000.

11898. Have you any general suggestions to make as to the way in which indigenous banking can be developed more than at present ? At present they finance most of the internal trade ?—The banks should advance to the *shroffs*, and they should have the same feeling towards the *shroffs* as they have towards other banks.

11899. *Mr. Kamat :* The Imperial Bank at Hyderabad is situated about two miles from the quarters of the mercantile community. Do the *shroffs* and merchants find it rather inconvenient because of the distance to deal with the Bank ?—Yes.

11900. Yet there must be all the same large transactions between dealers and the Imperial Bank ?—So does distance make any material difference ?—They do not like to go two miles, and they are afraid that they will be robbed on the way.

11901. Has the Imperial Bank here its list of approved *shroffs* ?—It must have. I have no dealings with the Imperial Bank here, because there is not much business. This is not a commercial town. Here only some *shroffs* keep gold and silver with the Bank, and there is no other business of the merchants here.

11902. Is there a feeling amongst the *shroffs* here that the list of approved *shroffs* is rather small, and that there should be more *shroffs* on the Bank's list ?—Yes, there is that feeling.

11903. What objection has the Bank to have a larger number of approved *shroffs* in its list ?—I have not heard of any objection.

11904. Are you in touch with the Shroffs' Association in Bombay ?—No.

11905. Is there no connection whatsoever between *shroffs* here and *shroffs* in Bombay ?—Yes, we have.

11906. Have you heard of the suggestion made by the Bombay Shroffs' Association that there should be a system of appointing *shroffs* as guarantee agents of the Imperial Bank, that is to say, instead of opening branches in small places, say, at Sukkur or Larkana, they should entrust the banking business to one or two *shroffs* from whom guarantee should be taken. That is the suggestion. As a *shroff* do you like the suggestion ?—Yes. Formerly, before the Imperial Bank had any branches in Larkana or Hyderabad or Sukkur, this business was done mostly by *shroffs*. Government used to advance money to these *shroffs*. The Treasury money was always deposited with these *shroffs*.

11907. That is a different thing. Those *shroffs* did not act actually as agents of the Imperial Bank, and the Imperial Bank did not perhaps recognise them as their agents. Under this proposal the Bank should recognise the *shroff* as its approved agent, and the public should deal with those *shroffs* as the Bank's representatives ?—I think that will benefit the public more.

11908. Will the public have confidence as they have confidence in the Imperial Bank branches ?—If they know that it is supported by Government, they will have confidence.

11909. Do you think that if the *shroff* is appointed an agent of the Imperial Bank, and if he is allowed to do his own private business, say, bullion or buying rice and cotton, the confidence of the public in them will be great ?—I cannot say exactly, but there appears no reason why it should not.

11910. Do you feel doubtful about it ?—Yes, but all are not equal.

11911. A suggestion has been made to us that a *shroff* should be registered. I would rather say the names of approved *shroffs* should be registered just as doctors have to be registered, lawyers have to be given *sanads*, and a list of them should be kept in a Government office. Would you like this idea ?—In that case, only a few will have the advantage.

11912. There are two suggestions : One is to keep an approved list of registered *shroffs*, that their accounts should be audited by some chartered accountant and balance sheet should be published. About the second thing you have said that it would be a good thing to have the balance sheet ?—It should not be published, but it should only be submitted to the Imperial Bank. Many would not like to expose their affairs.

11913. *The Chairman :* Would not the depositors like to know what is the position of a banker with whom they are depositing their money ? Would not this increase the number of depositors ?—Yes ; but the people here would not like to expose even what their income is.

11914. *Mr. Kamat :* About this complaint that the Income-tax Department when inspecting the books of indigenous bankers demand the names of depositors whereas in the case of a bank this is not insisted upon, this is probably because your word is not taken as the final word by the Income-tax Department whereas in the case of a bank they are more confident in their statement ?—When they see the books of indigenous bankers, and if they are quite honestly kept, they should not ask for further details.

11915. Suppose you are registered as an approved banker and facilities given to you and you send a statement in writing to the Income-tax Department saying that it should be accepted as a truthful statement, and if this is agreed to, in that case would you accept the idea of registration of *shroffs* ?—Even if I am not registered I would not like that I should be treated quite the contrary. This means that the Income-tax Department distrusts me.

11916. Is it your idea that even without registration you should be placed on a par with the Imperial Bank ?—Yes.

11917. Have you tried to approach the Income-tax Department and tell them that a written statement might be furnished on behalf of *shroffs* and that should be accepted and they have refused ? Have you made this suggestion that you should be placed on the same level as the Imperial Bank ?—I have submitted a written statement, but even then they ask me to produce my books, and in the case of the Imperial Bank it is not so.

11918. *Professor Kale :* You said to the Chairman that cheques would be popular if they are written out in the vernacular scripts. It has been stated by certain witnesses before us that there will be the difficulty of deciphering the signatures in the vernacular. Do you believe that there will really be such a difficulty ?—No. I know those who are accustomed to write in English in the beginning cannot feel any difficulty, but for others in the beginning there will be some difficulty.

11919. *Mr. V. L. Mehta :* Do you wish that indigenous bankers should be connected with the proposed Reserve Bank of India ?—Yes.

11920. Will you limit this concession only to approved bankers or to all bankers ?—I would like to extend it to all indigenous bankers.

11921. From the smallest to the biggest ?—Yes.

11922. You refer here to the Imperial Bank having killed the business of bankers and you are referring, I think, to the conditions in the Punjab where they have opened up small branches. But in Sind proper where exactly does their competition lie ? In Sind there are no branches ?—They have one at Hyderabad, one at Larkana and in other places.

11923. But not in smaller places ?—No.

11924. Here you have said that the Imperial Bank affords no facility worth the name to indigenous bankers or local *shroffs* or *sowcars*. Where exactly then does this competition has affected indigenous bankers in Sind ?—I would say that the branch of the Imperial Bank in Larkana which is a centre of rice cultivation does not help the people there in advancing money. It receives deposits from them but it does not finance them as much as it could and again all this money goes to the Head office.

11925. Do you suggest that the money which could have been otherwise used locally is lost ?—Yes.

11926. Why cannot the indigenous bankers get deposits, because the Imperial Bank pays only 2½ per cent. on deposits while local bankers can pay more ?—But there are these treasury bills and cash certificates which take away the money. Therefore, there is this stringency of money.

(The witness withdrew.)

Mr. GOPALDAS JHAMATLAL, Chairman, Bombay Co-operative Institute, Hyderabad.

Replies to the Questionnaire.

1. Before the advent of the Co-operative Movement in Sind in 1918 the agriculturist, whether he was a landholder or a mere peasant, was practically financed by the village *sowcar* for all the purposes detailed in clauses *a*, *b* and *c*. The Government did finance a landholder by way of *taccavi*, but to an almost inappreciable extent. Since 1918 the position has materially changed and agriculturists, who are members of the rural co-operative societies, are materially assisted by the latter. Their working capital in 1918 was Rs. 70 lakhs of which Rs. 26 lakhs are their own capital.

2. The rate usually charged by the *sowcars* is 18¾ per cent. per annum, though to evade the provision of the Dekkhan Agriculturists' Relief Act only 1 per cent. per mensem is shown in the account books, bonds and other documents. The rates charged by the co-operative societies is from 8 per cent. to 10 per cent. per annum.

The period of the loan for purposes mentioned in clauses *a* and *c* is generally 6 to 8 months, *i.e.*, up to the next crop and the period for the purpose detailed in clause *b* varies according to circumstances from one year to three years and upwards. Government gives *taccavi* only to landholders and, in view of the priority of the Government debts, is satisfied with the security of the bond in respect of which the *taccavi* is given. The co-operative society insists on two personal securities who are members of the society. The *sowcar* charges high rates of interest and resorts to various tricks to get the same. In case of default on the part of his debtor he has to file a suit in Civil Court on payment of very heavy court fees and other costs incidental to the litigation. Often times false defences of payment are urged by the agriculturist defendants and sometimes with success; and after the *sowcar* has got his decree, he cannot conveniently recover his debt. It is a fact, as remarked by an eminent Judge of Bombay, that the misfortune of the decree-holder commences from the day he obtains decree and agriculturist judgment-debtor whether he is a landholder or a mere *hari* cannot be arrested in execution of a money-decree nor can his immoveable property be sold in its execution unless it is specifically mortgaged. The money-lender, therefore, takes extraordinary precautions when giving big loan to an agriculturist. A mortgage of his immoveable property is almost invariably insisted upon. The costs of the stamps and registration incidental to the mortgage are fairly heavy and they are borne by the unfortunate agriculturist. Sometimes even out-and-out sale of part of his immoveable property is insisted upon. For a small loan for a short period the crop and cattle of the agriculturist are hypothecated.

3. I have already stated that the Government renders financial assistance to the agriculturist by way of *taccavi*. The Imperial Bank of India and the joint stock banks do not play any part in agricultural finance. All these banks are out in India for the benefit of their shareholders and refuse to take any risk. The co-operative banks render material assistance so far as their funds can permit. The Sind Central Co-operative Bank, the various district co-operative banks and the rural agricultural societies take the greatest possible part in agricultural finance and to their utmost capacity. There cannot be any doubt that agriculturists cannot possibly be adequately financed without assistance from the village *sowcar*—call him a banker, profession money-lender, merchant or dealer. I shall deal with the defects in the present

system and the reasons for their existence and suggest remedies when dealing with questions Nos. 8 and 9.

4. There is ample co-ordination between the co-operative banks and the rural agricultural society. In fact the latter cannot go on without material assistance from the former. It is, however, regretted that there is not that amount of co-ordination between the co-operative banks and societies and the Government as is requisite for their proper function. No *taccavi* should be advanced to an agriculturist who is a defaulter in respect of loans due to co-operative bank or rural society.

2. As the position of the agriculturist is, as a rule, whether he is a *zemindar* or a *hari* (particularly a Mahomedan), impecunious he sells his crop in advance at low rates on immediate payment of cash. It is true that some time when he gets higher rates at the time the crop is ready, he dishonestly sells away the produce which has been already sold to other *sowcars* on immediate payment of cash at higher rates. This he does because he is conscious that there will be immense difficulties to the previous purchaser in the realization of his dues. I would strongly suggest the starting of a very large number of sale societies.

I would suggest the amendment of the Indian Stamp Act so as to make unstamped or insufficiently stamped negotiable instrument admissible in evidence on payment of penalty.

3. In my district the value of land per acre varies from Rs. 50 to Rs. 500. The lands nearer to large towns or Railway stations or at the head of the canals fetch considerably higher rates. Similarly the value of the flow land is very much higher than lift land.

Lands auctioned for non-payment of land revenue are often times sold for a song.

The value of land in purchase by private negotiations is certainly higher than in cases detailed in clauses *a* and *b* of question No. 3. Lands sometimes are purchased by neighbouring well-to-do *zemindars* at fabulous prices.

4. In my province the provisions of section 22 of the Dekkhan Agriculturists' Relief Act have been in force for the last 30 years. Under that section no immoveable property of an agriculturist can be sold unless it is specifically mortgaged.

There are no land mortgage banks in our province, but certain co-operative banks have been authorized to give long-term credits. It will be extremely beneficial to the landholders if a land mortgage bank is started in every district.

It will conduce very greatly to the efficiency and efficacy of the land mortgage banks and other co-operative banks and societies if arrears due to these banking institutions are placed by law on the same basis as arrears for land revenue.

6. In my province we have subsidiary industries supplementary to agriculture such as rice-milling or pounding garden produce, dairy farming. These industries can be well encouraged and others added to, by the starting of co-operative societies.

7. The Imperial Bank of India and the joint stock banks have practically no relations with the co-operative bank in my province.

I would strongly recommend the placing of at least a portion of the surplus moneys available at the Government Treasury with district and central co-operative banks.

8. Credit facilities are very prejudicially affected by the Sind Encumbered Estates Act XX of 1926 and the Dekkhan Agriculturists' Relief Act XVII of 1879. While it may

be permissible to scrutinize the accounts of agriculturist from the very commencement and make material reduction in rates.

It is inconceivable why they should be exempt from arrest for the decretal debt found justly due. The provision of the Sind Encumbered Estates Act XX of 1926 and section 22 of the Dekkhan Agriculturists' Relief Act have placed the village *sowcar* on guard. No big loan even a few hundreds is advanced except on a mortgage security. The stamp duties and registration fees are high and fall very heavily on the unfortunate agriculturist. The first Act should be repealed and the latter Act should be modified by repealing sections 20 and 22.

9. The Usurious Loans Act is not available in my province as a large number of borrowers paying unconscionable rates of interest belongs to the agriculturist class who get more adequate relief under the special registration referred to above.

It is absolutely unnecessary to pass an Act on lines of the English Money-lenders' Act for my province. As more adequate relief has been already afforded to the really deserving class of borrowers.

The proposed Money-lenders' Bill for the Punjab is an extremely dangerous piece of legislation and will do more harm than good even to the class for whose benefit it is intended.

Oral Evidence.

11927. *The Chairman :* Mr. Gopaldas, you are a practising pleader here ?—Yes ; I have been practising as a pleader for the last 32 years.

11928. You have been the Chairman of the Co-operative Institute, Sind Branch ?—Yes, for six years.

11929. You are acquainted with agricultural conditions here ?—Yes. Also I have been the President of the Urban Co-operative Bank, Hyderabad, for the last ten years and President of the Khudabadi Amil Agricultural Association which does business more or less on the lines of a land mortgage bank. I was the ex-President of the Khudabadi Amil Bank, ex-Director of the District Co-operative Bank, Hyderabad, and I am now the President of the Bar Association, Hyderabad.

11930. Has this Khudabadi Amil Agricultural Association been formed with the idea of purchasing lands and developing them ?—Yes, and it does banking business also. This is a communal Association. If members are able to get two-thirds, we give them one-third.

11931. How far do your Urban Bank and the Amil Bank finance small merchants ?—So far as the Khudabadi Amil Agricultural Association is concerned, it is not necessarily for the trader. It is for a particular community including traders belonging to this particular community. My experience is that co-operative banks, which have come into existence with rules and regulations on the basis of communal banks, have become more useful and safer than urban banks because there the managing board knows everybody and all the particulars of a borrower, but in the case of urban banks often times you do not know the particulars of a member because they consist of members of all communities.

11932. You mean if the management is efficient, would it not be able to know the needs of small traders and merchants and finance them as is done elsewhere ?—If it is urban in its nature, that is to say, belonging to all communities, you cannot know all people.

11933. But the experience in some communal banks is that the managing committee does not want to take severe action or measure against certain defaulters because they belong to the same community. I am not speaking about your bank, but there may be other banks where this may be the case ?—All the same money is recovered because even those persons who are on the managing committee have their self-interest. After all they may give some concession in the matter of extension but not a pie will be lost. For instance, in the Khudabadi Amil Bank, which has been in existence for the last ten years, I think, not even Rs. 100 are bad debts.

11934. Has it always been in the 'A' class ?—Yes. In the case of the Urban Bank of which I am the President, we have to deal with so many communities. Whenever I am absent, somebody presides and he becomes a little lenient. But in the case of communal banks, at least this is my experience that the managing committee know the borrower and all other particulars are known to them. So there is no chance of their losing a pie from him.

11935. The difference is mutual knowledge ?—Yes.

11936. If the selection from the beginning is restricted to people who are efficient and who can exercise proper control there should be no reason why it should not work on the same lines ?—Yes. I want to make two or three suggestions for consideration of this Committee about indigenous banking. You were putting just now questions to Mukhi Dayaram on the point of registration of *shroffs*. I think it should be more or less on the lines of a voluntary system and not compulsory. A compulsory system will raise a hue and cry and will not be popular. At the same time if it is made voluntary and if they will be entitled to certain benefits, it will succeed.

11937. Would you insist upon their accounts being audited ?—Yes. In any case the Government should see that the charges are reduced. At present the charges for accounts are extremely high. Another thing I would say is, if they should not charge more than a certain rate of interest to be fixed, then they should have the privilege that any document executed in their favour should be at half the rates—registration as well as stamp. These are the proposals by which real banking can be developed.

11938. Do you think that it will be possible to enforce a maximum rate of interest ?—We cannot enforce it even with all the moral laws. The Government should be able to forego a part of their income from registration and stamp fees. I would even extend this privilege, *viz.*, they should be entirely exempt from stamp duty just as the Imperial Bank and co-operative banks are exempted entirely from stamp duty. If these privileges are extended to indigenous bankers, I am sure they will agree to registration. They will be willing to submit their books to be inspected by any other bank. In that case they will be in a position to deal with the Imperial Bank or any other bank. We can regulate that they are not to charge more than 3 per cent. higher than the Imperial Bank rate. The people will then be rushing to indigenous banking and indigenous banking will be materially encouraged. Now they have to pay Rs. 1-8-0 for every Rs. 100 for mortgage with possession or for an ordinary bond it is now As. 12. It can be reduced to 6 annas. I say that some concession should be given to indigenous bankers. I say that for the safety of people and just to see that there has been no litigation, it is the duty of Government also to see that there is as little litigation as possible. It should create a desire that there should be no litigation. I think we are losing every day some lakhs of rupees because so much time is lost and time is money and you find hundreds of persons going to civil courts either as parties or as witnesses. If really some

inducements are given to public, even if they come to court after that, you will find that there is a lesser litigation.

11939. What is your experience about the indigenous bankers ? Do they usually do some other business besides banking ?—Yes.

11940. Do many suffer on this account ? Have there been many cases in which indigenous bankers have become insolvent ?—They were generally called *kotidars* (*pedhiwallas*), *i.e.*, one who does banking business. When I started practice there were at least 30 to 40 who were doing business and generally giving money even on *hundis*. This was a part of their banking business. They were also cloth merchants and at the same time receiving deposits and giving interest on them. They were combined merchants. I know that during the period 1909 to 1913 many of them collapsed.

11941. Is there any special for it ?—Their income was comparatively much smaller than their expenses.

11942. It was not due to speculation ?—No ; it was due to their high living.

11943. During this brief period of 3 or 4 years, many of them came to grief. This is what you say. What is the reason for it ?—I believe they were cloth merchants and it was due to fluctuations.

11944. The history of indigenous banking is very important. From this point of view, it has been suggested to us that, if a State Bank is or is not started, as it is, some good indigenous bankers may be appointed as agents of the Imperial Bank of India in places where they cannot open their branches. If the history of indigenous bankers has not been very satisfactory and if there is a likelihood of failures of indigenous bankers for some reason or the other, the question of appointing them as agents is of no use ?—I will be strongly against such a proposal. I say that they should be given certain privileges and nothing more.

11945. Would you keep their system of banking altogether separate ?—Yes.

11946. Would you not connect the two ?—By connecting the two, I do not think that the country benefits.

11947. What do you say to this suggestion that indigenous bankers should be financed to a larger extent than they are at present financed ?—I say if it becomes voluntary, then we throw a burden on them and then they can be financed by some arrangement with the Imperial Bank. For those who are registered under these privileges, this may be done.

11948. The point is that an indigenous banker should bear his own responsibility entirely himself ?—Yes, because the money they earn remains in the country.

11949. If it is a State Bank, there is no question of money going outside. Supposing there is a Central State Bank or a Reserve Bank, what do you say ?—It will then be a different position. I was talking only of the Imperial Bank. I say they just become merely agents to earn a living.

11950. But they will get an advance for extending their business ?—Then they would not be agents. But what will be the position between them ? Supposing a banker who is a so-called agent makes out Rs. 25,000 as net profits per year, to whom will it go ?

11951. But he does certain business with the Imperial Bank's money and he gets so much commission ?—I say that the business should belong to him. If he were to get

a certain rate, it means that the profits go to the Bank. On the contrary, he should be the real banker and he should be entitled to get money at a certain rate from the Bank and not that he should be merely a commission agent.

11952. Do you say that finance should be placed entirely at his disposal ?—Yes.

11953. This will depend upon his credit ?—These facilities should be given to those who are registered and on whom certain burdens can be imposed. When he gets so much benefit, you can say that he is not charged more than 6 per cent.

11954. About the legal point that you have raised you say that the defences raised by an agriculturist are not false defences and at the same time *sowcars* also suffer. You say that a *hari* should be arrested. Do you think that a plaintiff or a creditor always comes to court with clean hands ?—Not always.

11955. Do you not think that a *hari* or a cultivator requires some protection as against the stronger party ?—So far as the scrutiny of the accounts of an agriculturist is concerned, I do not want to repeal the whole Act. I have myself written a book on the Dekkhan Agriculturists' Relief Act. What I want really is that they should be given the fullest discretion ; and there are several provisions which can give adequate protection to agriculturists. But if it is settled that a particular amount is due in fairness he should not be deprived of his due. This is my point.

11956. What advantage would the plaintiff get if the man is arrested ?—For instance, many *haris* take *taccavi* from one *zemindar* and run away to another *zemindar*. They have no stake. They have no lands. If a *hari* has one bullock, it is also exempt from attachment, his crop also is exempt from attachment and everything is exempt from attachment. He can conveniently take Rs. 50 from one *zemindar* and go to another.

11957. If he deliberately does it, it is a serious matter ?—I say he is conscious of this special position.

11958. But we have been told that the position of a *hari* is bad as it is and if other disabilities are added on him, again it will be still worse ?—Certainly. I say that he should be a peasant proprietor, but there should be certain disabilities on him after he is given a fresh life to start and he must realize that he behaves properly.

11959. What is the defect in the Sind Encumbered Estates Act XX of 1926 ? You say that you want its repeal altogether ?—There is absolutely no necessity for it.

11960. Have not several estates been saved by the fact that they are managed by Government and debts paid off ?—I know that in some cases lands which really ought to fetch Rs. 50,000 a year are leased away for Rs. 15,000.

11961. This is a question of management rather than the Act itself ?—Otherwise, the Dekkhan Agriculturists' Relief Act is there and the property cannot be sold and he is entitled to instalments. So far as scrutiny of accounts is concerned, the court has to do it.

11962. But here it is a question of efficient management and payment of debts from profits. It is quite a different thing from the Dekkhan Agriculturists' Relief Act ?—In the Dekkhan Agriculturists' Relief Act even if an immoveable property is mortgaged, he can get instalments to save the property. But this Act has done so much harm to a lender that he is not really a gainer. In many cases he is worse off. The manager can reject the just claim of a man on flimsy grounds, except in cases where he believes

that the claim is a just one. But if the manager decrees any just claim then the person who comes under it is rather a great sufferer because 15 per cent. is the Government charges. 15 per cent. is too high. Sometimes the estates are not even able to save 15 per cent.

11963. Would you like this percentage to be reduced ?—Yes. Then I would have no objection to its remaining there. It is a high charge. Secondly the manager cannot possibly look after the cultivation himself ; and it is a fact that he leases lands at a very low rate. It is only those who are clever and who can bribe him can get at that rate.

11964. What about the Usurious Loans Act ?—It is of no use here.

11965. Is it because of the Dekkhan Agriculturists' Relief Act ?—So far as my three or four districts are concerned in which I take an interest, the interest charged is 6 to 9 per cent.

11966. You would not be in favour of money-lenders being made to keep their accounts properly and giving extracts from them to their borrowers ?—I say that it should be more or less on a voluntary basis.

11967. Is it not a fact now that a borrower does not know what he owes to a *sowcar* ?—The borrower has become very clever now. If a *sowcar* goes to a court his claim is dismissed unless he gets acknowledgments.

11968. Think of a case which does not go to a court. The borrower would like to know what he owes to him, would he not ?—Still the *bania* would be willing to show him his accounts if he is willing to pay, but as a rule he never returns the amount.

11969. But even if he does not pay, he would still like to know how much he owes to him ?—He can know it at once.

11970. You say : " It is, however, regretted that there is not that amount of co-ordination between the co-operative banks and societies and the Government as is requisite for their proper function ". Do you mean that Government do not give much *taccavi* to co-operative societies ?—My suggestions are these that in the first place Government should guarantee some amount from the Imperial Bank, to be placed at the disposal of co-operative banks so that it can finance agriculturists sufficiently. In the local branch of the Imperial Bank the Government are giving them three lakhs of rupees every month.

11971. Probably the local branch manages the treasury ?—Yes. I say that co-operative banks will be prepared to finance those societies, etc., and also the agricultural classes provided some portion of this balance is placed at their disposal. My second suggestion is that Government should arrange that in future before advancing *taccavi* they should make enquiries to see if the man is not in debt.

11972. But *taccavi* is given to members after consultation with their societies ?—This is done so only after the floods, but before it they were given direct.

11973. So far as I remember, orders are distinct that *taccavi* to members of co-operative societies is to be made either through societies or in consultation with them. Of course, in extraordinary circumstances those orders might have been withheld ?—I do not know the Government Orders.

11974. You make another suggestion that negotiable instruments which are unstamped should be admissible in evidence on payment of penalty ?—Yes.

11975. Would not there be a tendency to have most of them unstamped ? Take the case of an ordinary *shroff* who issues 10 *hundis*. How many of them would come to

court ?—I am sure, if he knows that he has to pay 20 times the amount as penalty in case he fails to stamp it, he would not do it, and even the debtors have become very clever now. Therefore, he will not undertake this risk.

11976. *Professor Kale :* As regards the question of agency to be given to *shroffs*, the point really is this. To-day the branches of the Imperial Bank in many places are not working at a profit and it is stated to us that it is so because the Imperial Bank management is not in touch with the people and it is necessary that these branches should be managed by people who are in touch and in sympathy with the people concerned. Therefore the alternative to the Imperial Bank starting branches and carrying them on unprofitably is to hand over this duty to some indigenous bankers. This is the real alternative suggested. The question is whether the Imperial Bank should start branches in small places and earn no profit or this work should be devolved upon indigenous bankers who carry on their own business and at the same time do the work which the branches of the Imperial Bank would have done ; and as they will be in touch with the people, they will be able to do it much better. This is the idea. What do you think about this idea ?—I again repeat that, instead of handing over to them these agencies, they should be registered and should be given some privileges. The Imperial Bank do not open branches in the petty villages or petty towns because they would not like to deal with smaller people. They would rather like to deal with bigger people.

11977. But leaving the Imperial Bank as it is constituted and as it is worked to-day, there may be some sort of a Central Reserve Bank which may be established and it would be necessary for this Reserve Bank to come into touch with small places and it may be necessary for the Reserve Bank to give facilities to local *shroffs* ?—If it is according to our own way, then I have no objection to this proposal. But I say that it is not possible for such a Bank to come in.

11978. *Mr. V. L. Mehta :* On this hypothecation of produce, I think no documents are entered into at present ?—In several cases they are written.

11979. Are they worth anything ?—No.

11980. Supposing the debtor is dishonest and again creates a lien in favour of another party, what happens further ?—I file a suit.

11981. Supposing a special register of these mortgages is created, would it not facilitate matters ?—Yes, and it will be a sufficient security worth the name.

11982. About this land mortgage organization you suggest that a bank should be created in every district so that there will be about half a dozen banks in Sind ?—Yes ; there will be seven.

11983. Will these banks raise their own debentures or would you like them to have a central organization ?—I strongly dissent from the view of having a central organization. I would rather say decentralization.

11984. For raising of these debentures will they approach the market separately or through some central board ?—This again depends upon the capacity of the district. A mortgage bank in a district may raise money from another district as well, but when loans are given it should be confined in that particular district only because they will be able to know the value of land.

11985. Another of your suggestions is that the dues of co-operative banks and land mortgage banks should be treated as arrears of land revenue. Is this not being done at present ?—At present, you know, there are arrears in a co-operative society. They

take the cases to arbitration and get an award which they have to execute through a civil court or through the revenue authorities. If the dues of a member of a co-operative society are treated as arrears of land revenue, we will get our money. You know that in the month of June during the time of revenue collection, all *mukhtyarkars* do not sleep. So there is a sense of responsibility and they are very anxious that there should be no arrears of land revenue. So also if our dues are collected on the same basis, we will get all our money.

11986. But have you not the legal facility ?—But I say we should have the administrative facility.

11987. *Mr. Kamat :* Have you any suggestion to make how the Co-operative Movement could help a *hari* to get some land ?—We must have separate land mortgage banks for *haris*. The particular land which a *hari* gets is to be mortgaged and is not really to be his property nor is it to be alienated. It would be something like hire purchase system because the land should remain as the property of the mortgage bank. Our Khudabadi Amil Agricultural Association intends to get lands for members. For this purpose we have raised certain funds. We will also take certain funds from Government and from the party concerned who wishes to become the owner of it ultimately. We have been raising our capital now to rupees ten lakhs. We are collecting also share capital.

11988. Your Association would be something like a housing association ?—There is the Khudabadi Amil Housing Society.

11989. But your Association is intended to do agriculture through your members ?—Yes.

11990. Here it would be through ordinary *haris* ?—Yes, this will be different. As I said, for the benefit of *haris* co-operative societies can do ; and the co-operative societies are again dealing with the Hyderabad District Bank or with the Karachi Central Co-operative Bank and then they can get assistance from the Bombay Provincial Bank also. By this way we can do a great deal for *haris*.

11991. In that case would you have the *batai* system or would you give him land for agricultural purposes on his own responsibility ?—I would give him land on his own responsibility. After sometime the Khudabadi Amil Agricultural Association would have its own transport, for instance, motor buses and like that, to do away with cattle. At present there are many honest *haris* who possess one or two bullocks and they are stolen away. So far as this Khudabadi Amil Association is concerned, I have put before them that they should do away entirely with cattle and take to modern machinery because we shall be financing everybody. In any case we want to try all these modern means.

11992. Well this is all for the Amil community. I am just asking you whether the same thing can be done in the case of *haris* also ?—It is difficult to answer.

11993. *Professor Kale :* You just referred to the question of district banks. Now it has been suggested to us that the time has come when the district banks should be abolished and they should be converted into branches of a central bank. What have you to say to this suggestion ?—I think this is the suggestion of Mr. Thadani. It will be a positive stake.

11994. Their argument is that centralization of funds is a great necessity. Assume that this is a sort of a homogeneous province, would it be better from the point of view of

the Co-operative Movement that there should be concentration of finance and financial policy, and would it reduce the rate of interest if the centralization, as suggested, is carried out ?—I say that if we are to argue further, the greater the centralization, the greater the benefit, but then the Karachi Bank should disappear and if we stretch the argument further, the Provincial Bank also should disappear. I say the local people are the best judges. It was suggested probably by some gentleman that they can have advisory committees of local men. If this is so, where is then the question of centralization ?

11995. What have you to say to their argument in the case of district banks that the right type of men are not available for management and supervision ?—If this is so, there is an admission; that is to say, they cannot even get a local advisory committee. If it is admitted that they can get a local advisory committee, I say in that case at present also the advisory committee is the managing committee. I think it is necessary that there should be centralization for inspection of staff and also for promotion to managers.

11996. *The Chairman :* Is it your idea that because there are no prospects in future, the manager of a bank does not work as well as he should or could ?—Yes ; so centralization in this respect is necessary. Surely for the benefit of the staff it is necessary.

11997. One of their reasons for centralization of finance was the advantage of getting more finance ?—So far as this is concerned, I should think that it is very much better that each manager of a bank should know what the needs of the people are. You can have certainly a paid manager on a certain scale and if really the business increases you can again add to his salary.

11998. *Professor Kale :* Have district banks now sufficient capital ?—So far as our Khudabadi Amil Bank is concerned, we have sufficient capital.

11999. Have you to pay a higher rate of interest than the Central Co-operative Bank ?—No.

12000. Would you be in favour of the idea that we may have more co-ordination than centralization ?—Yes ; because in the Co-operative Movement, any amount of co-ordination is welcome.

(The witness withdrew.)

Mr. KEVALRAM DAYARAM SHAHANI, Director, Sind Central Co-operative Bank, Ltd., Hyderabad.

DISTRICT CO-OPERATIVE BANKS.

There is a problem regarding the constitution of these banks which I have long noticed during my connection with the Sind Central Co-operative Bank, Ltd., and the Hyderabad District Central Co-operative Bank, Ltd., extending for over seven years. The directorate consists of representatives of the individual shareholders and those of the primary co-operative societies. It has been observed from the experience that societies' representatives are generally either the *taluka* Honorary Organisers or some influential *zemindars* of the district. Of late the Honorary Organisers have been taking very great part in the Banks' affairs. They are nominees of the Government Co-operative Department, and rural co-operators always regard them as *Kamoras* or Government servants. They draw Government travelling allowance, but not getting

any Government salary they are not subject to the discipline and etiquette expected of a Government servant. Generally a senior chairman or secretary is promoted by the Co-operative Department to the rank of an Honorary Organiser. He is already a *Wadero* of his village community. By his promotion by the Government he exercises his influence of *Waderoship* on the whole *taluka*. He is a very important link in the relations the village co-operators have with the Co-operative Department on the one hand and the district central banks on the other.

Then there is the problem of big *zemindar* or pleader or any other big person getting into the Co-operative Movement. If his motive is purely philanthropic then it is praiseworthy. But if he has political aspirations, for instance, contesting district local board elections or legislative council elections, then his influence on the Co-operative Movement is dangerous from several points of view.

Two things are an open secret as regards the inner working of the co-operative banks. Whenever there is a matter between a co-operative society and a district bank the sympathy of the honorary organizers naturally goes in favour of the society. Again at the time of political elections extensions are liberally granted. There have been several indiscriminations too in such grants. Thus a purely banking and financial concern is guided not so much from the economic considerations as from the exigencies of political parties and interests.

Central Co-operative Banks in Sind.—In my opinion central banking in Sind needs more of unification than disintegrating into district units. Sind is a composite area which should be treated as a whole. This region as an outcome of its geographical position and its natural features and climate has from the very earliest historical times presented a marked unity. So recognisable as a unit it has been in modern times that during the preliminary discussions at the times of the Montagu Chelmsford reforms, suggestion was made that an experiment in political autonomy might first be tried in Sind as an index to its possibilities elsewhere. To-day, apart from the evidence before the Simon Commission and its auxiliaries, many individuals and groups are dreaming and scheming towards the evolution of the latent capacities of the land and its people. The vast possibilities for agricultural and economic development are inherent in the Sukkur Barrage and its kindred irrigation schemes, and the need of a big central financing organisation is very great.

On the other hand the present district banks in Sind do not show any special peculiarity or reason for their existence. They at present do exactly what the Sind Central Co-operative Bank has been doing from the start. Village co-operative units continue to be in the same relations as they used to be before. The district banks keep their records in English and depend as largely on their inspectors' reports as the Bank at Karachi. In my opinion the unit of administration should be a *taluka*. There should be a *taluka* central bank financing societies in one or two neighbouring *talukas*, keeping records in Sindhi, and being affiliated to one apex bank at Karachi. This will considerably add to the efficiency of the working of the whole Co-operative Movement. Societies in a *taluka* will begin to take greater interest in their financing organisation. The administration will be more efficient and economical. There will be greater contact between the staff of the banks and the societies.

Government Co-operative Department.—For the convenient working of the co-operative financing institutions as well as for efficient supervision and guidance of the

Movement in general, time is come when the headquarters of the Deputy Registrar of Co-operative Societies be removed to Karachi. When in 1917 the work before the Department was to handle hardly 100 societies scattered all over Sind, it was necessary to keep the Assistant Registrar at a geographically central place. This work involved lot of travelling in remote rural parts and he had hardly a couple of auditors to assist him. The Assistant Registrar was like an itinerant missionary going about influencing local population with his personal magnetism and influence. This work lay more in the village than even in the *taluka* towns. The position now is very much different, thanks to the efforts of the official and non-official workers who have guided the Movement for over a decade. The Deputy Registrar is more concerned with the central banks, the big societies, the special kinds of societies, the non-credit organisations. The small village units are left more or less to the care of the district auditors. His work is now more akin to the captain or a master of a ship than that of a travelling missionary. Let him, therefore, be placed at Karachi which is the real business, banking and adminsitrative centre for the Province.

ZAMINDARI BANKS.—*Zamindari* banks are a special kind of institutions which the Co-operative Department has allowed for Sind. In my opinion more of these could be added and the area of their operation may be reduced to a district sub-division and ultimately a *taluka*. For the purpose of having sufficient number of members for carrying on a unit organisation in a *taluka* or sub-division it may perhaps be necessary in some instances to reduce the standard of membership from those paying Rs. 500 assessment to those paying Rs. 200.

PIES.—In England there is a move for the abolition of farthings for all calculations in the banks. If in India pies were abolished in the same way, it would not affect detrimentally even to the business of a village co-operative bank.

Oral Evidence.

12001. *The Chairman :* Mr. Kevalram, you have been in touch with the Co-operative Movement in this district, perhaps the whole division, for a number of years ?—Yes.

12002. For how many years ?—Since 1922 I have been connected with the District co-operative bank in Hyderabad, and I have been connected with the Sind Central Bank for the last six years, also with the Khudabad Amil Bank and the Urban Bank.

12003. You know the condition of the primary societies ?—Yes ; I have done some touring.

12004. The first important point in your statement is with regard to the constitutions of the Sind Central Co-operative Bank and the Hyderabad District Central Co-operative Bank. You refer to the honorary organisers and then to big *zemindars* and pleaders. You say that the honorary organiser comes as the representative of the society. What is the difficulty ?—If he is merely the society's representative, it will be something better than what it is now. Being the protege of a Government Department, naturally the Department has hold on him.

12005. Who elects him to the board of the bank ?—He is a representative of the society, but generally at the back of the whole thing is the influence of the Department.

12006. What is wrong under the present system ?—At present there is nothing wrong because the personnel is good, but hereafter anything may happen in the personnel, and so the composition of the directorate cannot be really safe.

12007. You will agree that you must have representatives of societies on the board of the bank ?—Yes ; but they must be independent of Government.

12008. What system would you propose ?—First of all I would suggest that honorary organisers should either be Government servants or should be solely people's representatives. They should not be both.

12009. They are not Government servants ?—They are not Government servants, but they have the same influence as the Government servants have.

12010. When these representatives of societies attend the general meeting of the board, they are absolutely free ?—Quite ; but the Department has hold upon them. They are nominated by the Department to be the proteges of the Department. When they are chosen as leaders, the Department expects patronage over them.

12011. You mean that the honorary organiser should not represent the society on the board ?—Not only that, but he should not be the chairman of the society when he is an honorary organiser. Let him be the representative of Government, and let him be fully under Government control. As a result of that he will not be on the directorate of the bank, he will not be the chairman of any society.

12012. But he will be an organiser ?—Yes ; he can continue to do those duties.

12013. So you want that the honorary organiser should be a Government servant, and as such precluded from being chairman of the society and a member of the directorate ?—Yes.

12014. Then who will represent societies on the board of the bank ?—Some other leaders will come. Deputy leaders will come.

12015. Has the present system produced any bad effect ?—There is a good deal of influence of the Department over the honorary organiser. Supposing the Department want to carry any point, they have to tell the organiser to vote for it. Though the Department have no representative on our board, there is nothing that banks can do without being advised by the Department.

12016. That is because they think that the Department's advice is necessary ?—That would be direct.

12017. As regards *zemindars* and pleaders, are they elected by individual shareholders as well as by societies?—It is only recently that we are electing them as individual shareholders, but we usually place them as societies' representatives.

12018. Is it your objection that they use their powers for political purposes ?—It would not be objectionable from the democratic point of view.

12019. It would be, if they use their powers for gaining votes at political elections ?—I would not mind that ; but the difficulty is that the bank's interests suffer for their private gains. During the season when there are elections on, you find money flowing out like anything.

12020. On the board of directors there may be one or two members interested in getting votes of the people, but what about others ?—It is generally these influential people, who come up to the board with that view, and they naturally exercise all their influence towards that, and they are able to gather together a party on the board.

12021. Have you any practical suggestions to make as to how that could be prevented ?—That could be prevented by not admitting them to the primary societies

when they seek membership. One big *zemindar* joining one co-operative society and gathering together twenty *haris* forms a society quite alright on paper, but it is a one man show.

12022. That does not affect the question of the board of directors ?—These people should not come as societies' representatives.

12023. They would come as shareholders ?—They would come as shareholders, but then they would not exercise so much influence. There would be less danger.

12024. You say that central banking in Sind requires more unification. At the same time you propose that the unit should be the *taluka* rather than the district. It is centralisation in one direction and decentralisation in another. We have been told that if we do away with district boards or make them merely advisory bodies, they would not have much interest in their work and would not feel the responsibility ?—Therefore I have suggested that there should be a *taluka* central bank financing societies in one or more neighbouring *talukas* keeping records in Sindhi. All the business will be conducted in the vernaculars.

12025. *Mr. V. L. Mehta :* Are the accounts, minutes, etc., maintained in English at the district central bank at present ?—Yes.

12026. *The Chairman :* Is there any difficulty in having all your transactions at the district headquarters in the vernacular ?—There is difficulty.

12027. What is the difficulty ?—The district bank accounts are more elaborate than the *taluka* board accounts, and it will be difficult to get accountants of higher grade for that purpose.

12028. Instead of writing in English the accounts will be written in vernacular ?—Up to ten years back, my ancestors used to get Sindhi accountants for Rs. 45 or Rs. 50. Now I cannot get a Sindhi accountant even at Rs. 80. I have an English accountant, who draws Rs. 85, but he is not able to handle Sindhi accounts at all.

12029. You could get a Sindhi accountant at Rs. 80 ?—We cannot get one, because the present day Matriculates from whom these Sindhi accountants may be recruited neither know enough English nor are they experts in Sindhi.

12030. Is there any insuperable difficulty of maintaining Sindhi accounts ?—Those people should be specialised in co-operative banking business.

12031. Will you have *taluka* banks and on the top of them a central bank ?—Yes, one apex bank.

12032. And you will have a number of inspectors ?—Yes.

12033. We are told that the *talukas* in Sind are backward ?—But these societies can manage the *taluka*, which is a homogeneous area.

12034. Will they not be at the mercy of their manager ?—The manager will be at their mercy as the *taluka* will be a small area, and Sindhi knowing accountants will be recruited from that *taluka*.

12035. Will these *taluka* banks be independent ? They would not be branches ?—No, they would not be branches.

12036. What would be the constitution of the Sind Central Bank ?—It would be a federation of these banks.

12037. Would not the same objection of political influence, that you said exists in the case of district banks, apply to *taluka* banks ?—That is why I have suggested a small

area, and the influence will be limited. He will have to gain admission into eight *talukas* as a director, whereas now he enters into the district bank, becomes chairman and controls the whole district.

12038. What is the constituency ?—In the case of non-Mohamedans, three districts ; in the case of Mohamedans, one district.

12039. Then you want the headquarters of the Deputy Registrar of Co-operative Societies to be removed to Karachi ?—Yes.

12040. What advantage will there be ?—The Co-operative Central Bank there even now is more or less an apex bank for Sind. We go to Bombay on very few occasions. Most of our business we do through the Sind Central Bank, and we are trying to do everything through that bank. The Sind Central Bank and the Co-operative Department should be as near each other as possible. Had it been done before the last five years, there would not have been many difficulties. That is what I have found as the director of the Sind Central Co-operative Bank.

12041. The Deputy Registrar visits Karachi constantly ?—He visits, still it is not possible for him to have as close a contact with the bank as is desirable.

12042. Are there three *zemindari* banks in Sind started one for each district ?—Yes.

12043. Are they meant for big *zemindars* ?—Yes.

12044. Even if it is for the whole district, these big *zemindars* know each other fairly well ; do they not ?—In my opinion the area of their operation could be reduced to a district sub-division and ultimately a *taluka*. I think the district is too huge a unit.

12045. The members being comparatively few and fairly well-acquainted with each other, would not the district be a sufficiently small area ?—I can speak about the Hyderabad district. The three divisions are poles asunder geographically, socially and administratively. In Hyderabad district I myself am a *zemindar* in Tando Mahomed Khan Sub-division. We *zemindars*, Hindus and Musalmans, meet together and discuss with each other and know each other's wants. Although we have our meetings and conferences in the city of Hyderabad, we know nothing about *zemindars* in Hyderabad Sub-Divisions.

12046. How many *zemindars* would there be in Tando Mahomed Khan who pay more than Rs. 500 ?—I cannot say.

12047. Will there be, say, a hundred ?—I think there will be more than a hundred.

12048. That would be a sufficient number to form a *zemindari* bank ?—Yes.

12049. As regards the last point about pies mentioned in your statement, it is an interesting point. Do you want that interest should not be calculated in pies ?—I know very little of banking and as such I know very little of accounting. But I know a few interesting instances. I found my own grandfather's accounts and the balances carried over every year. There are not only pies carried forward, but even fractions of pies carried over from year to year, and we do not know what to do with them and how to pay them off. It is a good exercise for my accountants, but a lot of energy is wasted. Since I have taken charge, I have removed them from my own private accounts. At my fields at the *batai* time I went and saw on the spot when the accounts of peasants were settled, and I saw that they never care for fraction of a pie, not for pies and sometimes not even for annas. I have seen that my private accountant never takes with him even the change of a rupee when he settles the accounts.

12050. Can you tell us whether you finance your *haris* or not ?—Yes.

12051. Is there any scale for financing, such as so much per pair of bullocks ?—My *haris* are quite different from other *haris*. Generally I and my assistant control them to a very large extent even in their social and private life. We look to their economic needs including their marriage and other social needs and we pay them accordingly. They have to go to the *bania*, but not to a large extent.

12052. When the *bania* advances anything to them, does he consult you or ask you to take the responsibility ?—Nothing ; he does not come to me. If there is any complaint to make he comes to me and he sees that the matter is settled up.

12053. Do not some of the *haris* come to you as well as go to *sowcars* for finance ?—Very few ; this is peculiar to my *haris*. This is not universal.

12054. What about your neighbours ? Do they finance their *haris* ?—The Mahomedan *zemindars* do not. They borrow finance from petty *banias*.

12055. What about Hindu *zemindars* ?—They finance themselves.

12056. Is there any scale ?—There is no scale.

12057. Do they recover the amount with interest ?—Yes ; they find no difficulty.

12058. *Professor Kale :* With regard to these honorary organisers, do you not take the view that in the earlier stages of the progress of a movement you have to take the help of the leading men of a particular locality, that movement may be social service or some other movement, because most of the people are so ignorant that unless you take help of the leaders of the people you cannot make any headway ? Do you think that the question of honorary organisers has to be considered from that point of view and that it may not be an evil in many cases but that it has become a necessity ?—If they continue to be people's representatives and enjoy the leadership of the people, as such there is no quarrel.

12059. Do you expect that in a village, people will meet and elect their leaders ? Do you expect the people to understand the principle of co-operation and regard the man as their leader ?—In every village where there is a co-operative society, there is no difficulty of finding a leader.

12060. Is not the honorary organiser a man of that type, a man who is the leading man of the village ?—Yes ; if he continues to be in that office, it is alright. But if you make him some representative of Government in some fashion, it is Government who exercises the influence.

12061. How is the Government to promote the growth of the Co-operative Movement otherwise ?—It can promote by leaving the leaders alone. Government should hand over the whole of the appointing work to the Institute.

12062. Why do you look upon the honorary organiser as a representative of the Department ?—Because his nomination is solely in the hands of the Department.

12063. What will happen to the organisers appointed by the Institute ?—They will carry no influence. Let them carry no influence as Government people ; but they will carry influence as people's representatives.

12064. Do you feel that the people are prepared for that kind of thing ?—Yes.

12065. We have been told in other parts of the Presidency that the people there are not so advanced as you think they are in Sind ?—Here there is a great influence of the honorary organiser.

12066. He is a leader of the village and Government has nominated him, and yet you do not want him ?—I do not want him to be in the influence of Government.

12067. Either people should elect him, or if Government appoints him, the people should put up with him ?—Let him then be free from the people ; let him be a Government servant.

12068. You are proposing that Karachi should be the centre for the Co-operative Movement in Sind. After the Sukkur Barrage scheme is developed, do you think some other centre would be more suitable ?—I think Karachi is the only centre for the whole of Sind.

12069. Are you sure that there would not be a demand from people that some other centre should be selected and that Karachi is in a corner ?—Geographically it is at the corner, but otherwise it is not.

12070. Would it not be an inconvenience to the people in the north ?—People in the north and other parts meet oftener in Karachi than at any other place.

12071. To-day it is so, but I am talking of the future ?—In future also it will be more so from the administrative point of view and many commercial offices being there.

12072. When were the district banks started, how many years after the Sind Central Bank was started ?—The Sind Central Bank was started in 1916, and the district banks were started in 1921, that is, five years after.

12073. You allowed and encouraged these district banks to be started. Now why do you go back upon the policy ?—I do not want to go back upon it.

12074. You want to centralise ?—My suggestion is that the *taluka* should form banks, and the Sind Central Bank should be a provincial bank for Sind.

12075. When more societies are started in the Barrage area, do you not think the district would be a proper unit ?—The whole of Sind would be the unit.

12076. I mean that the district would be a better unit than your Central Bank being the centre of the whole Movement ?—We shall have then primary societies in villages, we shall have central banks in *talukas* and a provincial bank for the whole of Sind. There will be three stages.

12077. Do you think that the district is a more representative unit than a *taluka* for a central institution ?—Since the number of societies is increasing and since I am suggesting vernacularisation of work, I think, the *taluka* is more workable.

12078. But the *talukas* in Sind are very small ?—There is no objection to combine two *talukas*.

12079. I mean the population of one district is five lakhs and if there are five *talukas* the population would be one lakh ?—There are fifty-eight *talukas*, and I am contemplating thirty *taluka* banks.

12080. What is the population ?—It depends on the type of *talukas*. Where the population is small, we will combine them.

12081. Do you think the *taluka* will be a sufficiently large unit ?—Yes.

12082. With regard to the record kept in English, have you tried to train men for the purpose of writing accounts in the vernacular ? Has any attempt been made ?—No ; we have not done it in the case of district banks. In the case of primary societies they have been doing it.

12083. Why have you not done it in the case of district banks ?—In the case of district banks we recruit people from higher grade.

12084. *Mr. V. L. Mehta :* Where exactly would the training be required because instead of keeping accounts in English, they would be transcribed in Sindhi, and there will not be any change in the system ?—These ordinary ledger-keepers and clerks cannot do even the translation.

12085. *Professor Kale :* Have you such a poor opinion of Sindhi intelligence that the people here cannot be trained within six months ?—These young men are thoroughly anglicized and that kind of training is not given to them in the schools and it is not a permanent post in the district banks which they are after.

12086. I think an experiment ought to have been tried ?—In the case of *taluka* staff it is possible to get that staff without special training.

12087. Here also if you make an attempt seriously, you will be able to secure the men. With regard to *zemindars* and pleaders who have joined the Co-operative Movement, can you avoid them in a democratic movement like the Co-operative Movement ? If a pleader is prepared to give his services and work in co-operation with others, he is an asset to the movement. And with regard to the electioneering, these evils would be found everywhere, in whatever movement you carry on. Should it not be your object to attract these people into the movement ?—If they came with the motive of assisting the movement, it is alright.

12088. You must take the world as it is, and even in the Co-operative Movement you cannot bring about moral revolution ?—Let them utilise their powers, but that should not affect the interests of the bank.

12089. You know that many of the people, who take any intelligent interest in public movements, are pleaders. If you shut them out, you shut out intelligent people who do a lot for the movement. That is what we find in politics. They are prepared to make sacrifices for the cause of progress, and the more they come into the movement, the better. There may be some bad people, but that does not mean that you should condemn the whole class ?—I think the small class of people would be able to do better than *zemindars* and pleaders. The movement of the co-operative kind can be carried on by the small class of people themselves without the help of any big *zemindar* or pleader.

12090. Is that the same experience in the organisation of labour or social reforms ? Do you think the common people would bring about reforms without the help of these people ?—There is no such movement in the agricultural people for labour and social reform. There has been no such experiment amongst the agricultural population. That is only in cities.

12091. *Mr. V. L. Mehta :* What exactly have you in view when you say that the honorary organisers are not subject to the discipline and etiquette expected of a Government servant ? Are they not subject to Government service conduct rules ?—At a political election the Government servant may help privately or secretly, but the honorary organiser helps openly.

12092. If there is any corruption, can Government service conduct rules be brought into force against them ?—I do not think so.

12093. In the Hyderabad Bank and the Sind Central Co-operative Bank have you a system of having your loan applications scrutinised by the Co-operative Department ?—Yes.

12094. Does that lead to any delays ?—Very great delays.

12095. Are applications not dealt with direct by the banks themselves ?—When the chairman of the society prepares an application, he sends it to the honorary organiser, the honorary organiser sends it to the auditor after scrutinising it, the auditor sends it to the deputy registrar, the deputy registrar sends it to the bank's office, then it is sent to the bank's inspector and then to the managing director and afterwards it comes before the board.

12096. How do you propose to get rid of that delay ? Do you think that the deputy registrar's scrutiny is still necessary, or do you think it can be done away with ?—In the case of primary societies and for societies of long standing for ordinary applications the chairman should be able to send them direct to the manager, but in the case of any special application for special loans or special kinds the recommendation of the deputy registrar may be necessary for the next few years.

12097. Some witnesses have told us that you have rules under which loans under Rs. 500 are permissible, but for loans over Rs. 500 the sanction of the deputy registrar is necessary and up to that amount he has a right to allow, and above Rs. 1,000 the procedure is not well-known here. Do these sanctions take a long time and, if so, can you suggest any method by which delays can be got over ?—They do take a very long time, and they could be got over by allowing societies of three or four years' standing to deal with those applications directly. Up to Rs. 1,000 they can be trusted to do that.

12098. Would there not be any danger of favouritism ?—Not very much.

12099. And above Rs. 1,000 ?—For requirements above Rs. 1,000 there may be special societies.

12100. You mention some of the reasons why you want the *taluka* to be a centre for co-operative banks rather than the district, one of your reasons being that records may be kept in Sindhi and the members of the committee will have access to these records and they could meet together very frequently. Have you any other reasons ?—They will be in greater touch with village societies. At present in the district, whether I am a director of the district bank or the Sind Central Bank, I come to know very little of the applicants' financial condition.

12101. Will there be any difficulty from the financial point of view ?—There will be training to these people in the banking institution. The success of these *taluka* banks will be in having greater touch with the village societies than the district bank has.

12102. Is this borne out by the experience of your branches ?—Yes ; we have a branch in Tando Allahyar, we have a branch in Hala belonging to the Sind Central Bank and in Mirpur Bathoro also we have a branch of the Sind Central Bank. After the starting of these branches I find the working of the societies in these three *talukas* very much better.

12103. *The Chairman :* We have been given to understand that the advisory committees that you appointed did not function at all ?—That does not matter. The existence of our manager or agent is a very great boon to the *taluka* as a whole.

12104. *Mr. Kamat :* About these honorary organisers, in actual practice who recommends the names to Government ?—The Deputy Registrar.

12105. Under your scheme supposing the Institute is authorised to select its own honorary organisers, who would be the people ?—The *taluka* branches or the district branches of the Institute.

12106. There will be some centralised agency, which ultimately makes a final choice on behalf of the Institute ?—The Institute is now delegating a good deal of its authority to the district Institute. If that policy continues, the district Institute will exercise all the powers which the Deputy Registrar and the Registrar exercise.

12107. Do you think the choice made by these district organisers will be better made than the choice made by Government ?—The choice will be the same, but they will be under the control of a non-official body.

12108. About political influence, is that your main ground for centralising that in the district certain people utilise their funds for political reasons ?—My main reason for centralisation is the economic development of Sind.

12109. Do you mean there are unscrupulous directors only in district towns, and in *taluka* towns there would not be unscrupulous people ?—In the *taluka* towns there will be no such people.

12110. For the Legislative Council elections would you have no people you mean in the *talukas ?*—They are big people influencing the whole district.

12111. They will exercise their influence even in *talukas ?*—It is very difficult for them.

12112. Do you also contemplate to include in the central banking organisation the land mortgage bank in Sukkur Barrage area ?—I do not mind keeping the land mortgage bank separate, if the Sind Central Bank or the central financing bank is started in Karachi.

12113. Is there any analogy in the administration of various public departments for this sort of top-heavy centralisation. For instance, take the Irrigation or the Forest Department. Is there any analogy in the administration of departments of Government like the top-heavy centralisation you suggest of the central bank at Karachi managing all the *talukas* in the provinces without the district bank ?

The Chairman : Mr. Kevalram is not in favour of centralisation. These *taluka* banks will be independent, and the Sind Central Bank will take the place of the Provincial Bank and guide the *taluka* banks just as the Bombay Provincial Bank guides the policy of district banks ?—Yes.

12114. *Mr. Kamat :* But you dictate policy from Karachi and the *taluka* banks will have to follow the policy ; to that extent it is centralisation ?—No ; each *taluka* will be quite independent to a very large extent as regards its working, and some financial aid from the central bank will be necessary and, therefore, we are maintaining one central bank.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Wednesday, the 22nd January 1930.

Wednesday, January 22nd, 1930.

HYDERABAD (SIND).

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

MUKHI GOBINDRAM PRITAMDAS, Banker and Zemindar, Hyderabad, Sind.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—Sind is primarily and essentially an agricultural province, and full 80 per cent. of its population depend for their livelihood on cultivation. Vast majority of these cultivators are Mahomedans, who possess no capital of their own, and have to depend for financial assistance upon the village *bania*, not only for their agricultural operations, but for all the requirements and necessaries of their life. The *bania* acts as their banker, their merchant and as the purchaser of their produce when it is harvested. Generally speaking, every cultivator has his account with the village *bania* or *sowcar*, from whom he takes all his requirements on credit, and when the crop is ready it is handed over to the *bania* in payment of his debt. The interest usually charged by the *bania* varies from 12 to 24 per cent. per annum. Once an account is commenced, it is seldom that the cultivator is able to pay off his debt in full at any time, so that his indebtedness to the *bania* not only continues but grows from year to year with the result that in the end the cultivator has to part with his land in favour of his creditor.

This system of finance has gradually brought into existence the Non-Mahomedan *zemindar* class in Sind who have acquired their holdings chiefly through their dealings with the agricultural masses. Being an illiterate person, the *hari* or the cultivator is unable, as a rule, to understand any account keeping and is sometimes a prey to the machinations of his creditor.

There is another class of cultivators who do not possess any land of their own, but who work as *haris* upon the land of other *zemindars*, and take from them an advance in the shape of *taccavi*, which enables them to purchase cattle for their agricultural operations and provide food for themselves and their families till the crop is ready. In some cases, particularly in the Tando Sub-Division of the Hyderabad District this *taccavi*

is given on what is called a *savai* system under which the *hari* has to return one quarter more than the amount actually borrowed by him in the shape of interest. This *taccavi* advance is given for the cultivation season only and its repayment is the first charge on the *hari's* share of produce at the time of *batai*. As it does not take more than six months time to cultivate any crop, the *hari* has under this system to pay a very heavy return of 25 per cent. for six months use of the *zemindar's* money.

There is no facility available to a small cultivator in this province to raise any substantial loan for the capital and permanent improvement of his land, with the result that he is unable to improve either the manner or the method of his cultivation. The chief reason for this is the absolute loss of credit of the cultivator as a class, which has been brought about by the enactment of special legislation in his favour. In order to relieve the agriculturist of his indebtedness and to provide a means of paying off his debt, which he himself is unable to do, Government enacted the Dekkhan Agriculturists' Relief Act and the Encumbered Estates Act. Far from affording any genuine relief, these two measures have shattered the fabric of agriculturist's credit, driven honest dealer out of the business of financing him and left him to the tender mercies of rapacious money-lenders. The personal security of an agriculturist is not worth one penny, because under the provisions of the Dekkhan Agriculturists' Relief Act, his land, which is his only property, cannot be attached and sold unless it is specifically mortgaged, and his person is insecure from arrest. An agriculturist can go behind the most solemn and registered documents by sitting upon oral agreement. Under the circumstances, the only course left to the money-lender is to get a sale deed of his land before advancing him any loan. The Encumbered Estates Act is even a worse sinner in bringing about the ruin of an agriculturist's credit, because the Manager is given powers so absolutely wide and arbitrary in adjudicating the creditor's claims against the estate-owner that no creditor, however honest, ever gets justice at his hands. In my opinion, the sooner these two enactments are so amended as to give adequate relief only to the deserving agriculturist, protecting at the same time the interests of the *sowcar*, the better it will be to rehabilitate the *zemindar's* credit.

The part played by Government in agricultural finance is so very small as to be almost negligible. It is true that when some kind of disaster such as wholesale failure of crops befalls any portion of the province, Government comes out to help the agriculturist with *taccavi* loans, but in normal times no useful assistance is rendered. The procedure and formalities of getting even a small *taccavi* loan are so intricate and cumbrous for illiterate masses of the agricultural class that comparatively very few people take advantage of it.

In Sind there are very few joint stock banks, but even they hesitate to grant any loans against the security of agricultural land or produce. It is only a few well-to-do *zemindars* in big towns who enjoy any credit with these banks, but so far as the rural masses are concerned, joint stock banks do nothing to render any financial assistance to them. The *sowcar* or the money-lender is still the best and the only friend of the agriculturist.

The Imperial Bank of India has failed to serve any useful purpose although agriculture is the basic industry of the country. The Imperial Bank has done nothing to help agricultural finance. All its branches are located in the Presidency towns or big cities and places of commercial importance, and moreover, by the very Act of its constitution, the Bank cannot advance any loan against agricultural land. Since the last year the bank has started giving advances against paddy and grain to some *zemindars*.

The remedies that I would suggest for the amelioration of the agricultural classes to bring financial aid within their easy reach are :—

(1) Compulsory primary education which will remove the present illiteracy of the masses.

(2) Opening of land mortgage and agricultural banks. Government must encourage the formation of such banks by advancing loans to them on nominal interest such as they get from the Imperial Bank of India.

(3) Co-operative banks and societies must be started in the rural areas, and their powers should be extended to enable them to grant long-term loans to the agriculturists upon the security of land.

(4) Special enactments such as the Dekkhan Agriculturists' Relief Act and the Encumbered Estates Act should be so amended as to protect all *bona fide* transactions and discourage dishonest pleas which are now raised to defeat just claims.

(5) Special tribunals should be set up for cheap and speedy disposal of suits, and *sowcars* should be given facilities for recovery of their outstandings such as compulsory arbitrations and such other powers as are given to co-operative societies, which will minimise the costs and delays of litigation.

QUESTION 2.—The agriculturist class as a whole had no reserve capital or sustaining power and, therefore, he is obliged to sell his produce immediately after it is gathered, either to the money-lender who has given him credit, or to the merchant who comes round at the time of the harvest to purchase it. Transport facilities in the province of Sind are so small that the farmer finds it difficult to bring his produce to commercial centres where he could obtain a better price, and he is, therefore, obliged to sell it in the interior at a sacrifice. There is no system of storage and marketing credit which can avoid forced marketing, and this adds to the middleman's profit at the cost of the cultivators.

Any co-operative effort in the way of forming pools is not likely to succeed until the present indebtedness of the cultivator is not removed to enable him to get out of the clutches of his present creditors and by spread of primary education the present illiteracy is removed.

Banks and bankers in Sind have very little part to play in the marketing of produce. This work is done mostly by merchants and commission agents. The latter advance to the merchants 70 to 80 per cent. of the market value of the produce which is consigned to them for sale against railway receipts. Here again considerable difficulty is felt by the mercantile community by the railway receipt not possessing any legal value as evidence of title to goods covered by it. In my opinion railway receipts and the bills of lading should by law be made negotiable securities and recognized as valid and legal instruments of title of the merchandise covered by them, because the banks and bankers will then find it more easy to negotiate with them.

Hundis play an important part in the internal circulations of money and save a great deal of metallic currency which would otherwise be required to finance the marketing of produce. Most of the mercantile remittances are conducted by means of these *hundis* which are freely discounted in all principal towns and commercial centres, especially if the drawers and drawees are merchants of well established credit. The abolition of stamp duty on *hundis* payable at sight has promoted their use, and the mercantile community will very much appreciate if stamp duty on *hundis* is abolished or reduced.

Mukhi Gobindram Pritamdas.

QUESTION 3.—The value of land in Sind as everywhere else depends upon (*a*) the nature of the soil, (*b*) adequacy of its water supply, (*c*) situation and accessibility to the market, (*d*) prices of produce. There are some tracts where it will be difficult to sell land for even Rs. 20 an acre, while there are other fertile parts like the rice lands of Larkana district which fetch as much as Rs. 500 to Rs. 800 per acre or even more. The average price of flow lands in the Hyderabad and Nawabshah districts is something like Rs. 100 to Rs. 150 per acre, while lift lands fetch about half that price. Sales by private negotiations realize more value than forced sales in Government auction for non-payment of revenue or execution of decrees. The prospects of Sukkur Barrage irrigating large tracts of land which is now lying waste has considerably enhanced the value of the lands in the Barrage area. Land, for instance in the Tando Allahyar *taluka*, which only a few years ago could be had for anything like Rs. 10 per acre is now selling for Rs. 50.

QUESTION 6.—Subsidiary industries allied or supplemental to agriculture are very few and far between in the province of Sind. Although there are some rice mills and cotton ginning factories in the tracts producing these products, the real industry that could benefit the agricultural class is the cottage industry, which simply does not exist in Sind, with the result that the cultivator has to idle away six months of his time in a year. Illiteracy is here again the root cause of this evil. Modern science and engineering have produced so many hand machines, which could with profit be worked in cottages and add materially to the resources of the agricultural class and supplement their income. Associations on co-operative lines should be formed to supply these machines on easy terms and collect the manufactured produce. These associations can send out trained men to go into the *mofussil* to initiate the people in working these machines.

QUESTION 8.—As I have stated in my opening remarks, the two Acts responsible for ruining the financial credit of the bulk of the peasant population are the Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act, and the sooner they are amended the better will it be in the interests of those very persons for whose benefit these enactments were originally designed. The definition of an agriculturist in the Dekkhan Agriculturists' Relief Act is so wide as to include even the largest landowner who might be enjoying an annual income of lakhs from his lands. So far as the operation of the Act is concerned, he stands on an equal footing with the humblest tiller of the soil. Surely the Act was never intended to afford relief to such fat *zemindars*, and one essential point in which it needs an immediate amendment is the limitation of its benefits to the smaller class of agriculturists who pay an annual assessment of Rs. 100 and under or whose income from agricultural sources does not exceed Rs. 600 a year. An amending bill with this object in view was actually circulated in 1914, but with the outbreak of the War it was shelved.

In the case of *zemindars* and *jagirdars* who pay an assessment of Rs. 300 or more, the Sind Encumbered Estates Act is a weapon which has played havoc with their creditors in defeating their just claims. Even in cases where a creditor has obtained a decree, which has been upheld by the High Court after contested litigation, the Manager who represents the debtor can ride a coach and four through the decree and deprive the creditor of the amount of his litigation by refusing to admit his claim on the simple ground that it is not proved to his satisfaction. Again, however *bona fide* and honest a claim may be, and however strong the evidence in support of it, the Manager can reduce it to one half by the rule of his thumb if no account books are produced to support it. If it were a question of a large running account between the parties extending over a long period,

there would be some sense or pretence of justice in reducing the claim for non-production of accounts, but where a single transaction is evidenced by a solemn deed in writing which is registered, wherein the debtor has admitted receipt of full consideration and it is further proved that the creditor does not keep any account books in the ordinary course of business, it is perversity of justice to cut down the claim by one half simply because account books are not produced. Rules like these only tend to promote dishonesty on the part of the debtors and their amendment would go a long way in improving the condition of the creditor of a *zemindar*.

SECTION II.

QUESTION 1.—There are very few joint stock banks in this province and these few are also located in the principal towns which are commercial centres. For the financial assistance, it is the *shroff* or the native banker who has always rendered useful service to the country. The functions of these *shroffs* are very nearly the same as those of the joint stock banks. They receive money on current and fixed deposit accounts and advance money on security or personal credit according to the nature and financial position of the persons with whom they are dealing. They also arrange transmission of money from one place to another for private and trade purposes by issuing *hundis*, and they help in marketing the produce by acting as commission agents for their upcountry constituents. From the petty village *sowcar* to the *shroff* doing such business in commercial centres, the *hundi* is the chief instrument upon which business is done.

All this work is done by private individuals or firms who do not publish their accounts and it is, therefore, impossible to say even approximately what is the extent of money which the *shroffs* employ in their business, but it can safely be asserted that full 80 per cent,, if not more, of the trade circulation is conducted by the agency of these native bankers. Their expenses are very small compared to the joint stock or exchange banks. They have no top-heavy establishments or huge offices to maintain, and the system of their account keeping is simplicity itself.

The relations of the *shroffs inter se* are very cordial and harmonious, but so far as the banks, the Imperial or others, are concerned these *shroffs* receive very little assistance from them. The Imperial Bank as the premier banking institution of the country, from whom much could be expected, is the greatest defaulter in this respect, because as a rule an Indian merchant does not inspire confidence of the Bank authorities and is looked upon with a feeling of distrust and suspicion. It will be no exaggeration to say that the Imperial Bank exists principally for the purpose of supplying the needs and requirements of European trade and commerce.

To remedy this state of affairs, it is desirable to have a "Reserve Bank of India" which should not do the ordinary banking business in competition with the other banks and *shroffs* but function purely as a bankers' bank and be entrusted with Government business and control of currency. The management of this bank should be left to the guidance of the representatives of the commercial community with Indian majority, otherwise it will not be able to render that useful assistance to Indian trade.

The usual rate of interest charged by the Indian bankers to their constituents on all kinds of advances made in the course of trade dealings is 6 per cent. irrespective of the fluctuations in the bank rate both in the busy and the slack seasons.

Shroffs and Indian bankers are working under a considerable disadvantage, their position not being recognized to be equal to the joint stock banks. A selection could

easily be made of the leading firms of *shroffs* who enjoy high credit and commercial probity, and the privileges accorded to the joint stock banks could then be extended to them.

Another great difficulty experienced by the private Indian banking concerns is that their deposit accounts are open to inspection of the Income-tax authorities, who then send their depositors with notices of income-tax. As a natural result the clients prefer to have their deposits with banks where they are not subject to the same searching inquisitions. Steps should be taken to remove this distinction which is causing considerable prejudice to the entire *shroff* community.

SECTION III.

QUESTION 1.—Except in large towns which are commercial centres, there are no banks of any repute or standing which can command the confidence of the investing public, and in such places the *shroff* acts as the banker. Of late co-operative societies and banks have been opened in *mofussil* towns, but any investment made in such concerns is done with a view to obtain loans from them.

Savings of people in Sind are small as compared with other places, yet the facilities for investing them are inadequate. The failure of Indian banks from time to time have shaken the confidence of the investing public who prefer Government securities to any other source of investment. Post office savings banks and cash certificates have played an important part in this respect, and the latter could certainly be made more attractive for the small investor if a cash certificate of Rs. 5 denomination could be made available and interest could be allowed upon cash certificates after the expiry of first 3 months instead of 12 months now fixed. Educated middle classes, who mostly avail themselves of this form of investment, will then take more readily to it. Government loans would be an attractive investment if facilities could be provided for purchasing and selling Government promissory notes in *mofussil* on easy terms, and interest could be made payable at all post offices. It would be better still if Government bonds could carry interest coupons which could be cashed to the bearer at all post offices. The present rate of interest allowed on cash certificates is reasonable and requires no revision.

Abolition of stamp duty on cheques has materially added to their use, but the cheque habit would increase to a large extent if the local vernaculars could be adopted.

The issue of Treasury Bills by the Government of India to maintain an artificial ratio of exchange at 18 pence to the rupee is an unmixed evil. By coating stringency of money it has proved detrimental to the industry and agriculture of the country. Government is competing for the use of money at comparatively high rate of interest thereby depriving the country of the use of that money.

The result of the opening of new branches in recent years by the Imperial Bank of India has been that the money collected by them as deposits in these branches is taken away to their head offices, leaving the interior of the country poorer by such operations. Unless by a mere elastic provision of their powers of investment, and a sympathetic consideration of the local needs and requirements, the Imperial Bank can invest their deposits in the local areas from which they are drawn, further extension of their branches in the *mofussil* will cause a further drain of the money and thus prove harmful. Unless the Imperial Bank is prepared to help agriculture, which is the basic industry of India, they cannot be of much use. During slack season when the Imperial Bank has a plethora of money which could not be utilized even at 1 per cent., the agriculturists pay huge interest from 12 to 24 per cent. on their requirements.

Oral Evidence.

12115. *The Chairman :* Mr. Gobindram, you are doing banking business ?—Yes. I am a *zemindar* also.

12116. Besides banking, are you doing any other business, like commission agency ?—Yes, I do all sorts of business.

12117. Most of the *shroffs* here do other business as well, do they not ?—Yes, they sell gold and silver and do *hundi* business.

12118. And some of them do cloth business ?—No.

12119. In this district are there any *shroffs* in *talukas* also ?—Yes, there are *shroffs* in *talukas*.

12120. Apart from money-lenders, are there *shroffs* in *talukas* who do banking business like taking deposits ?—The village *sowcars* do receive deposits and lend money.

12121. You also do business of remittance through *hundis* ?—Yes.

12122. Is much cash remitted by bankers here from place to place or in currency notes, or is the business usually done through *hundis* ?—It is done through *hundis* when there is surplus. When I cannot purchase *hundis* here, I have to send notes to Karachi and other places.

12123. To outside provinces also ?—No.

12124. But do you not use the Imperial Bank for remittance purposes when you have surplus cash ?—It becomes too expensive although in my case they have made a special allowance.

12125. Do several people here have business in foreign countries ?—Yes.

12126. Do they use exchange banks for remittance ?—Yes, they remit through exchange banks.

12127. Have you any such business with foreign countries —No.

12128. You just now said that you got certain facilities from the Imperial Bank for remittance purpose. Are the bankers here generally satisfied with the facilities given by the Imperial Bank ?—They want more loans from the bank.

12129. If people have credit, the Imperial Bank will finance. If there is safety, they would advance ?—The Imperial Bank has not much confidence in the Indian merchants.

12130. Do you think it is difficult for them to know what the position of most of the bankers is because they do not publish any accounts ?—They make enquiries and still they feel reluctant to advance.

12131. But such enquiries are all oral enquiries. Are the bankers prepared to show their accounts or present their balance sheet ?—No ; our people are very conservative and do not want to publish their accounts, but they will be able to give a list of their property and lands.

12132. But the Imperial Bank does not advance on the security of land ?—No.

12133. Do you not think that if indigenous bankers want facilities either from the Imperial Bank or from a joint stock bank, it would require them to clearly state what their position is and cannot merely rely on the indirect enquiries which are after all oral enquiries ?—It is true, but I say that our bankers are too conservative.

12134. Has any attempt been made by indigenous bankers here to combine and start a joint stock bank ?—Not so far. They did try a few years ago where the Sind Bank failed.

12135. How long did it work ?—It worked for about five years.

12136. Was it during the banking crisis that it came to grief ?—Yes.

12137. Do you think there is any possibility of bankers joining to start a bank here on the lines of a joint stock bank ?—It can be made possible if we had enterprising people. Everybody is busy with his own business.

12138. As regards *hundis,* have you both *darshani* and *mudati hundis* ?—Yes.

12139. Has the business in *mudati hundis* diminished in recent years ?—Yes, on account of the excessive stamp duty.

12140. If the stamp duty on it is reduced, will there be more *mudati hundi* business ?—Yes. I think it should be reduced to two pice per hundred. Now it is six pice. In these hard times it is not possible to pay a high rate as this.

12141. Do you issue any fixed deposit receipts ?—Yes, but we will not state the period as to when it is due. If we state the period, we will have to pay six pice per hundred stamp duty. We want exemption from this like joint stock banks.

12142. As regards the internal trade or the movement of commodities from *talukas* to headquarters, is it financed to a large extent by indigenous bankers ?—Yes, most of it is being financed by indigenous bankers.

12143. Do village money-lenders or *sowcars* get money from indigenous bankers ?—They send for goods.

12144. And not for ordinary money-lending business ?—No. The *sowcars* depend upon their capital. I would insist that the stamp duty on *mudati hundis* should be reduced. It will mean more business in that case. It would be good for trade.

12145. Do you think it is only the fact of stamp duty that has reduced the number of *mudati hundis* or is it also to a certain extent due to want of confidence on account of general depression ?—It is also due to general depression to a certain extent. But good parties do not want to write *hundis.*

12146. You say in your statement that when the crop is ready the agriculturist hands it entirely to his money-lender ?—Yes.

12147. And that several of the money-lenders have in consequence got possession of lands ?—Yes.

12148. What is the remedy for this state of affairs ?—The remedy is to educate the *haris.*

12149. But merely education is also not enough because you will have to provide them with finance ?—They can get loans at reduced rates from co-operative societies.

12150. Did the indigenous bankers in the headquarters formerly finance *zemindars* ?—Yes ; but after the Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act, all village *sowcars* are fighting shy.

12151. But where do the *zemindars* get money now ? Still it must be from village *sowcars* ?—Yes, at a high rate of interest. On account of these Acts now it becomes very

risky for *sowcars* to finance them, but if they are amended, they will advance money to *zemindars.*

12152. You state that a cultivator is at present entirely in the hands of a *sowcar* and still you want that he should not be secured from being arrested for his debts and as you say the village *sowcar* is very often not keeping proper accounts. Why should you protect those who are not able to take care of themselves ?—The merchants will also say that Government should protect them.

12153. No. Look at the difference between the two parties. One is strong and the other is weak and is entirely dependent on the strong ?—The fittest must survive in the world. I would not protect a weak party by any special enactment. It becomes a one-sided affair.

12154. One of the remedies you suggest for the amelioration of agricultural classes to bring financial aid within their reach is the opening of land mortgage and agricultural banks. Have you agricultural banks here, besides co-operative societies ?—We have none.

12155. What sort of agricultural banks do you suggest ?—I suggest such banks which can finance *haris.*

12156. Is it the same as a land mortgage bank ?—Yes.

12157. At present if an agriculturist or a *zemindar* or a small *khatedar* wants to store his produce and get an advance against it if the marketing is falling, are there any facilities for storing his goods ?—No.

12158. Has not the Imperial Bank begun to do this kind of business since last year ?—Yes, on a very small scale and also to reliable parties only.

12159. Do you think that if there are facilities for storing the produce, people will take advantage of them or is it only those who do not borrow will take advantage of the same ?—It is only those, who do not borrow, who will take advantage of such facilities.

12160. In a place like Hyderabad, if a man brings his produce, has he no means of keeping his goods in any godown ? Do the indigenous bankers or commission agents have any godown ?—No.

12161. You want the railway receipt to be made a negotiable document ?—Yes. Even now in special cases bills of lading and railway receipts are treated by us as negotiable instruments. Many of my clients send railway receipts and we pay them from 70 to 80 per cent.

12162. Have you had any difficulties as regards your advances on railway receipts ?—Not so far.

12163. Have you heard any complaint that the contents of railway receipts are not sometimes correct ?—Sometimes once or twice in a year you hear such a complaint. That amounts to cheating.

12164. Do you know of any people who have lost their money on this account ?—I come across one or two cases in a year.

12165. It is only when the man is unable to pay, this comes to light ?—Yes.

12166. *Mr. V. L. Mehta :* If a railway receipt is made a negotiable instrument as suggested by you, how would you get over such a difficulty ?—We must be careful in selection.

Mukhi Gobindram Pritamdas.

12167. Are there many genuine trade bills, that is to say, bills drawn against goods in transit except these goods which you send by railway receipts ?—Yes.

12168. But are they negotiated ?—Yes, with the railway receipt and invoices attached. In most cases they are payable at sight.

12169. Are there any bills which are payable after 30 days or 60 days ?— There are also such bills along with such documents.

12170. *The Chairman :* Are you in favour of standardization of all *hundis* you suggest ? —Yes.

12171. As regards the form that ought to be standardized too ?—I will not object to it. Even now big bankers and big merchants have one form. They use the English form.

12172. You are in favour of encouraging savings deposit account and cash certificates ? —Yes.

12173. Has not the investment in cash certificates affected the deposits with indigenous bankers ?—No, I do not think so. The indigenous bankers do not accept Rs. 5 or Rs. 10. They accept big amounts.

12174. The class of people who go in for cash certificates is not the class of people who deposit their money with indigenous bankers, is that so ?—They also deposit with indigenous bankers and purchase cash certificates.

12175. *Professor Kale :* What is your remedy for bringing the indigenous banking system in a line with the modern joint stock banking system ?—We want more education. The indigenous bankers should be educated in modern methods of banking.

12176. But who will do it ?—I think the Government should help us by opening schools and colleges, and young people should be trained in banking.

12177. But in Hyderabad you have schools and colleges and it is for the indigenous bankers to take advantage of them. Do you speak of any special facilities for them ? —I cannot suggest any now.

12178. Would you approve of registration of indigenous bankers which has been proposed before us ?—I do not think it will be possible.

12179. Will it not be favoured by indigenous bankers ?—No.

12180. But if they are registered or their accounts are audited by qualified auditors then the Imperial Bank or the Central Bank might make advances to them ?—Some advanced people might agree to registration. Personally I have no objection to the registration of *shroffs*.

12181. Do you think that it would be desirable not to exercise compulsion but to keep it a voluntary matter so that those who are registered or have their accounts audited and inspected might get the special facilities ?—Yes, for a few years. This would be encouraging them. Let them first see the advantages of registration. Personally I have no objection to registration.

12182. *Mr. V. L. Mehta :* You have stated in your statement that *shroffs* receive very little assistance from the Imperial Bank. Are you also including amongst other banks, banks like the Punjab National Bank or the Punjab People's Bank ?—The Indian banks are dealing mostly with Indian merchants.

12183. Do you think that it is possible for *shroffs* to get into touch with such banks ? —Yes. But their resources are very small and they are doing their best to finance merchants. Even the Bank of India is doing something for the merchants.

12184. Will you tell us why the Sind Bank to which you referred just now failed ?—I cannot say this, but we had such a bank.

12185. Do you think that the bankers would like to make another attempt and form a bank of their own and deal through it with the Central or the Reserve Bank ?—I think they would prefer a big bank and deal directly with it instead of forming a bank of their own and dealing through it.

12186. There is another alternative suggestion which has been made to us in several places that important and big firms of indigenous bankers might in places where the Imperial Bank has not opened branches be asked to work as agents of the Imperial Bank of India on payment of certain remuneration and the Imperial Bank's policy of opening branches might be put to a stop to. Do you favour this suggestion ? Do you think that indigenous bankers will be coming forward to take up such agencies ?—Yes, many of them will come forward.

12187. What would happen to their own business ?—They would like to continue their own business.

12188. And will not doing banking business as well as trading business jeopardize the agency given to them ?—No.

12189. If such agencies are to be given to any such indigenous banker, would he like to undertake it himself or would he like to form a small group amongst the local indigenous bankers as a sort of a combination ?—In small places one banker will do.

12190. Speaking about the marketing of produce, you say that it is done by merchants and commission agents. As a matter of fact some of these bankers themselves are commission agents. So is not the financing done by indigenous bankers ?—Yes ; most of the advancing is done by indigenous bankers and merchants who do not do banking.

12191. *Mr. Kamat :* About the stamp duty on *mudati hundis* do you want abolition or only reduction of duty on it ?—Abolition may not be possible. So I prefer reduction.

12192. In case of reduction of duty, would you give us an idea how much reduction would be reasonable in your opinion ?—It should be reduced from six pice to two pice per hundred.

12193. In the case of railway receipts being made negotiable, is it not the present practice that in case of railway receipts being lost, at present a man can arrange to take delivery of the goods merely by signing an indemnity bond on eight annas or one rupee stamp ?—Yes, it is possible to get delivery of the goods without a railway receipt.

12194. Under your proposal if railway receipts are to be made really negotiable, this practice will have to be stopped ?—Yes, and duplicate railway receipts should be obtained.

12195. Will this inconvenience merchants ?—The goods sometimes take more time to arrive and railway receipts come in advance. Therefore there is no inconvenience to merchants.

Mukhi Gobindram Pritamdas.

12196. About this Encumbered Estates Act, is it working very harshly against agriculturists ?—Yes, and it is working also harshly on the village *sowcars*. It has given very wide and arbitrary powers to the manager.

12197. Would you be satisfied if the Act is amended so as to define the powers ?—Yes.

12198. You have said that the Imperial Bank more or less helps European trade and commerce. On the other hand we have heard from an European merchant in Karachi, who is a well-known merchant, that in export and import trade whether he be a European or an Indian be hardly had any necessity to go to the Imperial Bank for accommodation ; he deals with exchange banks, and therefore the charge against the Imperial Bank hardly arises. While speaking from your knowledge of the Bank here and as a *shroff*, do you think this is correct ?—I do not think that the Imperial Bank is doing very much for Indian merchants. Even here it can do a lot of business if it wanted to do.

12199. Is it also true that the Bank has nothing to do with European export merchants in Karachi ?—I do not know.

12200. But here for Indian merchants they are doing very little ?—Yes. It is only from last year that they started giving money to merchants.

12201. Have you any idea as to how many *shroffs* are on the approved list of the Imperial Bank ?—There could not be many. There must be here about half a dozen.

12202. Is it worth while having more than half a dozen for a place like Hyderabad ? —Yes.

12203. What would be the advantage ?—It will mean more money.

12204. About the treatment that *shroffs* are getting from the Imperial Bank, there have been complaints that they are not treated well, would you corroborate this statement ? The allegation in some places was that they are treated with discourtesy. I do not know whether it is so here ?—I do not think it is correct to say so here.

12205. The joint stock banks here treat Indian *shroffs* properly ?—Yes.

12206. *The Chairman :* Do you finance marketing of produce at all ?—No, not here in Hyderabad. I finance marketing of produce outside.

12207. Are there organized markets here ?—No.

12208. Do you think that if there are organized markets, it would be an advantage ? Would they be made use of by the producers ?—Yes. I think if we have fixed places of marketing like the *mandis* we have in the Punjab, it would be taken advantage of by the producers. They can bring their produce there and the highest bidder will take away the produce.

12209. You also require a certain number of merchants in those places ?—Yes.

12210. One gentleman, namely, a local *shroff*, has suggested that all forms of accounts kept by *shroffs* or bankers should be standardized. Do you think it is possible to do so ? —I think they are already standardized.

12211. In your dealings with people, do you directly deal with the parties concerned, or do you deal with them through brokers ?—We deal with them through brokers.

12212. Is it usually the brokers who bring business ?—Yes.

12213. And they charge commission ?—Yes, from both parties.

(The witness withdrew.)

Mr. K. BULCHAND, Chairman of the Khudabadi Bhaibund Co-operative Credit Bank, Ltd., Hyderabad (Sind).

The statement is based on experience in the Khudabadi Bhaibund Bank and on the information gathered from indigenous bankers in the city of Hyderabad. Answers are confined only to the second section of the questionnaire.

SECTION II.

1. There are very few indigenous bankers in Hyderabad, *i. e.*, those who do the purely banking business of lending money, receiving deposits and doing *hundi* business. Most of the Hyderabad bankers have other lines of their own in addition to banking. Some have *zemindary* estate to manage, some have large landed property to improve and extend, some deal in gold and silver bullion and many have business in foreign countries (Sind workers) and so on. These bankers have usually large sums of money which they lend out and whenever they are in need of money they easily get it in proportion to their credit and property through the local money brokers. Most of the business transactions are carried on through brokers.

2. Most of the financing of trade and industry of the district is done by the indigenous banker. In agriculture the co-operative banks take a large share. Very few merchants go to banks for financial assistance—hardly two per cent. The Indigenous bankers finances nearly 98 per cent. of this line. The average merchant is very shy of approaching the joint stock or co-operative banks for help. They do not like to disclose their position before a committee of five or six members of the managing committee. In spite of lower rate in co-operative banks the borrower prefers to go to the banker because he knows his secret will be guarded. The *shroff* does not ask nasty questions and is more accommodating.

3. It is difficult to estimate the amount of capital invested in or the volume of business done by indigenous bankers, as no statistics are published and they keep their transactions strictly private. Their expenses are low and the methods of account keeping very simple and rudimentary and they manage to pull on fairly well.

Very few bankers have dealings with the Imperial Bank because they have their own businesses to manage and finance. Besides the averge banker fights shy of the Imperial or joint stock banks, because there is an impression that they will receive no sympathy or consideration. They think that these banks show more consideration to Europeans. Although some of the Indian bankers cannot be relied upon, but a good many of them who work on sound lines deserve better consideration.

5. The usual methods of granting loans and cash credits are simple and easy. The credit and property of the borrower are carefully enquired into and the loans advanced are entered in the account books. The borrower is given a book in which each entry is made.

Usually the resources of the banker are very limited. He has no big banks to back him in time of crisis or trouble and he relies upon his own credit and capital to finance his calls. This works pretty satisfactorily in ordinary times, but in times of crisis it fails. Herein lies the weak point of the indigenous banking.

The rates of interest allowed vary with the state of the money market. After *Divali* the money market is tight and the rate is about 5 to 8 per cent. depending upon the party. Usually the rate of deposits does not exceed the rate of the co-operative banks, *i.e.*, 5 to 6 per cent.

6. The banker has usually his business as the principal or the side line. He encourages loans to such of his customers as borrow on commodities in which he deals. This brings him double profit. His rates of interest are, therefore, accommodating. The average rate is 6 per cent.

In respect of agricultural communities the rates are in proportion to the risks of the banker and the credit of the borrower. In villages the co-operative credit banks are taking away a good deal of the business of the village *bania*, but the *bania* in spite of disadvantages holds his own, because his loans take the shape of commodities and he is ever handy and sympathetic.

The reduction of the rate of interest will be a boon to the agriculturist and raise his standard of living, but the risks which the village banker undertakes will not allow of much reduction of interest.

7. There is no prejudice against the indigenous banker in towns. Of course when a banker declares bankrupt and ruins several families there is a sensation and rush on others, but equally there is a sensation when a big bank fails and spreads ruin on a much larger scale. But soon after matters adjust themselves. On the whole the borrower prefers the indigenous banker to the bank.

The banker is not protected by the law to the extent to which a co-operative bank is. In case of failure to receive his money he has to go to the court and legal processes, the law's delays, stamp fees and expenses of pleaders, etc., are very harassing and in many cases he prefers a loss to pushing a legal process to extremity.

What the banker needs in the present circumstances is education. In view of the backward state of the banker and the borrower it is not desirable to suggest wholesale remedies, but let circumstances adjust themselves according to conditions.

8. The banker has a more intimate knowledge of the community and can help business and industry much more effectively than banks which have to go by several rules and regulations. But the Imperial Bank can help the bankers by discounting their *hundis* at a specially reduced rate. Of course this will have to be done in case of very few reliable and certified individuals.

The Government can help indigenous banker by modifying legal processes in case of collection of debts and making it less expensive. The Dekkhan Agriculturists' Relief Act helps some borrowers to take its protection and thus evading the banker. This Act may be modified.

The system of Indian accounting is primitive and time-honoured, but in view of the lack of education it is suited to the needs of the community. Change in this would be premature. We should wait till the standard of literacy and education has been raised and the methods will automatically improve.

The indigenous banker is intensely conservative and very suspicious of interference with his methods specially by Government.

9. The indigenous banker usually keeps his financial transactions within the limit of his credit or capital. He knows that as soon as he tries to go beyond his depth he runs the risk of being ousted in time of monetary trouble.

The borrower with insufficient security has to pay a higher rate of interest and he will have to find his banker among the lower strata of the banking community.

10. Under the present circumstances the methods of the banker are more popular with the borrower and compare favourably with those of the joint stock banks. The depositor can go to the banker's shop at any time of the day; there are practically no complicated formalities to go through, no statements to make or sign and suits the genius of the community. On the other hand, in the banks one has to wait for hours to make a payment or receive money and a thousand and one questions to answer and too much of red-tapism to go through. That is the reason why the banker holds his ground with the merchant. It will be difficult to link the Indian banker with the joint stock company because the interests of the two clash with each other and the methods of work are altogether different. The Imperial Bank has enormous funds at its disposal, gives no interest on current accounts and can easily invade the dominion of the banker, as it has recently done, by advancing loans to agriculturists on security of their grain.

We have to wait till the educational standard of the community is raised before co-operation between the banker and the banks can be brought about.

Copy of a letter from the Registrar, Co-operative Societes, Poona.

"With reference to your letter dated 20th July 1929, I have the honour to state that the first aim of co-operation is to help the small people, and co-operative banks have been especially organised to help that class and are worked primarily in their interest. Increase of business is a secondary consideration, and, from all points of view, it is most undesirable to invest or lock up large amounts of money with a few, even well-to-do, people. If there are people who cannot wait even for the very short interval which may elapse before the Registrar's sanction is received, the bank should not mind if their custom is lost to it. I may once again emphasise that a co-operative bank does not exist for finding out some sort of an outlet for the large sums which non-member depositors choose to place with the bank (of course at attractive rates). The main thing is to encourage thrift among members and adequately to meet the needs of those small people who require loans. Neither big business nor a big dividend is the aim of co-operation. I regret, therefore, that the amendment as proposed cannot be approved."

If the big merchants want to have a bank of their own, organised specially for their big needs, I am quite prepared to register a new institution. But unduly to mix up big and small business is not, I must point out, in the best interests of the Institution."

Oral Evidence.

12214. *The Chairman:* Mr. Bulchand, you are the Chairman of the Khudabadi Bhaibund Co-operative Credit Society, Ltd. ?—Yes.

12215. And there is a good deal of banking done by the Bhaibund community here ?—Yes.

12216. Are you yourself a banker ?—No; I am connected with co-operative banking and co-operative institutions.

12217. But you are in touch with banking ?—Yes. As a matter of fact, I belong to the Sind-wo k merchants' line.

12218. You say that most of the bankers here have other business to look after. Do they combine banking with trade ?—Yes. I understand banking purely as one who lends out, takes deposits and does *hundi* business. But such people are very few.

12219. Is combination of banking with trade sometimes dangerous ?—Yes.

12220. Have you come across many cases where banking had suffered on account of losses in trade ?—No, I do not know of any ; but I am inclined to think that the trade becomes the principal line and banking becomes quite a subsidiary line to the principal business.

12221. You say very few bankers have dealings with the Imperial Bank ?—Yes.

12222. Those who are desirous to get help by way of accommodation or discounting, do they not have dealings with the Imperial Bank ?—I do not think so.

12223. You say they have an idea that the Imperial Bank has too much red-tapism. Is it only a fear or is it the result of their practical experience ?—I asked about five principal dealers and I suggested to them, " Why is it that in times of trouble you do not go to banks ? " and they replied, " They ask all nasty questions ; there are formalities and red-tapism and so on. So we do not go to banks".

12224. Is it not one of the principal reasons why the Imperial Bank is not financing them because they do not publish their accounts ?—Yes. I say that the Imperial Bank should, before financing anybody, look to its safety. But when I asked why did they not go to co-operative banks they replied, " We do not want all these formalities and we must be relied on our credit ", which of course is to a certain extent not quite safe from the point of view of the Imperial Bank or the banking point of view.

12225. You say : " Usually the resources of the banker are very limited. He has no big banks to back him in time of crisis or trouble and he relies upon his own credit and capital to finance his calls. This works pretty satisfactorily in ordinary times, but in times of crisis it fails. Herein lies the weak point of the indigenous banking " ?—At the time of crisis the weaker one goes to the wall for no fault of his and if he had somebody at this time to back him up, he could get over the crisis.

12226. Do you say that he should not keep his credit but somebody should keep it for him during the time of crisis ?—I say that if he presents his case at this time, he should be helped by some banks.

12227. In that case money should be lying idle with some bank in order to meet such demand at a particular time of crisis ?—Yes.

12228. The indigenous banker must be able to pay for the assistance which he is likely to get from some bank, must he not ?—Yes. I say there are many sound bankers whose money is locked up and because their money is locked up, they have not sufficient resources at a particular time of crisis. Therefore, what is wanted is that some banks should help them at this time.

12229. You further say : " What the banker needs in the present circumstances is education " You mean by ' education ' education in the modern methods of banking ?—To have a wider outlook in commerce. I asked several of them " what is banking ? ". They only know about a particular type of banking nor do they care to know what banking is. I say that their outlook of banking is limited and yet they do good business. This is what I mean to convey by education. They are just going on in their own groove.

12230. You say, " The system of Indian accounting is primitive ". But most of the indigenous bankers say that it is quite good and meets the needs of their communities ?—They do not have all these changed forms.

12231. Do you think they are necessary ?—I think in the present state of affairs, it will do for them and I would not suggest any complicated methods.

12232. Is there no need for an immediate change ?—Considering the illiterate state, there is no need for it immediately.

12233. What defect do you find in the present system of Indian accounting ?—I cannot say this.

12234. *Mr. Kamat :* There are many Sindhi merchants doing business in what you call " Sind work " all over the world ?—Yes.

12235. There are also many *shroffs* here or in Shikarpur and in other places who do banking business practically with many parts of the world ?—Yes.

12236. With such enterprise, why is it not possible for the Sindhi bankers to develop a sort of an exchange bank business and do practically the same business as exchange banks are doing in Karachi and have connections abroad so as to take the exchange banks' business into their own hands ?—Yes. This was suggested even some years ago. As a matter of fact Messrs. Pohumal Brothers, who are very big merchants, have 40 or 50 branches all over the world and are doing practically exchange business. They do remittance business while doing their work as merchants. But I have not made any move where purely exchange business has been thought of by the Sind-work merchants as a whole.

12237. Are not many of them educated in English ?—No, not all.

12238. And they can acquire the knowledge of banking if they wish to go through it ?—Yes, but they have not thought of it.

12249. Do these big *shroffs* here and the bankers finance industry or do they only finance agricultural produce. Suppose a man wants to start an industry, do these people help him with finance ? Is sufficient finance available for such enterprise from them ?—Yes ; It is available more with *shroffs* than with businessmen. Also it depends upon the rate of interest the man is prepared to pay. These industrialists have to approach first the brokers who will take them to the right men who will lend.

12240. But this tendency is probably not the usual feature of their financing ?—No. A *shroff* who finances an industrialist wants to be a partner as soon as he knows the business is good. He would not finance him unless he is given a share in the business.

12241. This is really then hindering financing of industry ?—Yes.

12242. You want the legal process to be simplified or modified ?—Yes.

12243. Will you develop this point and tell us in what manner you want simplification of legal process ?—I say everyone is sick of courts and are rather more afraid of courts. They have to go to courts one hundred times and the cost of postponements and court fees are very heavy so that the average merchant prefers to undergo some loss and settles up the matter there and then without going to the court. These things act on the rate of interest ; and he becomes shy of lending out money on account of these troubles.

12244. You spoke about the question of red-tapism and nasty questions asked by banks. Is there any method by which these things can be remedied ?—I only wanted to give an impression because I asked 12 or 15 people as to why they did not go to banks while so many banks accommodated Europeans and they replied that there was too much red-tapism and formalities in banks. Somehow the impression has gone into their mind that the banks consider European clients very good. I want to jot down their impression. I think a bank would be justified in asking questions for its own safety ; but the average merchant prefers to go to his brother merchant than to go to a bank.

12245. *Professor Kale :* You refer to the failures of indigenous bankers ?—Yes ; in our Sind-work merchants.

12246. Are there many instances of these failures compared with the failures of modern joint stock banks ? If you compare the two types of bankers, do you think the failures amongst indigenous bankers are remarkable ?—I think they are almost balanced because the failure of one bank or one banker means stagnation for about a year.

12247. That happens also in the case of modern joint stock banks ?—Yes ; I know that. Both in the case of the bank and the banker there is at once a stagnation.

12248. Is the indigenous banker worse off than the joint stock bank ?—No ; I do not think so.

12249. You say that the banker is not protected by law to the extent to which a co-operative bank is. But the co-operative bank has so many checks, whereas in the case of a banker there are not so many checks and, therefore, the banker does not get facilities. That is the difference ?—That is so. I do not blame Government for that ; but the fact is there. I might mention here the instance of our co-operative bank. There are several merchants who intend to borrow large sums of money rom our bank, and we are inclined to let our capital be used for business purposes. But when we asked the Registrar to increase the limit of loans, the Registrar said "No." That is what our committee have not been able to understand. My committee especially wish to invite your attention to this point. We have large surplus, and when we can lend the money we want to do it and we see that the party is secured. When we asked the Registrar, he stated " The first aim of co-operation is to help the small-people and co-operative banks have been specially organised to help that class and are worked primarily in their interests."

12250. Can you not start special banks for those people who need large finance ?—Our Khudadadi Bhaibund Bank has been started last year.

12251. What is the limit of your loans ?—Rs. 2,000.

12252. Will it not be practicable to raise that limit as you advance ?—We have asked the Registrar three times and he refused three times. That is considerably hindering our business.

12253. Your bank has been in existence for a very short period and there is no experience to go upon ?—If the Registrar tells us that we would rather wait for some time, that is alright. But he says that co-operative banking is not intended for that. He says that it is not our sphere to finance to the extent of five thousand rupees when we have forty thousand rupees lying idle. I wish to put in a paper (Registrar's letter) and I wish you might kindly consider this principle as it is. We asked for permission, but every time it has been refused.

12254. *Mr. V. L. Mehta :* What is your own view about this question ? Is it your view that the bank like yours should be allowed to make advances for large amounts ?—Certainly, in proportion to our funds.

12255. As your experience grows ?—I would not say experience in this part, but so far as my common sense would go. For instance, we have Rs. 40,000, and we are lending at 5½ per cent. to co-operative banks, and we are not allowed to utilise that money to finance some of our merchants, who would pay us 9 per cent., provided we are satisfied with the stability of the merchants and the securities we hold.

12256. And would you not add provided your fluid resources would permit ?—Yes.

12257. But if a bank like yours can do in course of time increasingly large business with members of the indigenous banking community, do you think it would provide a link between the indigenous banking system and the modern banking machinery ?—I am afraid not.

12258. Why ?—We have to go by certain rules, which the indigenous banker is not prepared to go by.

12259. These will be rules with regard to his borrowings with you and not with regard to his own business ?—No. You mean to say that the indigenous banker should take money from us. I think it would be possible in course of time.

12260. *The Chairman :* I find from the letter of the Registrar that he had also other things to say besides the one argument you mentioned. His fear is that if a society were to advance large amounts, say, Rs. 5,000 or Rs. 10,000 to big people, the capital might be unnecessarily locked up, and if these people would not pay, the whole society would suffer. What is your answer to that ?—Of course we will see that our capital is not locked up for a long time.

12261. Supposing a man defaults. A man borrows Rs. 10,000 and does not pay ?—I would not go to Rs. 10,000.

12262. Say Rs. 5,000 ?—We would not do it unless we are thoroughly satisfied, and I think we shall take a long time to get satisfied.

12263. His second argument is really stronger that if a man cannot wait even for the very short interval which may elapse before the Registrar's sanction, he should be outside the society. He is not against allowing you to utilise the capital, but that such cases should be referred to him, and it will take a short time ?—We did try that, and it took three months. In some cases it took four or five months when we referred to the Registrar.

12264. If the period is reduced to one month, would you have no objection ?—I think one month would be reasonable.

12265. Would you then be satisfied ?—Why should not the limit be increased ?

12266. The limit would be increased when the society develops. But when you want to advance loans to two or three people, where is the harm in applying to the Registrar for sanctioning special limits ?—Very often the man does not like to wait for two or three months.

(The witness withdrew.)

Mr. K. Bulchand.

SYED RAKHIAL SHAH, District Honorary Organiser, Co-operative Societies, Hyderabad (Sind).

Replies to the Questionnaire.

A. Present system by which the agriculturists obtain finance for—

(*a*) EXPENSES DURING CULTIVATION.—My information about the economic condition of the agriculturists, their financial requirements, how they are met with, etc., is confined to Hyderabad *taluka*, of which I am the Honorary Organiser.

In villages where co-operative societies are firmly established they minister to the current agricultural requirements of their constituents generally to the fullest extent. In places where such societies are in an elementary or an experimental stage or in places where co-operative societies do not exist at all it is the village *sowcar* who supplies the requisite finance for current agricultural operations.

The *sowcar* generally makes advances during the cultivation season on what is known as *khandha* system which means supplying the articles of daily use as also the little cash that may occasionally be required. The cost of all such daily necessaries is debited against the running account of the client. No document is, as a rule, written for such running accounts though there is always an understanding between the parties that the produce of the borrower must be sold to the lender or at least through his agency. In case, however, a *zemindar* requires a substantial loan of say Rs. 200 or more then the *sowcar* gets an outright sale deed executed by the borrower.

Government *taccavi* for current agricultural operations has generally been stopped after the advent of co-operation. In times of scarcity or famine, *taccavi* is freely advanced by Government.

(*b*) FOR CAPITAL OR PERMANENT IMPROVEMENTS.—The village *sowcars* seldom advance loans for land improvement on long-term basis. Such improvements are generally effected out of the own savings of the agriculturists supplemented by Government *taccavi* under the Land Improvement Loans Act. Such *taccavi* is advanced to members of co-operative societies through the societies concerned, while to non-members it is given direct by the Revenue Department.

B. RATE OF INTEREST.—The rate of interest at which co-operative societies advance loans to their members is $10\frac{1}{1}\frac{5}{6}$ per cent. per annum or $1\frac{3}{4}$ pies per rupee per month. The rate of *sowcars* varies according to the position of the client and the nature af security available for him. His rate generally ranges between 20 to 36 per cent., but if other indirect profits of the *sowcar* are also taken into consideration the rate will undoubtedly rise to 54 per cent. even.

C. PART PLAYED IN AGRICULTURAL FINANCE BY GOVERNMENT, THE IMPERIAL BANK OF INDIA, ETC.—The Imperial Bank or other joint stock banks do not, as a rule, dabble into agricultural finance. Owing to protective legislation framed for the agriculturists the joint stock banks think it too risky to help us.

Government grants *taccavi* for land improvement and also for current agricultural operations in times of scarcity and famine.

Co-operative banks finance the co-operative societies of the *taluka* to the fullest extent of the latter's requirements. There are in all 70 co-operative societies in Hyderabad *taluka* with a membership of 3,500 and a working capital of about $5\frac{1}{2}$ lakhs. In Hyderabad *taluka* there is a total population of 1,51,000 of which 1,00,000, belongs to the

town of Hyderabad alone. There remains a population of 51,000. Of these, 3,500 are members of co-operative societies and considering each agriculturist's family to consist of 5 persons we can safely say that 17,500 or nearly one-third of the total *mofussil* population of the *taluka* is under the fold of co-operation.

D. ESTIMATE OF THE TOTAL AGRICULTURAL REQUIREMENTS OF THE PEOPLE.—I have said above that one-third of the *mofussil* population of the *taluka* are under the fold of co-operation. The societies finance that one-third population to the extent of $5\frac{1}{2}$ lakhs, *i.e.*, the total agricultural finance for the whole *taluka* is about $5\frac{1}{2} \times 3 = 16\frac{1}{2}$ lakhs.

The remaining two-thirds of the agricultural requirements are still being met by the *sowcars*, which means that they still have the upper hand in rural finance. The rates of interest of *sowcars* are heavy and in years of scarcity the debts against the *zemindars* go on swelling by rapid leaps by the accumulation of interest and compound interest. The *bania*, besides, keeps false *bandies* (account books) which the *zemindars* cannot understand. The latter are, therefore, perpetual prey to his tyrannies.

The following, in my opinion, are the remedies to help the agriculturists :—

1. Multiplication of co-operative societies.
2. Liberal education to the agriculturists.
3. Opening of land mortgage banks.
4. Opening of *zemindari* banks to help the big *zemindars*.
5. Making the limits of existing loans to members of societies more elaborate.
6. Joint sale of produce through sale societies.
7. Application, etc., of the Land Alienation Act to Sind.
8. Prescribing limits beyond which *sowcars* should not charge interest to *zemindars*.

(*Summary of Oral Evidence in Sindhi.*)

I am a *zemindar* and district honorary organiser of co-operative societies. I pay Rs. 150 assessment.

In 1919 a society was formed in my village. By that time I had purchased about 20 acres of land from the profits of my business. My father had left few acres of land and about Rs. 400.

I am still trading. I have about Rs. 3,000 worth of goods. Small merchants get money from wholesale merchants in Karachi at 6 per cent. interest. I deal in cloth and grain, and from the profits of my business I buy more land every year.

About 70 societies in Hyderabad are in my charge. During the last three years the seasons were bad and the crops failed and, therefore, there have been arrears.

I sell goods both on credit and for cash. I do not charge any interest to those who buy on credit, but charge a little higher price than that charged to those who buy for ready cash. I keep a small margin of profit.

Government gives *taccavi* only during bad years for land improvement. I get some money for current agricultural purposes from co-operative societies, but much money is required for land improvement. It would be better if a land mortgage bank is started for the purpose of advancing long-term loans.

There are some old societies in my charge. This is the tenth year, but they have not yet decided as to what to do with their reserves. They are awaiting orders of Govern-

ment. Not a single society has reduced the rate of interest. It is possible to reduce the rate of interest charged by societies provided seasons are good and recoveries are made.

Nearly one-third of the total population of the *mofussil* is in the fold of co-operation. The total agricultural finance required for the whole *taluka* is about 16½ lakhs. It includes the figure required by both small *khatedars* and big *zemindars*.

At present the limit of loans is fixed at Rs. 500 by societies. In my opinion the limit should be increased. The Deputy Registrar can give sanction up to Rs. 1,000 in special cases.

No delay takes place in sanctioning the special limits. I think about one-fourth of the total number of members of societies require loans up to Rs. 1,000, and about 400 *khatedars* would require more than Rs. 1,000. They have to borrow extra money from *sowcars*, as the societies do not meet their full requirements.

(The witness withdrew.)

HAJI KAMALUDDIN, Zamindar, Hyderabad (Sind).

Replies to the Questionnaire

QUESTION 1.—(1) For cultivation purposes.

For cultivation purposes the *zemindars* and *haris* alike require loans. Both these classes do not receive adequate finance. Co-operative societies render financial assistance to the extent of nearly ⅛th of the total requirements. Besides their lending rate of 0-14-7 per cent. per month and other conditions are deemed stiff. Moreover *haris* now do not receive financial assistance from societies.

(2) The bulk of the loan is received from the *sowcars* whose rates of interest and other conditions are simply unbearable. Again, owing to the operation of the Dekkhan agriculturists' Relief Act, the credit of the *zemindars* with the *banias* has fallen considerably and now-a-days the *sowcars* while advancing loans get outright sale deeds executed. The stamp duty, registration fee of such documents is borne by the borrower in addition to the very heavy rate of interest he pays. It may, therefore, be enquired how heavily the *zemindars* are paying for the loans they receive from the *banias*. While executing the sale deeds there does, however, exist an oral understanding between the parties that land will be restored to the seller as soon as he repays the loan. More often than not, however, it is found that once the property is sold it is seldom restored to the vendor.

(3). The Dekkhan Agriculturists' Relief Act has affected the credit of the *haris* also rather adversely. The *sowcars* as also the *zemindars* seeing that the law cannot touch the person of the *hari* nor his bullocks or household chattel, are very backward in financing them. The *sowcar*, as a rule, finances the *haris* generally at the recommendation of the *zemindar*. The *zemindars* in view of the above protection neither finance the *haris* adequately themselves nor do they recommend them to the *banias* lest they may run away with loans advanced to them.

SUGGESTIONS.—If therefore the *haris* are to get the benefit of adequate finance on reasonable terms they should be deprived of the protection of the Dekkhan Agriculturists' Relief Act.

(4) The finance required for the purposes shown in parts (*a*), (*b*) and (*c*) of question 1 is thus inadequate.

(5) Finance is also required for weavers, shoe-makers, smiths, carpenters and other artisans as the same is very inadequate at present.

(6) Co-operative societies, as I have shown above, take land in mortgage for the loans that they advance. The *banias* get outright sale deed executed. In some cases they get mortgage bonds executed. The usurers advance loans generally for about six months of cultivation season at the end of which they recover the amount at a rate ranging between 25 and 50 per cent. interest. They also exact a fixed percentage of the produce, *e. g.*, $\frac{3}{4}$ths of a *toya* per *Kharap*.

(7) The Imperial Bank of India or other joint stock banks advance no loans to *haris* except on the security of ornaments or Government securities. The indigenous bankers have also no dealings with the agriculturists. It is only the money-lenders and societies who advance loans to the agriculturists.

(8) The total agricultural requirements of the Hyderabad district may be estimated at $\frac{1}{2}$ a crore.

(9) No data is available to frame an estimate of agricultural finance in kind.

QUESTION 2.—MARKETING OF AGRICULTURAL PRODUCE.—*Zemindars* in need of money generally contract forward sales and in some cases take the money in advance. In that case the rates offered are about 50 per cent. even though the *zemindar* executes a bond to supply the produce on a particular date and gets that bond also registered. In other cases (in which the *zemindars* sell the produce when ready) the *zemindars* carry samples of their produce to the dealers and strike bargains and obtain earnest money. The dealers will send down at their convenience their men to the villages to weigh the produce and bring it to their godowns. If the rates have meanwhile fallen down, the dealers will create all sorts of hitches and will do their best to get the produce at some discount. If the rates, on the other hand, have meanwhile gone higher, then they will quietly take away the produce. In weighing also the *dalals* who are no other than the agents of the dealers practise varieties of mischiefs. They use weighing scales with wooden beams which on account of their crudeness do not give correct weight and it has been calculated that at every weighing the agriculturist suffers half a seer for every half a maund. Moreover, the dealer makes payment of the produce purchased at his leisure and convenience. The present system of marketing the produce is thus very defective and entails much loss to the producer. It will be better if some organizations are started which may arrange for the disposal of the agriculturists' produce and obtain them proper prices and correct weights.

(2) Joint stock banks or indigenous bankers take no part whatever in the disposal of produce.

QUESTION 3.—In our district the value of flow land per acre ranges from Rs. 50 to Rs. 200 per acre ; while that of the lift land ranges from Rs. 30 to Rs. 100 per acre. The nature of the soil and its irrigational facilities are main factors in determining the value of the land.

QUESTION 4.—In our district there is no legal impediment to the mortgage of lands except in the case of those that are held under Act III of 1899, *viz.*, the Restricted Tenure Act.

Haji Kamaluddin.

(2) In our district no banks grant long-term loans.

(3) Such banks could be started.

(4) The present system of maintenance of Record of Rights is defective. I shall say about this in my oral evidence.

QUESTION 5.—(1) An estimate about agricultural indebtedness could be framed by holding detailed village enquiry.

(2) Loans are generally taken from *sowcars* and in some cases from co-operative societies.

(3) In a good many cases lands of *zemindars* have changed hands passing from the hands of the *zemindars* to those of their creditors. The former have in consequence been turned into *haris* or ordinary labourers.

QUESTION 6.—Owing to lack of pasture lands and existence of the Irrigation Act the cattle owners have no adequate facilities for feeding their cattle. If such facilities coulp be afforded there will be abundance of milk, butter and *ghee*. At present the milch cattle are fed upon grass surrounding stagnant water, which is a source of variety of diseases.

The situation could be greatly remedied if Government permitted the *zemindars* to grow fodder in 10 acres of land after every 100 acres free of Government land revenue. This will provide fresh fodder for the cattle and increase considerably the produce of milk, butter and *ghee*.

If the *haris* are industrious, there is no doubt that they have more than enough wory for the whole year; but even they have some spare time which could be profitablk employed in cattle breeding, poultry and dairy farming. They can also collect wool from goats and sheep.

QUESTION 6A.—By making adequate financial arrangements much encouragement could be afforded to small artisans, *e. g.*, weavers, shoe-makers, smiths, carpenters, potters, calico printers, etc.

QUESTION 8.—Owing to the existence of the Dekkhan Agriculturists' Relief Act adequate finance is denied to the *zemindars* and *haris* alike and necessary changes may be made in the Act.

QUESTION 11.—Mussalmans cannot accept interest. If a company is organized to do some business where there may be no giving and taking of interest, the Mussalmans will readily participate in it.

Oral Evidence.

(*Summary of Oral Evidence in Sindhi.*)

I am an *inamdar zemindar* and a landlord.

Co-operative societies lend money at 14 annas 7 pies. The rate is high in my opinion. The maximum should be 12 annas. *Haris* do not receive financial assistance from societies. In my opinion the societies should not lend money to *haris* because there is no security, and the *haris* might run away. The remedy would be that the Dekkhan Agriculturists' Relief Act should be abolished, and there should be an Act for punishment in case there is breach of trust. If *haris* run away after taking money, they should be tried under a criminal Act. At present agriculturists cannot borrow

money on account of the Dekkhan Agriculturists' Relief Act, but if the Act is abolished, they would be able to borrow from money-lenders. The Sind Encumbered Estates Act should also be repealed, because the *zemindars* borrow large amounts, and then take protection under the Act.

There are no godown facilities for storing the produce. Sale societies have made some arrangements for storing and selling it. The Imperial Bank advances money on the security of goods, but they charge 14 annas to one rupee. Government should advance money and make some arrangements that when the crop is ready they should purchase the crop. If a land mortgage bank is started, the *zemindars* would be benefited. The system here is that when the *bania* advances money, he takes the standing crops, and the agriculturist gets about 50 per cent. of the price. The method at present of selling the produce is not satisfactory. Sometimes there are disputes and the agriculturists are cheated by false weighments, etc. There is no system of giving anything for *dharmada* or anything of that sort.

Some *zemindars* keep cattle, but there are no grazing facilities. Government should provide grazing grounds, so that cattle breeding and dairying may be encouraged. The Commissioner has reduced the assessment on fodder to 12 annas per acre, but there is scarcity of water.

Generally *haris* work for one season. Only about 12 per cent. of the *haris* might be working for two seasons; others are more or less idle. They look after cattle, etc., but do not work in the field for twelve months.

Mussalmans do not receive interest, because they are forbidden by the *shariat* to take interest. They may do business and earn profits. I save money and buy some land, and I deposit some money in the bank, but I do not utilise the interest for my own use. Dividend in a trading company can be accepted by Mussalmans.

The present method of keeping the Record of Rights is far from satisfactory. At present they are kept by *tapedars*, who are generally not honest. The Record should be in the charge of some responsible officers.

(The witness withdrew.)

Hyderabad District Central Co-operative Bank, Ltd., Hyderabad, Sind.

Statement showing loans advanced and recovered each year from 1923 to 1929.

—	Advanced	Recovered
Year ending March 1923	1,05,070 0 0	23,773 2 5
Year ending March 1924	1,86,230 0 0	1,44,315 14 3
Year ending March 1925	2,56,055 0 0	2,15,394 13 0
Year ending March 1926	5,06,457 0 0	3,50,594 0 10
Year ending March 1927	4,53,070 0 0	3,55,757 4 6
Year ending March 1928	6,20,910 0 0	3,04,327 11 9
Year ending March 1929	3,64,728 0 0	3,90,920 4 3
Period ending 31st December 1929 ..	2,67,149 6 0	1,05,138 12 9

District Central co-operative Bank, Ltd., Hyderabad.

—	Extension granted	Balance outstanding	Unauthorized arrears
Year ending March 1923	....	81,296 13 7	....
Year ending March 1924	9,561 0 0	1,23,210 15 4	2,706 0 0
Year ending March 1925	....	1,63,871 2 4	10,947 15 9
Year ending March 1926	9,760 9 9	3,19,734 1 6	32,181 15 5
Year ending March 1927	....	4,17,046 13 0	2,21,284 8 0
Year ending March 1928 ..	3,72,769 10 8	7,33,629 1 3	1,89,816 9 3
Year ending March 1929	3,64,257 1 0	7,07,436 13 0	3,56,197 4 11
Period ending 31st December 1929 ..	4,34,170 14 10	7,31,663 14 2	1,30,932 9 11

Note.—In some cases extensions were first given up to June, but part of the amounts not having been recovered, further extension had to be sanctioned up to the following March. Some extension applications were received after 31st March, so some amount shown under unauthorized arrears was transferred to the amount under extension, so the amounts shown under each head are higher than actuals.

This Bank commenced its business on 1st April 1922 with a share capital of Rs. 4,200 and aggregate deposits of Rs. 15,000 only to start with.

The progress of this bank during the last 8 years has been an all round one as will appear from the attached statement. The working capital of this bank at present stands at over Rs. 15 lakhs. The affiliated societies have been financed to the extent of Rs. 9,61,790-12.

To help further development of Tando Allahyar *taluka*, which possesses 41 societies and has already organized to some extent the co-operative supply and sale work, a branch of this bank has been opened at Tando Allahyar, which has so far been doing useful work in developing the agriculture.

The Hyderabad district possesses more societies than any other district in Sind, *i.e.*, nearly 250; with its own resources this bank has been able to finance 146 societies from the Head Office and 41 societies from the Tando Allahyar Branch, while the remaining societies in the district are being financed direct by the Sind Central Co-operative Bank, Ltd., Karachi.

This Bank gets from the public deposits fully to the extent permitted by the Act. The Government has approved this bank for receiving deposits from the municipality and the district local boards and get deposits from these bodies.

The share capital of this bank has been increasing satisfactorily every year, but not sufficiently to enable it to finance all the societies in the district. It has never felt the necessity of borrowing from the Apex Bank and has always met all demands from its own resources. But owing to shortage of share capital it has not yet been in a position to take up the finance of all the societies in the district, its borrowing being limited to 8 times the share capital plus the reserve. Every endeavour is being made to increase the share capital; "B" class shares of Rs. 20 each have been introduced to enable persons of small means also to invest in its shares, but the demand for them has been inappreciable. New societies are being opened to further extend the co-operative activities. This Bank should have the full authorized share capital of Rs. 2½ lakhs to enable it to finance all the societies of the district, to which end every effort is being made.

This Bank has two inspectors, who in addition to the inspection of the societies, help in the recovery of the Bank's dues.

This Bank deals with deposits in the current and savings accounts, and for fixed periods collects bills and issues drafts on its sister concerns in Sind and Bombay.

The rate of interest allowed on different deposit accounts are as under :—

2½ per cent. in current accounts on daily balances from Rs. 100 to Rs. 25,000.

4 per cent. in savings account on minimum monthly balances.

4 per cent. on deposits fixed for 3 months.

4½ per cent. on deposits fixed for 6 months.

5 per cent. on deposits fixed for 9 months.

5 per cent. on deposits fixed for 12 months or over.

The Bank lends out to societies at 8 per cent. per annum. The management fully alive to the maintenance of sufficiently large fluid rescurces has to devise means for realizing a fair return on them. It has also to face the question of investing surplus funds with a reasonable return from December to April every year when the societies repay their loans. It has been found by experience that from December to April when there is a plethora of money in the movement, the outside money market is tight and the mercantile banks offer higher rates of interest for short periods. With the Registrar's sanction, deposits for short-terms are being placed with the approved joint stock banks to ensure a fair return. It is realized that the surplus funds from December to March could be profitably utilized by financing the co-operative sale societies, when they are established. At present, about 1¼ lakhs are invested in Government securities, which serve the purpose of fluid resources.

The following gentlemen are on the Board of Directors :—

Elected on behalf of Co-operative Societies.

1. Nur Mohamed, Esqr., M.L.C. (Chairman)
2. Miran Mahomed Shah, Esqr., M.L.C.
3. Seth Haji Mohamed, Esqr.
4. Sayed Rakhial Shah, Esqr.
5. Haji Kamaluddin, Esqr.
6. Arbab Khamiso Khan, Esqr.

Elected on behalf of members other than co-operative societies.

1. Diwan Tahkurdas Dharamdas, Zemindar.
2. R. B. Diwan Pritamdas H. S. (Managing Director).
3. Diwan Gurmukhsing Parumal, Zemindar.
4. Diwan Kewalram Dayaram, Zemindar and Landlord.

Nominated by the Collector of Hyderabad, Sind.

1. R. B. Diwan Pribhdas Shewakram (*Vice*-Chairman)

District Central Co-operative Bank, Ltd., Hyderabad,

Figures of progress with regard to the working of the Hyderabad District Central Co-operative Bank, Ltd., from its inception to 31-12-1929.

Period	Share capital	Deposits	Working Capital
Started on 20th March 1922	4,200	15,000 0 0	19,200 0 0
Year ended 31st March 1923	21,900	1,24,801 0 0	1,46,701 0 0
Year ended 31st March 1924	29,200	2,32,415 0 0	2,61,615 0 0
Year ended 31st March 1925	47,025	4,05,710 0 0	4,53,920 0 0
Year ended 31st March 1926 ..	75,945	7,08,340 0 0	7,86,836 0 0
Year ended 31st March 1927	1,00,965	8,96,936 8 2	10,02,155 8 2
Year ended 31st March 1928	1,31,535	11,78,036 1 5	13,17,781 1 5
Year ended 31st March 1929	1,52,110	11,92,375 15 5	13,57,543 15 5
Year ended 31st December 1929	1,68,790	13,13,882 12 5	15,04,286 12 5
Other fluid resources on 31st December 1929 ..		Investment in shares of S. C. Co-operative Bank and B. P. Co-operative Bank.	Investment in Government Securities.
3,77,615 12 8		6,150	1,21,500

Period	Loans Outstanding	Working expenses including Inspection charges	Reserve Fund	Dividend declared
Started on 20th March 1922	....	....	....	..
Year ended 31st March 1923	1,05,070 0 0	....	....	..
Year ended 31st March 1924	1,86,230 0 0	....	343 8 8	3¾ per cent.
Year ended 31st March 1925	3,79,266 0 0	4,410 0 1	2,550 0 0	6¼ per cent.
Year ended 31st March 1926	6,70,328 0 0	6,802 10 5	4,254 0 0	6¼ per cent.
Year ended 31st March 1927	4,17,046 13 0	9,087 2 9	6,710 0 0	6½ per cent.
Year ended 31st March 1928	7,35,629 1 3	11,387 8 7	8,210 0 0	6 per cent.
Year ended 31st March 1929	7,12,236 13 0	13,527 10 5	13,058 0 0	6½ per cent.
Year ended 31st December 1929 ..	9,61,790 12 0	8,118 1 1 (for 9 months)	21,614 0 0	..
Other fluid resources on 31st December 1929		Cash on hand on 31st December 1929.	Balance outstanding against the branch at Tando Allahyar	
3,77,615 12 8		29,673 0 9	2,11,924 1 10	

(1) Commission earned by the bank from the public on account of bill collection and from co-operative societies on account of services rendered to them for remittances, etc., to other banks—

	Rs. a. p.
for the year ended 31st March 1927	773 12 9
for the year ended 31st March 1928	642 8 6
for the year ended 31st March 1929	523 9 6
for the period ended 31st December 1929	541 6 10

(2) Cheques dealt with by the Bank—

for the year ended 31st March 1927, Rs. 12,33,125-7-7
for the year ended 31st March 1928, Rs. 13,91,038-11-4
for the year ended 31st March 1929, Rs. 23,15,618-11-6
for the period ended 31st December 1929, about Rs. 20,00,000-0-0

(3) Bill collection and demand draft business done by the Bank—

	Rs.	a.	p.
for the year ended 31st March 1927	4,97,516	3	3
for the year ended 31st March 1928	5,98,334	11	11
for the year ended 31st March 1929	6,69,507	4	7
for the period ended 31st December 1919	4,74,672	0	11

Rai Bahadur PRITAMDAS, Managing Director, and Mr. J. K. THADANI, Manager, Hyderabad District Central Co-operative Bank, Ltd.

Oral Evidence.

12267. *The Chairman:* Rai Bahadur Pritamdas, you are the Managing Director of the Hyderabad Central Co-operative Bank, Ltd. ?—Yes.

12268. You say that you are financing only 146 societies?—146 societies are financed direct from the head office and 41 through the Tando Allahyar branch, that is, 187 total.

12269. And the rest are being financed by the Sind Central Co-operative Bank?—Yes.

12270. Have you any surplus ?—We have plenty of surplus money.

12271. Then why do you not take over other societies ?—(*Mr. Thadani*) : The surplus comes over during a particular season ; it is only during the slack season. (*Rai Bahadur Pritamdas*) : You will see that the maximum outstanding up to 31st December is Rs. 9,61,000, and our total working capital is Rs. 15,00,000.

12272. Are you able to utilise the whole of the surplus during the season ?—About twelve lakhs for societies and three lakhs for fluid resources.

12273. Do you know anything about the working of the co-operative societies which are financed directly by the Sind Central Co-operative Bank ?—I am one of the directors there also. I know the working of some of the societies there, but many of them are " A" and " B " class societies and there are a few " C " class societies.

12274. Does it make any difference to the societies whether they are financed from Karachi or whether they are financed from here as regards inspection and sanction of loans ?—It would be more convenient to the societies if they were financed direct from the Hyderabad Bank, because they are nearer and their applications can be disposed of earlier. While now the Sind Central Bank has to remit money through the Hyderabad Bank, and there is some delay.

12275. Do they pay through you ?—(*Mr. Thadani*) : Generally they are financed through our bank, because it is convenient for the people to receive money from our bank and to pay money at our bank for remittance to Karachi.

12276. Is your branch at Tando Allahyar of great convenience to societies there ?—Yes.

12277. You have a board there ?—That is an advisory committee ; they simply recommend societies for loans.

12278. You probably have heard about the proposal put before us about the centralisation of co-operative banks in Sind that there should be one central bank with branches in the districts and perhaps in *talukas*. What do you think of the advantages and disadvantages of such a centralised system ?—(*Rai Bahadur Pritamdas*) : I was personally in favour of centralisation, but when I consulted the other directors of our board, a majority of them were of opinion that by centralisation the district banks would lose their identity, and they would very much like to keep the present system.

12279. Did you intend the present boards to serve as advisory bodies ?—My idea was that the power of sanctioning loans should be vested with district banks.

12280. Entirely?—Yes. There was only one advantage to be gained by centralisation because all the district banks pooling their share capital could bring in more money in the Co-operative Movement. For instance, the Sind Central Bank always gets deposits fully up to eight times the share capital. So also the Hyderabad Central Bank and the Larkana Central Bank get, but Mirpurkhas, Nawabshah and other central banks do not get deposits fully up to eight times their share capital. So that by pooling all the share capital together we could receive more deposits than what we get at present. That was an advantage. But I am inclined to agree with some of my co-workers that if we give the power of sanctioning loans to the Central Board only at Karachi, the advisory committees for the district would not feel that responsibility for the funds of the bank as they are doing at present. That was the disadvantage.

12281. Supposing there was centralisation, the control would vest in the centre ?—In that case, as I said, the district committee would cease to feel that responsibility, which they are doing at present.

12282. What is your system of financing societies ? Do you give them amounts in lump ? Supposing a loan of Rs. 6,000 is sanctioned to a society, do you give it in lump ?—We usually give it in two instalments.

12283. Do they also advance to their members in two instalments ?—They must be doing that.

12284. Could some system be devised under which a member can draw amounts sanctioned to him by instalments, not only two but more instalments, as and when he requires ?—You mean on the cash credit system ?

12285. Yes ?—I would not have the least objection to this ; but I find that some of these societies have not learnt the use of cheques, and you cannot depend on their signatures.

12286. Of the secretaries or chairmen ?—Chairmen also. (*Mr. Thadani*) : There is great illiteracy in the societies.

12287. Even the chairman cannot sign properly ?—Many times he cannot do that.

12288. But there is a great disadvantage if members draw large amounts at a time?—(*Rai Bahadur Pritamdas*) : I find that the first instalment they spend within a week for purchases of cattle, seed and for certain other preliminary expenses, and the second

instalment that they take is usually for weeding purposes. I do not think they keep any money idle. We have not the least objection if they take by four instalments.

12289. I was wondering whether that system could be introduced ? It may be difficult ?—Yes ; and every time they come to draw money, they spend four or five rupees. (*Mr. Thadani*) : They usually draw at the time they need money.

12290. Are the applications sanctioned before they actually need money ?—They are usually sanctioned just after March and April, and the money is actually required in June.

12291. Is it not required in January ?—Earliest in May.

12292. How long does it take for an application to be sanctioned ?—(*Rai Bahadur Pritamdas*) : So far as our bank is concerned, the Deputy Registrar has to make enquiries. Sometimes it takes him a month to dispose of the application, but once it comes to our bank, we dispose of soon.

12293. Are the applications received in time ?—Those societies which happen to be in arrears have to apply for extension before they could put in an application for fresh loans, and this extension application requires scrutiny by the auditor, the Deputy Registrar and by our staff also. Some of the societies do not apply for extension till the last moment, and when they actually require money they put in the application for extension and, therefore, in such cases they do not get sanction till July or August, for which they have to thank themselves.

12294. Is there any objection to the extension application and the application for a fresh loan to be sent together ?—There is no objection.

12295. Do not the supervising unions see that the societies are trained to send their application for extension in time ?—We have not supervising unions all over the places.

12296. Where they exist ?—There too they do not exercise that control.

12297. Is it not one of the main functions of the supervising unions to see that applications are sent in time ?—Yes ; but the difficulty with the supervising unions is that they do not know the exact outstandings. Of course, they ought to know.

12298. Can it not be known from the records of the societies ?—It should be easy to find from the records of societies what they owe to the bank. The supervising unions should do it, but I do not think it is being properly done.

12299. Do you find any difficulty as regards fluid resources when there are two or more consecutive bad seasons ?—So far we have had no difficulty ; we are always maintaining about three lakhs as fluid resources.

12300. That is to say, about 25 per cent. ?—Yes.

12301. Are you unable to make further advances because of outstandings for the past year on account of bad seasons ?—Yes ; it is like this. In several cases there are societies which have been fully advanced to the extent of about one-third of their assets, and we do not consider it safe to advance them more. So there is a limit to their borrowing capacity. Whereas there are other societies, where the assets are very much more than three times the amount of their borrowings, but in that case there are two or three big holders whose land increases the society's assets, so that if we consider their actual requirements, I think we fully finance them upto their requirements.

12302. Even if they are in arrears on account of bad years ?—Yes.

12303. Do you not think it would be safe in special cases to give them more than one-third of their assets ?—No ; because generally the valuation that the chairmen of societies or the supervising unions put are in excess of the real market value.

12304. Are these valuations not checked by your inspectors ?—They are, but sometimes they disagree ; but to be on the safe side we have to take special care to err on the right side.

12305. Supposing there have been two or three bad years, and members have been paying regularly, but they are not able to pay through no fault of their own, do you not relax your rule in such cases and advance them more than one-third the valuation of assets ?—We do to a very small extent.

12306. And if you do not advance them, what happens ? Do they go to *soucars* or to Government ?—If they apply for *taccavi*, the Chairman of our society might object ; but if they go to the *bania*, we cannot check him. They have perforce to go to the *bania* to carry on their agricultural operations.

12307. If they go to the *bania*, does the *bania* recover first ?—I do not think the *bania* always recovers first. Much depends on individual cases. In some cases the *bania* takes precedence in spite of our endeavours ; but as a general rule, we make our recoveries before the *bania* does.

12308. I find that when you have surplus, you invest it in banks ?—Yes.

12309. What interest do they give ?—Anything between $4\frac{1}{2}$ and $5\frac{1}{2}$ per cent. (*Mr. Thadani*) : $6\frac{1}{4}$ per cent. for short periods, but that is very rare.

12310. Do you try to take advantage of easy and cheap rates of money, which lies with joint stock banks during their slack season, say, from May or June to about September or October ?—(*Rai Bahadur Pritamdas*) : You mean by reducing our rate ?

12311. I mean, borrow from them ?—We have never borrowed from any commercial bank. In fact we have never borrowed from the Sind Central Bank.

12312. Just as you invest the money that lies idle with you, so also have you ever considered the scheme of taking advantage of their slack time and attract their money ?—I do not think they would lend at less than 5 per cent. ; and the deposits we receive are at 5 per cent. and recently the rate was raised to $5\frac{1}{2}$ per cent. I do not expect that they would lend at even 5 per cent. ; instead of that we can get deposits at 5 per cent.

12313. Do you not think you would get it even at 5 per cent. ?—(*Mr. Thadani*) : The official rate of the Imperial Bank does not go below 4 or $4\frac{1}{2}$ per cent. (*Rai Bahadur Pritamdas*) : Besides all the local bankers send their surplus money to Karachi or Bombay or to their headquarters.

12314. Have you tried to utilise your surplus in making advances against the produce of your members ?—Yes ; one object of opening our branch at Tando Allahyar was to develop the sale and supply society. We finance the sale and supply society to the extent of Rs. 25,000 to Rs. 30,000. We are prepared to invest a larger amount as it develops. Similarly, from the Sind Central Bank we are financing Hala and Mirpurkhas societies, especially to develop the sale work.

12315. Are you not doing it in Hyderabad itself ?—No.

12316. Is it not possible ?—We have no sale organisation.

12317. Some of the members may bring their produce here and keep it if the market is falling ?—No attempt has been made so far.

12318. Could it be made ?—Yes ; I think at Hatri some attempt was made two or three years ago, but it was more for collective purchases than for collective sale, for instance, the purchase of seed and cloth from Karachi. But in those days the bank did not advance them money.

12319. Does your bank not do any business of purchase and sale for members of co-operative societies as the Provincial Bank does ?—We have not started that.

12320. Do you think there is an opening in that direction ?—I do not think we could undertake more than financing these supply and sale societies. We have not suitable staff for that.

12321. Do you not do much by way of remittance business here ?—We do some work.

12322. Do you have any difficulties in the matter of these remittances ?—No ; we have no difficulties.

12323. *Professor Kale :* You stated that district banks are not able to get sufficient deposits ?—Some of them.

12324. Is it due to the fact that they are still undeveloped, or are there no energetic people to push matters through ?—I find that in larger cities like Karachi and Hyderabad there is some money available for investments, because there are pleaders and Government servants and such people who have spare money always in hand, and who cannot invest it on their own account and, therefore, they generally deposit in banks, whereas in places like Mirpurkhas and Nawabshah banks cannot expect to get large deposits as in towns, because the people there are generally business men, and they have their own business to finance.

12325. *Mr. V. L. Mehta :* How long was it that you started your branch at Tando Allahyar ?—(*Mr. Thadani*) : Just a year and a quarter; it was started in October 1928.

12326. Have you any idea as to what the ratio of expenses is to the total working capital ?—It brought in a profit of about Rs. 1,300 after meeting all the expenses and after allowing 6 per cent. interest on our balances.

12327. If that branch has done well, do you expect to open more branches ?—Branches are not self-supporting themselves. They cannot raise any deposits, and there is very little share capital in the *taluka* towns, and whatever profits are made are made out of our advances at a lower rate to them than the rate at which we advance to societies direct. We generally advance to societies at 8 per cent. and our advances at Tando Allahyar are made at 6 per cent. and the difference of 2 per cent. goes to make up their profit, which otherwise would ordinarily be ours.

12328. Do you do any exchange business in Tando Allahyar ? Very little.

12329. Is there not much scope for it ?—No.

12330. *The Chairman :* Will you not accept the statement that with the establishment of more branches, the work will also develop to a greater extent ?—From our experience of this branch, the number of societies are stationary still. In the branches at Hala and Mirpur Bathoro, the number of societies are almost stationary and the turnover is not much.

12331. *Mr. V. L. Mehta :* About this exchange business which you do in Hyderabad, I suppose you sell drafts and get money ?—Yes.

12332. Do you sell them in Bombay or in Karachi ?—In both and in some other places also.

12333. When you have to remit money to Bombay do you use the Imperial Bank ?—We get ordinary demand drafts on current account. We maintain a current account with the Bombay Provincial Bank. We remit money on our account for the purpose of replenishing funds at the Bombay Provincial Bank.

12334. Are you called upon to give any certificate to the Imperial Bank that the remittance does not represent the proceeds of any drafts ?—No, we have not been asked to do so.

12335. You have your supervising unions and your own staff and do you still consider that it is necessary for societies' applications for extensions or for loans to pass through the Deputy Registrar. Where is the need for his looking into the papers ?—The supervising unions are in their infancy.

12336. Is there not also, in addition to the supervising union, check by your staff ?—There is the tacit understanding between the Bank and the Registrar's office.

12337. Apart from the tacit understanding is the procedure necessary ?—We consider it necessary to rely more on the recommendation of the Deputy Registrar for the present than of the supervising unions.

12338. Is it merely subjected to scrutiny at the office of Deputy Registrars and is it referred for further inquiry by any special staff ?—There are the auditor's remarks.

12339. So the papers go through the auditor and inspector to the Bank ?—Generally they pass through the sub-auditor, auditor, the Deputy Registrar and then to the Bank.

12340. Where does the Inspector come in ?—(*Rai Bahadur Pritamdas*) : We never send it to the Inspector for his remarks. If he is present we get his remarks and, if not, we refer to his periodical report.

12341. If a society has a credit with you or a loan sanctioned by you and it has repaid all that was due from it for the season, is it your practice to allow it to draw on the old credit or do you insist on a new application ?—We insist on a new application.

12342. *Mr. Kamat :* About the unauthorized arrears in the statement which you have just now furnished is the proportion of unauthorized arrears reasonable usually barring aside the present two or three years ?—Yes.

12343. Taking the last two figures of your unauthorized arrears for the period ending 31st December 1929 there seems to be a certain drop ?—(*Mr. Thadani*) : Much of that portion of the money has been extended which you will find in the 4th column.

12344. These have been converted into extensions ?—Yes.

12345. *The Chairman :* They are only Rs. 70,000 ?—(*Rai Bahadur Pritamdas*) : The previous extensions are Rs. 3,64,000.

Mr. Kamat : We find that the unauthorized arrears after those extensions have gone up.

12346. *The Chairman :* The difference between Rs. 3,64,000 and Rs. 4,34,000 is only Rs. 70,000 while the sum of unauthorized arrears is clearly Rs. 3,56,000 ?—(*Mr. Thadani*) : Out of the above sum of Rs. 3,56,000 under the unauthorized amount of arrears some amount has been partly recovered and partly transferred to extensions.

12347. *Mr. Kamat :* About the centralization idea, we were told that one evil is that the directors of district banks use political influence during the time of elections and abuse their privileges as directors and that this could be materially eliminated by the centralization idea. Do you agree ?—(*Rai Bahadur Pritamdas*) These are difficult questions to answer. I do not think that is a proper remedy if the evil exists.

12348. Even assuming that the fact is there, there is no remedy ?—If you deprive the district committees of the power of sanctioning loans, they become less efficient from my point of view. If all the control is exercised by the Central Committee, I dare say there will be representatives on the Central Committee also from districts.

12349. *The Chairman :* If a general policy is laid down by the Central Committee and the grant of loans is delegated to district committees what would happen ?—The remedy does not become effective. The same members exercise all the powers they are doing now.

12350. *Mr. Kamat :* And possibly the same members may do it from Karachi ?—Yes.

12351. You speak of illiteracy. I wonder whether it would be worth while trying an experiment with some of your credit societies, just as you have the village *panchayat* system, that the members of the societies should be obliged to keep their children in primary schools upto the 4th standard on a voluntary basis for the spread of literacy. Could this be followed here ?—This could be followed provided each village has a primary school. As it is, I do not think there is a primary school in a group of ten villages even. What we have available in villages now is a *mulla* to teach them alphabet and to read the *Koran*. Of course we could see that all the children of the members of societies learn the alphabet and at least learn to sign their names. This is all we can insist on members.

12352. If you insist to this extent on members of societies, you make them better members in the coming years, is it not ?—Yes.

12353. I wonder whether you can speak about the Dekkhan Agriculturists' Relief Act and whether it has affected the credit of agriculturists here. One pleader represented to us that if the defaulters are made liable to arrest, probably it will have a very wholesome effect on some people. It is not only the pleader who has suggested this but even the Commissioner in Sind also has put forward his suggestion with reference to the Dekkhan Agriculturists' Relief Act in this way that the Dekkhan Agriculturists' Relief Act requires modification so as to make the agriculturist's person and property, both moveable and immoveable, liable to attachment in legal process and that this is in the interest of checking indebtedness and superfluous litigation. Do you think this should be done ? Have you experienced all these dangers ?—I am not in the legal profession, but as a practical man I have seen that there are cultivators who to evade payment make full use of certain privileges that the Act gives them and evade payment very successfully. I think for the agricultural industry as a whole, it will be better to remove those privileges, that is to say, where a man wants purposely to cheat his creditor of his dues, and I do not see any reason why he should not be sent to jail or undergo some penalty as is attached to any other cause of action.

(The witnesses withdrew.)

Seth HAJI MOHAMMED, District Honorary Organizer, Tando Allahyar, Hyderabad (Sind).

Replies to the Questionnaire

I am an Honorary Organizer of co-operative societies of Tando Allahyar *taluka*, district Hyderabad, and the information I submit pertains to that *taluka* only.

QUESTION 1.—(*a*) The agriculturists raise money for their current agricultural expenses either from co-operative societies (where they are well established) or from the *sowcars* where societies have not gained a footing.

(*b*) Generally few big or capital improvements are executed in my *taluka* nor is there much need therefor. The ordinary clearance of water courses is arranged by the *zemidars* out of their own resources. Co-operative societies also advance such loans and make them repayable in about two years' time. *Sowcars* do not advance long-term loans for land improvement. Government *taccavi* for land improvement on long-term basis is available, but it is seldom taken advantage of.

(*c*) In my *taluka* cultivation does not depend on rain water. There is a net work of inundation canals which feed the lands. In times of scarcity and famine, the co-operative societies as also the *sowcars* grant extensions and also fresh advances for the next season. The rate of interest charged by the *sowcars* in that case is much heavier. The old debt *plus* interest thereon is converted into a new loan and a fresh bond executed therefor. When this is finished the *sowcar* gives additional finance.

As regards Government land revenue the *zemindars* pay it out of the produce of their crops. The dates of paying land revenue are fixed conveniently and the *zemindars* can easily pay it without borrowing the amount. In years of scarcity, Government grant postponement of land revenue.

(*B*) In my *taluka* the rate of interest on loans by co-operative societies is $10\frac{5}{8}$ per cent. per annum or $1\frac{3}{4}$ pies per rupee per month. Loans upto Rs. 500 are ordinarily advanced by co-operative societies on two personal sureties deemed reliable by the managing committee. Loans in excess of Rs. 500 are to be secured by taking a bond worth three times the amount of loan in mortgage. In case of *sowcars'* loans their rate ranges from 25 to 50 per cent. The period of loans is generally the cultivation season, *viz.* 6 to 8 months. Regarding security, the *sowcars* make advances of daily requirements in kind for which no security is ordinarily given. The cost of daily requirements, *e.g.*, cloth, oil, seed, oil cake, etc., is debited against the running account of the borrower and the account is settled at harvest time. In case a substantial cash loan, *e.g.*, about Rs. 150 or over is required, then the *bania* obtains land by having an outright sale deed executed therefor though there exists a mutual understanding between the parties that the land will be restored to the vendor if the amount is repaid with interest within the stipulated period.

(*C*) The Imperial Bank of India or other joint stock banks do not afford any facility in agricultural finance. Owing to the existence of the protective legislation provided for the agriculturists the joint stock banks deem it very unsafe to have dealings with them. The co-operative banks, however, advance money to societies which in their turn advance loans to members.

(*D*) Regarding the total requirements of the agriculturists in my *taluka*, I beg to observe that the chief crop of the *taluka* is seed cotton of which about 2 lakh maunds are produced in a normal year. The average cost of cultivation of a maund of seed

cotton is about Rs. 10. The total agricultural requirements, therefore, work out t Rs. 20 lakhs. Of this co-operative societies finance about Rs. 4 lakhs, *i.e.*, one-fifth o the total requirements of the *taluka*.

(*E*) The defects in the present system of finance are (1) inadequacy of finance and (2) the fraudulent ways in which the *sowcars* advance monies and effect recovery thereof To remedy them I would suggest the following measures :—

(1) Inauguration of more co-operative societies preferably of a multifunctiona character.

Experience has shown that unless and until the co-operative societies take up al the functions of the *sowcar*, *e.g.*, supply of seed, articles of daily requirements, cash etc., and also take up the disposal of produce in their hands, we cannot release the agriculturists from the grip of the money-lenders.

(2) Enactment of more protective legislation, *e.g.*, the Punjab Land Alienation Act.

The Government may also arrange, if possible, to register the names of money-lenders and grant licenses to them. The maximum rates of interest should be fixed for them as also the forms in which they may maintain their accounts. The *sowcars* should also be placed under a statutory obligation to furnish copies of the *zemindars*' account with them from time to time.

(3) Inauguration of a land mortgage bank to finance *zemindars* for the purchase of lands in the Barrage areas or redemption of old debts.

(4) Inauguration of a *zemindari* bank to finance big *zemindars*.

(5) The existing maximum limits of loans to members should be made more elastic and the Deputy Registrar permitted to sanction special loans up to Rs. 3,000 instead of Rs. 1,000 as at present.

QUESTION No. 2.—In villages where co-operative societies do not exist the agriculturists dispose of their produce (which is generally seed cotton) in their own villages. The agents of cotton dealers visit the villages frequently and effect purchase of cotton. They come round to the village at the time of each picking and make arrangements for the weighment and transport of cotton.

This arrangement, as shown by experience, is very detrimental to the interests of the agriculturists as thereby they get neither correct prices nor proper weighments.

In the year 1925 at the kind suggestion of Khan Bahadur Azimkhan we launched a co-operative sale society for the whole *taluka*. To begin with only the members of co-operative societies were admitted. The credit societies while advancing loans to their members imposed a condition that the produce when ready will be sold through the sale society. The arrangement has proved quite successful and the members of the affiliated societies, as a rule, sell their produce through the sale society.

To afford facility to the members we have arranged small godowns for groups of three or four societies where the produce of the neighbouring *zemindars* is collected. When a decent collection or about 2,000 maunds or more is made, intimation about the approximate quantity collected together with samples is sent to the Manager of the Society at the headquarters (Tando Allahyar) who invites quotations of the various dealers. Generally the agents of dealers meet the Manager almost every day during the picking season and each offers his quotation. Bargain is struck with the best and highest bidder who makes the usual arrangement of weighment and transport.

Seth Haji Mohammed.

The society charges commission of two annas per maund of cotton sold through its agency to defray the cost of working expenses. The arrangement is greatly appreciated by the *zemindars* who do get competitive prices and correct weighments by the arrangement.

Our next step is to have a co-operative ginning factory of our own. If we have that, we shall be saved the trouble of middlemen still further and we could negotiate for the sale of produce direct with Karachi.

This would mean a large investment say about Rs. 1 lakh, one-third of which could easily be raised as shares. The existence of a ginning factory will be possible if Government advance us the remaining two-thirds on long-term basis.

The application of the Cotton Markets Act will contribute materially to the establishment of sale societies as, with organized markets, having paid staff, decent godowns with all transport and weighing arrangements, the agriculturists will neither have any trouble nor objection to bring their produce to the established markets.

QUESTION 3.—The value of land per acre when put to auction on account of Government dues is Rs. 30 per acre minimum ; when sold to discharge a Civil Court decree or meet some pressing contingency it fetches about Rs. 40 to Rs. 50 per acre.

In a voluntary transaction it fetches about Rs. 50 to Rs. 200 according to the nature of the soil, transporting facilities, etc.

QUESTION 4.—There is no legal impediment to the mortgage or even disposal of land except that lands held under the Restricted Tenures Act cannot be so dealt with except with the previous sanction of the Collector. The Collectors give such permission very rarely and in exceptional cases only.

QUESTION 5.—The particulars called for in this question could be collected only if a detailed village inquiry is held.

Owing to the heavy interest paid by *zemindars* to the *sowcars* and other illicit exactions of the latter, bulk of the produce goes to defray the interest and other charges of the *sowcars* and hardly 5 per cent. goes to repay the principal amount. This leaves the agriculturists in perpetual indebtedness with the result that they gradually lose their hold on their lands.

QUESTION 9.—Application of the English Money-lenders Act or the proposed Money-lenders Bill of the Punjab are all *prima facie* meant for the protection of the agriculturists and as such we welcome them whole-heartedly.

Oral Evidence.

(*Summary of Oral Evidence in Sindhi.*)

I am a district honorary organiser of co-operative societies in Tando Allahyar and a *zemindar*. There is a branch of the co-operative bank in Tando Allahyar. The people of my *taluka* have been benefited by this branch as they can remit money through the bank and can also receive money. Formerly they had to go to Hyderabad to take money. Advisory Committees recommend loans to societies, and the recommendations are generally accepted by the District Central Bank.

The purchase and sale society has been benefited by the branch of the bank. Two weavers' societies were started, and they also derive benefit from this branch.

The District Central Bank does not help the branches. There is a good deal of *hundi* business done in Tando Allahyar with different parts of India. The rate is 3 to 6 annas per Rs. 100. The branch bank wants to do remittance and *hundi* business, but the Central Bank does not accept the suggestion. The reason given is that the branch would be very expensive to maintain.

Government *taccavi* is not taken advantage of by people in the villages, because they do not know that it is available. A few members of societies get it through societies. There is need for Government *taccavi* for land improvement.

There are both small and big *khatedars* in my *taluka*, but the small are many. The *haris* pay rent in cash.

Seed cotton is the chief crop of my *taluka*. About Rs. 40 to Rs. 50 are required by *haris* per acre for *kapas*. If he is a good *hari*, the *zemindar* finances him up to 50 rupees, others are financed less.

Members of societies do not get enough money from societies for their requirements. Especially big *zemindars* find this difficulty. The limit fixed by the society is Rs. 500, and in some cases Rs. 1,000 are advanced. In my opinion the limit should be raised to Rs. 3,000, so that big *zemindars* holding a hundred and over hundred acres may be benefited.

Co-operative credit societies should also do the work of purchase and sale, because the agriculturists sell their produce to *sowcars* and they do not get proper prices for their produce. The society should do it on its own responsibility.

There are no markets in my *taluka*. If there are *mandis* as in the Punjab, they would be useful. The Cotton Markets Act would be very useful.

The land under restricted tenure can be mortgaged after getting the permission from the Collector.

Ginning factories should be run on a co-operative basis. There is no ginning factory in my *taluka*. In my opinion the co-operative societies should take the place of *sowcars* and *banias* by financing all the requirements of the cultivator.

(The witness withdrew.)

The Committee then adjourned and reassembled at Sukkur on Friday, the 24th January 1930.

Friday, January 24th, 1930.

SUKKUR.

PRESENT.

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

KAZI GHULAM KADIR, District Honorary Organizer of Co-operative Societies, for Garhi Yasin and Jacobabad Talukas.

Replies to the Questionnaire.

QUESTION 1.—(*a*) I am a District Honorary Organizer of Co-operative Societies for Garhi Yasin and Jacobabad *talukas*. I am also Chairman of the Madeji Co-operative Society. There are 32 societies in my beat. Societies advance loans to their members for current agricultural operations. In case of non-members as well as in case where societies do not exist the agriculturists obtain finance from *sowcars* for the same. Government do not advance *taccavi* loans to agriculturists for current agricultural operations.

(*b*) Ordinary permanent improvements are carried on by members of co-operative societies out of their own savings and from borrowings from the society. In case of large permanent improvements the agriculturists obtain finance from Government in the shape of *taccavi* loans. The *sowcar* does not help financially for carrying on land improvements.

(*c*) In days of scarcity Government as well as societies come to the rescue of agriculturists. The *sowcar* also helps them to tide over the difficulty.

RATES OF INTEREST.—Co-operative societies charge their members at the rate varying from $9\frac{3}{8}$ to $10\frac{5}{16}$ per cent. Government levies $7\frac{1}{2}$ per cent. on *taccavi* loans while the rate of the *sowcar* ranges from $18\frac{3}{4}$ to 75 per cent. according to the position and credit-worthiness of the borrower.

PERIOD OF LOAN.—Societies advance loans, for current agricultural purposes for 8 months, for purchase of bullocks in 2 yearly instalments and for debt redemption and carrying on large improvements up to 5 years. *Sowcars* always advance only crop loans, *i.e.*, for 8 months.

SECURITY.—Up to Rs. 500, societies take 2 personal securities. In case of loans exceeding Rs. 500, societies take mortgage security. Government take mortgage security for *taccavi* loans. The money-lender advances money on the security of ornaments and immovable property and conditional sales are very common with them.

CONDITIONS ATTACHING TO THE GRANT OF LOAN.—Neither Government nor societies attach any conditions. The *sowcar* while advancing loans make it a condition precedent with the agriculturists that they shall have to dispose of their produce to him or through him, with the result that they (agriculturists) suffer both in weights and prices.

Neither the Imperial Bank nor any other joint stock banks nor indigenous bankers or other organizations doing credit business, play any part in agricultural finance. As stated above only the Government, the societies and the *sowcars* cater for the requirements of the agriculturists.

QUESTION 2.—The members of societies dispose of their produce at their sweet will, according to their convenience. But those agriculturists who are under the thumb of *sowcars* have to dispose of their produce to them or through them. In my beat the principal crops are paddy and *juar*. The paddy dealers come and purchase produce on the fields, while *juar* is disposed of in towns through brokers.

QUESTION 3.—On our side paddy lands are sold at Rs. 200 to Rs. 500 per acre. While lift lands are sold at Rs. 100 to Rs. 200 per acre. Well irrigated lands cost Rs. 300 to Rs. 500 per acre. Prices of lands vary according to irrigational facilities and nearness to big towns. Value of land purchased by private negotiations cost more than by bidding at the auction for non-payment of land revenue or by sale by civil court decrees.

QUESTION 4.—Lands under restricted tenure cannot be mortgaged. In my beat there is no land mortgage bank or any other bank for the provision of long-term loans. The big *zemindars* are heavily indebted to *sowcars*. Unless, therefore, a land mortgage bank is not started soon which could advance long-term loans on easy instalments and at a low rate, the *zemindars* will suffer heavily and will lose their holdings entirely.

Oral Evidence.

(*Summary of Oral Evidence in Sindhi.*)

I am an Honorary Organizer of co-operative societies for Garhi Yasin and Jacobabad *talukas*. I am also the Chairman of the Madeji Co-operative Society. There are 30 members in the Madeji Society. The working capital is Rs. 12,000. It is enough for current expenses. No one from our society goes to *sowcars* for current expenses. In case of need they go to them but not for current needs. On account of three bad years we do not get sufficient capital from the Central Bank, otherwise we get sufficient money from the Bank. The Madeji Society consists of small *khatedars*. There are no old debts in our society. There are 32 societies in my charge. The members used to borrow from *sowcars* at a high rate of interest before societies were started. Out of these 32 societies there are only 3 or 4 societies where some of the members are heavily indebted to *banias*. In some tracts we grow two crops and in others we grow only one crop. In my tract the crops were not good in all these 3 years. The members require money in lump for current needs. We give them at the proper time and, therefore, they do not misuse any part of it. The members require much money for land improvement. Government gives *taccavi* to only big *khatedars* and not to small *khatedars*. We have not asked for Government *taccavi* through co-operative societies because the economic condition is bad. As the crops are poor we have not asked for it. But Government give *taccavi* to members through societies. My society at Kadeji is five years old and it has been beneficial to our members in this sense that they get cash in time so that they can purchase materials wherever they like and can dispose of their produce at their sweet will. The members do not sell their produce through the Shikarpur co-operative sale society, but they sell it in Garhi Yasin *taluka* or in Madeji. Most of the *khatedars* in my charge are members of societies. There were *hari* members but now they are no longer there because the *zemindars* used to remove their crops as a result of which there is no proper security against which they can be advanced. So they were removed. There are two or three *hari* members in our society at

Hadeji. The *haris* borrow money from their *zemindars*. As most of the *hari* members were defaulters they were expelled from the societies. I would suggest that the best way of financing *haris* would be to finance the *zemindars* more in order that they may in turn finance their *haris* sufficiently. The *zemindars* give *taccavi* to *haris* but not much. The *zemindars* who get loans from societies do not misuse them and they utilize them only for cultivation purposes.

It is impossible to finance a *hari* except through a *zemindar* because the *hari* has no security to offer. The Co-operative Movement or the societies cannot give directly any help to *haris*. There is no unwillingness on the part of a *zemindar* to stand as surety for a *hari* provided the *hari* cultivates his land. The proportion of members of societies who have to borrow from *banias* is very small. The managing committee members are not utilizing the funds of societies by borrowing in the names of their relations or by some such underhand ways.

The smaller *zemindars* do not get *taccavi* because Government advances *taccavi* only to those who pay more than Rs. 500 assessment, and give *taccavi* both under the Land Improvement Loans Act and the Agriculturists' Loans Act. I have not applied for *taccavi* although I am a big *zemindar*. The *mukhthiarkar* told me that a man who does not pay an assessment of more than Rs. 500 cannot get *taccavi*. Therefore, I say that the small *khatedars* cannot get *taccavi*. In our society as well as in other societies the limit of loan is Rs. 500, but in special cases we give up to Rs. 1,000. I would advise a *zemindar* who pays more than Rs. 500 assessment to go to a *zemindari* bank for borrowing money and not to a society, because the interest is low there. The societies in my charge are not connected with the Shikarpur sale society. There is a necessity for such a sale organization in Garhi Yasin. It will flourish.

The advantage derived by members in joining co-operative societies is that they are charged a low rate of interest. We encourage members to deposit their money in societies. The moneys they deposit are all voluntary deposits. Here the system is that there is no compulsion. In our society, members deposit in the shape of shares. When loans are given, nothing is deducted. There is no deposit system. It is only on shares. In some societies some members have deposited their money but not in our society. In our society it is only in the form of shares. I would rather like to see members purchase shares rather than keep deposits. The price of each share is Rs. 20. No member purchases less than five shares and the instalment is Rs. 10 per year for ten years at the rate of Rs. 2 per share. This is the case in most of the societies.

(The witness withdrew.)

Seth DWARKADAS RAMCHAND of Sukkur.

Replies to the Questionnaire.

SECTION I.

The banking organisation of the province should adapt itself to its peculiar needs. Sind is not the agricultural province only, 40 per cent. of the population is dependent directly or indirectly engaged in services or doing other business in various other industries. The reason of not having the agricultural trade in this province is due to the fact that

they have to pay high revenue demand, progressive deterioration of land, small and uneconomic holdings and low prices for the produce and also lack of credit facilities. It is, therefore, that the people do not like to be agriculturists.

QUESTION 1.—AGRICULTURAL CREDIT.—In addition to the usual need for finance for the three objects mentioned by you in the questionnaire, there is in case of the majority of the agriculturists an additional and a more insistent need—it is necessity which unfortunately exists for borrowing for their needs for greater part of the year except for the short period when the agriculturists are in possession of some cash or grain while their produce is being marketed.

Of the various individuals which supply these needs, the money-lenders supplied the finance needed on interest and take the money back with interest when the crop is ready. The rate of interest charged by the money-lender varies from 9 to 12 per cent. here. Where the rate is high, the chief reason is insecurity when the loan is made The loans are made mostly on the personal credit of the agriculturist. The general practice of returning the loan is, after paying the land revenue to the Government and keeping something for immediate use of the needs, to hand over the balance to the money-lender to be credited towards his loan. The amount thus credited is more often than not insufficient to cover even the borrowings for his subsistence during the year and thus his total indebtedness at the end of the year is greater than at the beginning of the year.

CO-OPERATIVE CREDIT SOCIETIES.—The Co-operative Movement started by Government in this Province has not brought all the agriculturists within its fold owing to varieties of causes, chief among them being the illiteracy of the masses and lack of sufficient funds. The big *zemindars* cannot get sufficient money from the society to satisfy all their requirements fully ; hence they have to borrow from the money-lenders in order to make both ends meet. Rules for recovery are also very rigid. Government should assist co-operative banks and spend more on propaganda in order to popularize the co-operative societies and to bring home to illiterate villagers in all the nooks and corners of the Province the advantages of the Co-operative Movement and apprise them of the menace of the nefarious usurer. To summarize, it is generally felt that the Co-operative Credit Movement to be really effective must be backed up by greater capital and the administration must be more sympathetic and less wooden in matter of recoveries. The part played by the Government in finance of agriculture is negligible. In times of famine and distress *taccavi* loans are granted by Government. But owing to the rigidity of rules strict enforcement of instalments and such other hide-bound methods and measures and above all the amount available for *taccavi* being invariably insufficient to meet with the general demand of the same, the advantage to the agriculturist is strictly limited. Mostly the *taccavi* is given for seeds in the days of famine or scarcity, but it plays no part whatsoever in financing the produce. The Imperial Bank or other banks are not doing anything to help the agriculturists in the finance.

I quite concur with the suggestions made by the Committee of the Bombay Shroffs Association for improving the present state of agricultural finance.

QUESTION 2.—MARKETING OF PRODUCE.—The agriculturist after retaining some for his consumption brings the produce to the market and sells it through the broker or the village dealer. The latter brings the goods to the nearest market situated in the district town for disposal. The goods are sold on the very day with mutual consent of the seller

and the buyer. But it has been found that the proper price cannot be realised for the produce by such a haphazard method of sale. It is, therefore, suggested that the produce should be stored and sold by degrees only when there is a demand by the buyer and, therefore, arrangements should be made for warehouses in all interior markets and also for the provision of finance requisite for advances against goods so stored. Under the present arrangements there is an unequal contest between the merchants and exporters—the purchasers who are people of substance and besides command vast funds and facilities from bank, etc. and, therefore, they are in a position to take advantage of the weak position of the sellers and buy their produce when prices have declined to the lowest level of the season on the one side, and the helpless cultivator, illiterate, hopelessly indebted, unaided and unfriended and with scarcely a ray of hope or cheer to console him on the other—Owing to the weak position of the sellers the produce is sold cheap and it ultimately tells upon the economic position of the agriculturist. It is, therefore, necessary to have two main pillars, one for the provision of ample finance and the second for storage accommodation on which the whole structure designed in the interests of the poor can be reared up.

The formation of pools and extension of co-operative efforts on sound and proper lines are very essential.

INTERNAL REMITTANCES.—These are chiefly done by means of *hundis*. No difficulty has ever been experienced. The only negotiable instrument that plays an important part in financing trade is *hundi*. There are two kinds of *hundis* in this province: (1) the *darshani* and the (2) *mudati*. The former is again subdivided as (1) *shahog*, (2) presentor, (3) order, and (4) payable to the person named. These forms are current in use and are fully dealt with in the commentary of the Negotiable Instruments Act. *Darshani hundis* are only in use at present for the purpose of remittances and *mudati hundis* have altogether been stopped owing to paucity of finance, imposition of heavy stamp duty and absence of re-discounting facilities with the banks. These *hundis* are the only instruments of credit facilities which have been approved and adopted by mostly all civilised countries of the world. Therefore the defects pointed out above should be abolished and discounting and re-discounting facilities be extended in an increasing measure.

INSTRUMENTS OF OWNERSHIP.—There are no legal and valid instruments of ownership of goods or produce on which money can be raised or advanced, but in practice railway receipt is considered as a measure of security. It is, therefore, necessary that railway receipts should be made a legal and valid instrument by amending the Railway Act. Similarly the bills of lading also. The second instrument will be for ownership warehouse receipt. There are no such warehouses in Sind which should be established in all important markets.

QUESTION 3.—There are different rates for the lands in this district per acre. If a land is a good one and gives good produce, the rate is from Rs. 200 to 400 per acre. There is no doubt that when the land is sold by Government for non-payment of land revenue or court decrees, the rate is very low, but when it is sold privately it brings high rate.

As regards other points I have no other go than to concur with the written statement of the Committee of the Bombay Shroff Association as I have got a very little knowledge of the points. I have thoroughly gone through the statement made by the Committee and I support that the suggestions made by them should be adopted in the interest of the poor classes of the cultivators and agriculturist.

Oral Evidence.

(Summary of Oral Evidence in Sindhi.)

"I am a wool merchant, commission agent and a banker. I get wool from Multan, Nawabshah and Sukkur districts. I get it through my agents. I pay them at once. I trade with my own capital. First I get all the wool here and then I send it to Karachi to some commission agents there. I get payment from them after it is sold. Sometimes it lies in Karachi for one week, or for a month or even for four months. If I require money during the interval, the commission agents send me 50 or 60 per cent. of its value. I do not feel any difficulty in raising money on the security of my goods, but others do feel difficulty in raising money. This is due to the increase in the rate of interest which is sometimes 6 per cent., 9 per cent. and even 12 per cent. It depends upon the market rate in Karachi. Excepting this, there are no other difficulties. If the price of wool is low, the commission agents hold up the goods because they have purchased it at a higher price and, therefore, they cannot sell it at a lower price. I send the goods to my commission agents for disposal at Karachi and they have to act up to my instructions. I am also a commission agent. I make advances to merchants who buy wheat, *juar*, etc. I finance only big *zemindars* in Larkana and Jacobabad. I charge them 12 per cent. interest. When I do commission agency business, I charge 1 per cent. I am also doing *hundi* business all round. I do *darshani* hundi business. I do not generally do *mudati hundi* business. I do *mudati hundi* business only with the people in the city. Discounting of *mudati hundis* is generally done here. There are two kinds of *hundis*. In the one the period is stated and in the other the period is not stated. We do not mention the period in the receipt in order to escape from the stamp duty. People buy such receipts. More than 99 per cent. of the business is done on such notes. Regular *mudati hundis* are only issued in less than one per cent. of cases. In olden days *mudati hundis* were common. If the stamp duty on *mudati hundis* were reduced, more *mudati hundis* would be issued. The Imperial Bank insist upon *mudati hundis* being properly stamped. The local banks here do not discount such *mudati hundis*. I do not get *hundis* discounted by any banks, but for remittance purposes I have dealings with them. Whenever I have any surplus, I advance it to traders and do not deposit it in the bank. If I require any money, I borrow from the local people. The local merchants have dealings with the Imperial Bank, but not the indigenous bankers. I say that the Imperial Bank or Government should help indigenous bankers in money matters. They do need assistance in money matters; this should be given to them on the signature of one man only. I want that the rule about two sureties should be relaxed in the case of indigenous bankers. My two chief points are that the Imperial Bank should make advances to indigenous bankers on one signature only and secondly that there should be the same stamp duty on *mudati hundis* as on promissory notes; otherwise at the present rate of As. 1½ stamp duty, the figure comes to a big amount.

Agriculturists here who have credit get loans at the rate of 9 to 12 per cent. and ordinary *khatedars* pay more than 12 per cent. and even more. In the case of a *hari* the rate of interest varies according to his status and credit. I can say that it is from 15 to 18 per cent. interest. I advance to *zemindars*. I do not advance to *haris*. There is a practice here to advance loans on the security of produce. If one is a man of credit he is given cent. per cent., but generally 80 per cent. of the value is given. The interest charged will be 6 per cent., 8 per cent. and 9 per cent. There are godowns of private people here.

Seth Dwarkadas Ramchand.

The banks do not do this business. Only traders finance like this. The present provision for storage of goods is not sufficient. People from here send cash to Hyderabad or Karachi or even to the Punjab, and take the risk because the stamp duty on *hundis* will cost them much. This is only done by big people who are having a large business. There is no loss of interest in sending money this way because the man with cash starts at night and gets down the next morning at Karachi or Hyderabad. No amount has been lost on account of sending money in this way. I am not advancing money on railway receipts as it is not my line, but others might be doing it. I am doing grain business. Almost all the grain is sold here and if there is any surplus left, we send it to Karachi and, therefore, I do not do this business much. Instead of this stamp duty of one anna and six pies per hundred on *mudati hundis*, the *mudati hundis*, should be placed on the same level as promissory notes accepted with a four-anna stamp duty only. The banks should accept promissory notes when endorsed in the same way as they accept *hundis*.

If the stamp duty is reduced from 1½ as. to half an anna, even then it will not make any difference. The trade has not been hampered on account of this heavy duty on *mudati hundis* because we have done away with it. Even if Government reduce the stamp duty to one anna, we will not revert back to the system of *mudati hundis*. The *mudati hundis* are written here on one anna stamp. If the Imperial Bank increases their list of approved *shroffs* so as to help the smaller tradesmen, it will facilitate things. If a firm consists of 10 members, the Imperial Bank's practice now is to insist on the signature of ten men. I do not approve of this practice. If the firm is known by two principal partners, the signatures of two should do. I am not willing that *shroffs*, in order that the Imperial Bank should increase the list of approved *shroffs*, should show their accounts to the Imperial Bank audited by a chartered accountant or in any manner. The increase, on the contrary, in the list of approved *shroffs* can be done by a general investigation and enquiry in the *bazar*. The Bank has its own inspectors. The Bank through its inspectors can know the position and status of each and every individual trader or merchant from this register. Therefore there is the necessity of insisting upon the accounts being shown to the Imperial Bank audited by a chartered accountant or anything of this sort. The Bank should advance on the security of his property. After finding from the register whether he has property and assets and if he has, then his name should be included in the list.

I would not mind Bank inspectors going about and making enquiries about the character and the standing of bankers. I approve of the suggestion made by the Shroff Association in Bombay that instead of opening branches of the Imperial Bank, which are very expensive, a *shroff* should be appointed as the agent of the Imperial Bank which should finance him and through him the trade will be financed. Such men should show their accounts to the Imperial Bank. If a *shroff*, as the Bank's agent, does speculative business, the Bank can realise its loss from the security it takes from him. Supposing a bank advances to a *shroff* five lakhs of rupees on the security of two lakhs of rupees and the *shroff* does speculative business, even then the man will not lose the whole of five lakhs of rupees and it might lose a part of it which can be recovered from the security it has from him. Therefore it can easily advance him rupees five lakhs.

At present there is no practice for joint stock banks or for the Imperial Bank to advance money on the security of goods. But if banks give this facility, some of the local traders might be taking advantage of it. In the beginning the merchants would raise an objection to the boards being put. I know that in Larkana the Imperial Bank advance money

against goods, but it did not put its board but kept a peon instead. Cash is remitted from here to Karachi or from Karachi to here only by very few big merchants. The smaller people come to these big men for *hundis*. I think the Imperial Bank rate for overdraft on Karachi is two annas if the amount is less than Rs. 1,000. If it is more than 1,000 their rate is as. 1½. Sometimes we take advantage of the Imperial Bank but not ordinarily.

Haris sometimes run away, but generally they are there. I finance my own *haris*. I charge them one rupee per hundred and also I require them to sell their produce through me. But if some *haris* do not agree to this condition, then they go to a *sowcar* and borrow from him. The complaint which has been made, *viz.*, that land is passing into the hands of money-lenders, is true because the *zemindars* are unable to repay their loans taken from money-lenders. Therefore, their lands have to go to money-lenders.

(The witness withdrew.)

Khan Saheb AMIR BUX KHAN, President, Taluka Board, Sukkur.

MEMORANDUM.

The Co-operative Movement is very beneficial for the agriculturists. Three or four years ago when the crops of *zemindars* used to be favourable, the co-operative societies used to minister very adequately to their needs. Since a few years past, however, the *zemindars* have not been having good crops with the result that all the financing institutions have been very rigid and critical in advancing loans. The members of societies, therefore, have been meeting their needs by raising loans partly from societies and partly from the *sowcars* on *khanda* system. If the Government or the Imperial Bank afforded financial assistance in times of scarcity and famine to the co-operative banks they would, on that strength and support, have no objection to grant adequate finance to the societies and the societies also will in that case be able to meet fully the needs of their constituents.

The rate of interest of *sowcars* ranges from Re. 1 to Rs. 3 per cent. per month or 12 to 36 per cent. per annum. In emergent cases the *sowcars* even charge 48 per cent. or Rs. 4 per cent. per month. The period of loan ordinarily is 6 to 12 months.

Standing crop is seldom accepted as security. The following is the general practice about suretyship or security on which loans are advanced :

(1) Security of ornaments.

(2) Security of residential houses.

(3) Security of agricultural land (with or without possession).

(4) Manufactured decrees of arbitrators.

(5) Conditional sales.

The *sowcars* while advancing cash loans deduct the amount of interest thereon in advance.

Government do grant *taccavi* advances, but to a very small and inadequate extent, and that also in very exceptional cases. It is, moreover, not available for every one who desires to get it.

Khan Saheb Amir Bux Khan.

The Imperial Bank or other joint stock banks do not afford any financial assistance to the agriculturists. The societies generally meet the needs of small *khatedars*. The *zemindari* bank fulfils the requirements of middle class *zemindars* for current agricultural operations. But such *zemindari* banks do not exist in all places. They cannot fully meet the needs of big *zemindars* nor do they advance long-term loans for redemption of old debts or capital improvements in land.

The Indigenous banks or bankers do not finance the agriculturists. The money-lenders are the chief financiers at all times, but their interest is very heavy and their terms ruthlessly hard.

The grain dealers also give some pecuniary assistance to the *zemindars*, but their chief stipulation is that the produce, when ready, must be sold to them, or at least through them.

It is not possible to give even a rough estimate of the probable agricultural requirements of the people without a systematic detailed enquiry.

The usurious rates of interest of the *sowcars* and the stiff conditions that they impose regarding repayment of the loans are the chief drawbacks in agricultural finance and I propose the following remedies therefor :—

(1) Earliest possible steps should be taken to introduce the Punjab Land Alienation Act to Sind.

(2) A land mortgage bank should forthwith be started which may advance long-term loans for redemption of old debts, purchase of land, improvement of land, etc. The loans that such a bank will advance will be repaid in small instalments and at reasonable rates of interest.

It will be highly desirable that the Imperial Bank should come to the assistance of co-operative banks when needed.

QUESTION 3.—There are at present no organized markets for the disposal of produce and the agriculturists do not, therefore, get good prices for their crops, nor can they possibly sell their produce on co-operative basis so long they are indebted to the *banias*. Some arrangement for a profitable disposal of the agricultural produce of the people appears very necessary.

QUESTION 4.—The value of land depends upon its quality, improvements effected in it and its irrigational facilities.

(*a*) In the case of auction the land fetches very reduced price.

(*b*) In the case of voluntary sale the value depends on the degree of necessity compelling the vendor to sell. The greater the need the smaller the value offered to him.

QUESTION 5.—There is no legal restriction against the mortgage of land except in the case of holdings under Act III of 1899 which cannot be so dealt with.

A man released from the protection of the Manager, Incumbered Estates, mortgages his land, but that mortgage will be in force only for the life-time of the mortgager.

There is no land mortgage bank in this district.

Oral Evidence.

(*Summary of Oral Evidence in Sindhi.*)

I am a *zemindar*. I pay Rs. 5,000 assessment. I am the President of the Taluka Local Board, Sukkur.

Most of the big *zemindars* require finance for current agricultural purposes, and they generally borrow from *sowcars*. As they are already heavily indebted it is very difficult for them to save even in good seasons. Moreover, they have to pay a very high rate of interest on their borrowings. The rate depends on the requirements of individuals, but it varies from one rupee to two rupees. If they get money at cheap rates for long period, they will be able to repay both principal and interest. In my opinion a land mortgage bank should be started for the purpose of giving cheap long-term loans. The bank would receive deposits from the people, but they would be short-term deposits and, therefore, Government should provide the bank with necessary funds. The maximum period for repayment should be 20 to 25 years. If people get money at cheap rates of intesest, they would be able to save something from their income, and utilise the savings in improving the land. Even at present the members of the society utilise some of their savings in land improvement.

Societies finance agriculturists sufficiently in good times, but they do not finance in bad years, because there are arrears for two or three consecutive years, and banks have not enough funds to make further advances and, therefore, the agriculturists are forced to go to *sowcars*. Government should help them in times of scarcity. For small *khatedars* co-operative banks should be helped by Government by putting funds at their disposal, and for big *zemindars* Government should start land mortgage banks. The Imperial Bank should similarly help in such times. Government do advance *taccavi* in bad years, but they advance up to Rs. 2,000, and big *zemindars* are not financed adequately.

One of the forms of security on which loans are advanced is manufactured decrees of arbitrators. For instance, an agriculturist wants to borrow Rs. 2,000 from the *sowcar*, the *sowcar* before actually paying the amount likes to sue him in the court, and they both go to the court. The judge will issue summons and both the parties would request the court to appoint arbitrators, and the arbitration award will be passed for Rs. 2,000. It is only then that the amount would be actually advanced by the *sowcar* to the agriculturist. Thus the court passes the decree for the amount to be advanced, before it is actually advanced, and that decree serves as security.

I do not like the Government *taccavi* system. I cannot give my reasons for it openly. Agriculturists know that Government place funds at the disposal of co-operative societies for distribution, and some take advantage of *taccavi* given through co-operative societies.

As big *zemindars* generally borrow from *sowcars*, they have to sell their produce to the money-lenders, and they cannot get the same price as others who have not borrowed would do. Those who are not indebted to *sowcars* store their produce, and there are sufficient facilities for storing.

There is no co-operative sale society in Sukkur, but wherever there are these societies they have been working well. Sukkur people also dispose of their produce at the Shikarpur sale society.

If in a year the *zemindars* have any surplus left, they generally purchase lands or improve lands, and if they belong to big towns, they purchase shops or houses. They do not buy gold and bury now. It used to be so in the old days. They do not deposit their money in banks, but they usually purchase lands. I do not know whether any of them invest in postal cash certificates.

Khan Saheb Amir Bux Khan.

I own about 1,500 acres of land. Out of this about 500 acres are kept fallow and about 1,000 acres are cultivated. There are about 200 to 300 *haris* working under me. I do not finance them ; they are usually financed by *sowcars*. Most of my land is flow land. Those *haris*, who are members of co-operative societies, do not go to *sowcars* ; there are some *haris*, who are peasant proprietors themselves. The peasant proprietors have their own lands, but most of the *haris* are landless. If the *haris* wish to obtain loans from co-operative societies, *zemindars* will willingly stand security for them. If the *haris* are good and if they behave well, they are not driven out. I do not think *zemindars* would agree to give long leases to *haris*. I myself would not like to give my land on long lease.

In my opinion the present *batai* system is better than cash rent system.

When a land mortgage bank is started to finance big *zemindars*, there should be a condition in the agreement that the *zemindar* will have to dispose of the produce through the bank. The bank should recover instalments from the sale of the produce, and the balance, if any, should be returned to the *zemindar*. If the season is bad and the crops fail, he should be granted extension, and next year both the instalments may be recovered.

I have no objection to standing surety for borrowings incurred by my *haris*. I have not stood surety at any time, but my brother has done it. There is no other *zemindar* who has stood surety to my knowledge. I have not heard of any case in which the *zemindar* suffered losses by standing surety for his *haris*. Generally *haris* are not willing to leave their *zemindars*, but when they are hard-pressed and are heavily involved in debt, they leave and go to other *zemindars*.

Loans are advanced here on security of ornaments also, but they are not very common. *Zemindars* do not generally pledge ornaments except when they are compelled to do. The rate of interest depends on the requirements of the borrower. There is no fixed rate.

I want that Land Alienation Act should be introduced in Sind, because it will be a sort of restriction on the *zemindars* not to dispose of their land, and Sind has not yet progressed well. It is true that in Sind *zemindars* have large blocks of land, but, I am afraid, if once they go on disposing of a part of their land, they will continue to do it and would become landless after some years. If I were to dispose of my land during my first twenty-five years, what should I do during the rest of my life ? The descendants will also suffer, if the land of the borrower is sold. The land should remain in the hands of *zemindars*.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Saturday, the 25th January 1930.

Saturday, January 25th, 1930.

SUKKUR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Khan Bahadur ABDUL HAMIDKHAN KHUDADADKHAN, President, Sukkur Co-operative Bank, Zemindar, Jahagirdar and Municipal Councillor, Sukkur.

Replies to the Questionnaire.

SECTION I.

QUESTION 1. A, B, C.—The agriculturist obtains finance from co-operative societies, Government *taccavi* loan, loan from friends and loan from the money-lender. The charges of interest are 6 to 8 per cent. by the societies, six per cent. by the Government and Re. 1 to Rs. 3 per month or from 12 to 36 per cent. per annum by the money-lender.

It is taken for six or twelve months. It is given on personal security or giving land in mortgage. But standing crop is not mortgaged. Besides the Government which gives *taccavi* for digging wells for improvement, for seeds and cattle (as at present on account of floods) and the money-lenders, no other banks including the Imperial Bank or joint stock banks or indigenous bankers help the agriculturist in any way.

The co-operative societies give loans up to Rs. 500 to each individual or 1,000 at special recommendation of the officer of the Co-operative Department. The obstacle which should be removed at once is that the members of the societies who could get loans from the societies are at present debarred from getting Government loan, *taccavi*, etc., etc. The societies do not give enough and cannot give much. So the person has to go again to the money-lender for getting further help to satisfy his needs.

QUESTION 2.—There are no marketing facilities in this district except a solitary Grain Sale Society for the disposal of the produce of the *zemindars* at Shikarpur. This cannot be flourishing as it has not enough capital to catch all the customers ; it cannot advance all that a *zemindar* requires before he disposes of his produce and the *bania* pays him a lot in advance.

Marketing pools should be started with the help of the Government and the co-operative societies with sufficient finances to attract people to bring their produce.

QUESTION 3.—The price of the land in the district goes from Rs. 20 per acre to Rs. 500, the latter in the case of rice cultivated land.

The price of the land in auction for non-payment of land revenue, or in the event of sale by court decrees, is mercilessly low and is always knocked down at the sweet will of the person in whose favour the auction is held. But it fetches good price if sold by private negotiations.

QUESTION 4.—There is on'y one *zemindari* bank which has lately been opened at Shikarpur. It can only supply the need of one *taluka*. There is great need of a mortgage bank for big *zemindars*. This bank should receive capital from deposit, funds from central institution, and debenture bonds should carry Government guarantee.

This bank should give both short and long-term loans, *i.e.*, from one year to ten years, like the present *taccavi* loans advanced by the provincial bank on easy instalment system.

QUESTION 5.—It is impossible to have an estimate. The *zemindar* and *hari* class are still very conservative. He is averse to show what he has to pay or he has to spend on many things he has to do. Some old debts of the members of the societies are being paid in the district by the debt redemption loans. These should be encouraged. Every year a large number of efficient farmers are being turned into tenants or tenants-at-will through the process of enforcement of old debts and landed property passing into the hands of the creditors.

QUESTIONS 6 and 6A.—*Gur* making and weaving are the industries in this *taluka*, as well as the garden produce such as potato cultivation. These should be helped by having separate co-operative societies for them. There is at present one weaving society at Lakhi in Sukkur *taluka* which has about 50 shops, but I am told there are still 200 shops which are financed by the village *bania*. The highest loan which the society has got was 5,000, but Rs. 20,000 are required to have the whole industry of the village in hand with some profits to the workers as well. If they get material from the society they might be saved from heavy interest. Market should also be found for them which they have none at present. At present they get material from the village *bania* and give things made out of it to the same man at any price put up by him. Same remarks apply to *gur* making and potato crop which is in abundance in the *taluka* and is a very profitable concern. The Agricultural Department should take interest in these industries, the produce of which is so much in need.

The *haris* are pretty busy in this *taluka*. Where there are two crops, as soon as he finishes one crop he makes preparations for the next, and has no thought for any other job. In *talukas* where there is one crop like Mirpur and Ubauro they migrate to towns where they get good wages, *i.e.*, one rupee a day, and nothing will induce them to stay in their villages where nothing could be done.

QUESTION 7.—The Co-operative Movement has not substantially helped agriculturists at present. Their efforts should be multiplied by giving big grants for redeeming old debts and land improvement. All the grants at present given by the Revenue Department should be given by the Co-operative Department.

SECTION II.

Indigenous banks do not help the agriculturists in this district.

SECTION III.

QUESTION 1.—Some educated people have acquired the habit of investing surplus funds and the co-operative banks are sought in these days owing to continuous failures of Indian bankers and Indian banks. Co-operative banks should have branches in the interior of the district, say, in this district at Shikarpur and Ghoti, to attract people and to inspire confidence, and should be near by the agriculturists for getting or keeping money.

QUESTION 2.—Spare money of the *zemindar*, if he has any, is kept with the village *bania* without interest, while he gets money from the same person at the time of need with interest.

Some rich agriculturists lend money to fellow agriculturists.

The cheque system is getting popular with educated people, but by having it in vernacular language, it might induce vernacular knowing *zemindar* to use cheques without difficulty.

QUESTION 5.—Yes, it is very slow. It had made great progress. But after the failure of so many Punjab banks some years back people have gone to the habit of hoarding. Seth Giddamal of Karachi continued to live lavishly at the money of poor small investors (some of them were women) while he was losing enormously everywhere. And again lately the Karachi Bank affairs, where Directors and Managers have been drawing enormous money for themselves or for their relations, have frightened people from going to either Indian bankers or banks.

Oral Evidence.

12354. *The Chairman :* You are a *zemindar* here ?—Yes ; I am a *jahagirdar* and *zemindar* and the Chairman of the Co-operative Bank, Sukkur.

12355. What is the pecularity of the *jahagir* tenure ?—It is free from assessment.

12356. Do you cultivate through *haris* ?—Yes.

12357. Do you finance *haris* ?—Yes, to some of them.

12358. Do the others go to *bania* ?—Yes.

12359. Is there any scale on which he is financed ?—There is no scale ; some want money for buying bullocks and for maintenance and some want grains.

12360. Is the land given on *batai* system ?—Yes.

12361. When you finance them or advance them grain, do you take something extra in return ? Supposing you pay them Rs. 100, do you take something more than Rs. 100 ?—Only Rs. 100.

12362. Is the return made in cash ?—From the produce.

12363. Is the whole produce brought to you ?—If I have advanced money I go to the field, and if any *bania* is to be paid he also goes there, and the whole produce is divided. I take my *batai* and the *bania* takes his *savai* and the *hari* keeps the rest.

12364. How much remains for the *hari* ?—Very little.

12365. Is there very little left to him even in a good year ?—There is some but not enough to live on even in a good year, and he is compelled to borrow.

12366. Is it not the system here to mortgage the standing crop ?—Not here, as far as I know ; they sell only after the crop is harvested.

Khan Bahadur Abdul Hamidkhan Khudadadkhan.

12367. You say that the society do not give enough. Why do the society not finance the members adequately ?—We have given five lakhs to the society. These five lakhs are distributed in the whole of the Shikarpur district and that is not enough.

12368. Are the members compelled to go to *sowcars* ?—Some do go, because we give money to the society and the society distribute it to members.

12369. Do you get the maximum credit statement ?—Yes, but when we sanction, and the money is distributed to societies, I think the amount is very little. If Rs. 5,000 are given to a society having forty or fifty members, each member would get Rs. 100 or Rs. 150. That is not enough.

12370. Would Rs. 100 or Rs. 150 be enough for a man with 50 or 100 acres ?—For small holders it would be enough, but not for big holders.

12371. Would it be risky to finance them ?—We see their position and then advance.

12372. Why are other people compelled to go to *sowcars* ?—The *zemindar* may have requirements, which he may not say to the inspectors. We do not finance them for improductive purposes.

12373. Is there a *zemindari* bank ?—Yes, in Shikarpur.

12374. Have you given loans for debt redemption ?—We have given a loan of Rs. 6,000.

12375. When was it given ?—Some years before.

12376. Have you made any inquiries to find out whether they have gone into debts again ?—I do not think so. I think all the debts have been redeemed.

12377. Do you finance weavers in Lakhi ?—We have been doing that. First we gave Rs. 5,000 and then reduced the amount, but they are punctual in repayments.

12378. They must be requiring more finance. Have you found out how much finance would be required by them ?—If we have the whole industry in our hands it would be better for us and for them. We have at present one society and there are about 50 shops under the society.

12379. Are they buying yarn on credit ?—They buy from their own money or from the village *bania*.

12380. Have these 50 people benefited by this society ?—They seem to be happy.

12381. Why do others not come in ?—There are no other societies.

12382. Do these weavers sell their produce in the city ?—They do ; they have one man who carries the produce to Larkana and some other places where there are fairs.

12383. Do you think that the *haris* here are fully occupied throughout the year ?—In Sukkur *taluka* they are, but in other *talukas* there is only one crop and they are not fully occupied. They come to Sukkur and are employed in the Barrage. In Sukkur they have plenty to do throughout the year.

12384. You say that co-operative banks should have branches in the district. Is your bank thinking of opening branches in the interior of the district ?—Yes.

12385. Do they keep any money ?—They do, if they have spare money ; but the *zemindar* has no spare money, because he spends whatever he gets.

12386. Where do you get your deposits from ?—From Government and other individuals.

12387. Not from *zemindars* ?—No.

12388. Have you no deposits at all from big *zemindars* ?—No ; whatever they have given is for the share money, and they do not come even for receiving dividend.

12389. Some of the intelligent *zemindars* might do ?—Yes, they do.

12390. Do not some of them keep money with the *bania* ?—Yes.

12391. Have you induced them to keep money with you ?—I have tried it and I see it is worth trying. Some of the big men are willing to do it if they are approached by our bank inspectors.

12392. Have many people lost money on account of the failure of *shroffs* ?—There have been some failures in Karachi.

12393. Not in Sukkur ?—There are a few instances. They are not exactly *shroffs* but some traders who receive deposits, and people used to give them money. Some *sethias* here also have failed and people have lost money.

12394. Has not that induced the depositors to bring their savings to your bank ?—They have been doing.

12395. Do they not open current accounts ?—We have some.

12396. *Professor Kale :* You have probably read that a proposal has been made that co-operative finance should be centralized, and instead of district banks branches of the Central Bank in Karachi should be established and the directors of the district bank might be constituted into an advisory body. What do you think of that proposal ?—Some time back a conference was held when Mr. Mehta presided. Though there are some difficulties, I am personally in favour of the system.

12397. Do you think that any propaganda should be carried on for inducing Musalmans to take interest on deposits, because we had evidence to the effect that they are reluctant to receive it ?—Some do take it by different names.

12398. *Mr. Kamat :* In this *batai* system, when the *zemindar* takes half the share what is the return to him ? Is it five per cent. or seven per cent. or more ?—It is not much because he has to pay the assessment and has to incur other expenses.

12399. Probably you do not keep accounts ?—No.

12400. But do you think that it is a fair share ?—I do not think it is so profitable. It is the old system and, therefore, they continue it.

12401. About this new land under the Sukkur Barrage scheme, have you any idea as to how the finance should be given out and what the finance necessary would be, either to help the *zemindar* or the *hari* ?—I think some sort of banks should be started to give loans to *zemindars* to buy lands.

12402. What should be done for the *hari* in this ? Can you suggest anything ?—He cannot stand on his own legs, and even if you give him a piece of land he cannot do anything without the co-operation of the *zemindar* or the *sowcar*. The *hari* as he is in Sind cannot stand without the *zemindar*, and he has to depend on the *zemindar*.

12403. Do you not think that he should be made independent ?—I wish he could be, but I do not think he can be at present. The big *zemindars* do not cultivate their lands themselves and, therefore, I am in favour of small *zemindars* who hold 100 to 150 acres, and if such *zemindars* are encouraged by giving them land from the Barrage area it would be better.

Khan Bahadur Abdul Hamidkhan Khudadadkhan.

12404. Speaking about the Co-operative Movement in this particular district as compared with other districts in Sind, it has been said that this district is backward. What, in your opinion, are the causes of this backwardness ?—Here we have *juar* or wheat cultivation which is not so paying as rice cultivation in Larkana and other places. There is also scarcity of water here, and for the last four years the seasons have been bad. Land also is not good here.

12405. Are there any abuses on the part of the members of the managing committee or others in the matter of giving loans from co-operative societies ?—There may be some, because people are not so educated. It is very difficult to get educated members in the committee. In many cases we had a school master here as the secretary of the co-operative society. The *zemindars* themselves are also not educated and not so intelligent as to understand the principles of co-operation.

12406. The sale society you refer to is not still flourishing ?—It cannot be. For instance a big *zemindar* who wants Rs. 20,000 or Rs. 30,000 for his annual expenses will naturally send his corn to the man who pays him so much and not to the society. The society cannot advance so big a sum and, therefore, he does not bring his corn to a society. The biggest *zemindars* go to *sethias* with whom they have dealings and can draw about Rs. 20,000 or Rs. 50,000 which the sale society cannot advance unless it has big capital.

12407. What would you suggest in order to make it really effective ? Should it either give full capital or should this sale society be conducted in an efficient manner ?—More finance should be given.

12408. *Mr. V. L. Mehta :* Is it not possible to start a similar society elsewhere in any other *mandi* ?—Yes.

12409. You are probably watching how it progresses before starting another ?—Yes.

12410. You say that *taccavi* is available from Government for land improvement and other purposes. Is *taccavi* available for all classes of *khatedars* and *zemindars ?*—Yes.

12411. Do smaller people also get *taccavi* ?—Yes.

12412. Without much difficulty ?—There is Government red-tapism. Therefore I have suggested that one should get through societies because it is easy to get through societies than through the Government Department. You have to apply to the *mukhtyarkar* who sends the application to the supervisor and then he sends it to several persons and thus there is a lot of delay caused. A poor *hari* has to undergo all these troubles if he wants to get Rs. 100.

12413. About this *zemindari* bank, does it finance only the Shikarpur *taluka* ?—No ; it is meant for Sukkur and Shikarpur, but it has not enough money to finance the *zemindars.*

12414. Can it not borrow from the district bank or from the Sind Central Co-operative Bank ?—It has borrowed from the Sind Central Co-operative Bank.

12415. Does this *zemindari* bank deal direct with the Sind Central Co-operative Bank ?—Yes.

12416. Unless its share capital increases, it cannot finance more to *zemindars ?*—No.

12417. In these days it is not possible to increase the share capital ?—We have been trying to do so.

12418. How will you find share capital for a land mortgage bank also ?—From *zemindars* and people who have much land.

12419. *The Chairman:* You said you were personally in favour of centralization. Has this question been discussed by your Board ?—The papers have not yet come to me.

12420. As regards Mahomedan depositors, have you any in your Bank ?—There are some.

12421. Do they take interest ?—Yes.

12422. As regards the question of finance for purchase of land in the Sukkur Barrage, I want to know whether this question has been discussed either by officials or non-officials in this district ?—No.

12423. As regards this Shikarpur sale society, you said that it is not possible for it to finance the big *zemindars* ?—All of them are not big *zemindars*. One or two might be so. In the case of others, it finances.

12424. Does this society get their produce ?—Yes.

12425. Is it not possible for it to finance big ones ?—No.

12426. You also said that *taccavi* should be given through societies. Do you mean *taccavi* for ordinary cultivation purposes ?—Yes.

12427. But for ordinary cultivation purposes cannot your bank give ?—We give little.

12428. Is this because you have no funds ?—We do not want to give.

12429. If you do not want to give, will you take this Government *taccavi* and take the responsibility for it ?—We will have money.

12430. Is it the want of capital which prevents you now from advancing for ordinary cultivation purposes ?—Yes.

12431. As regards land improvement by your members, is no *taccavi* advanced except through your societies ?—No.

12432. Do you want to take the responsibility of advancing it to non-members ?—No.

(The witness withdrew.)

Mr. J. B. CHANDIRAM, Proprietor, Silk Weaving Factory, Rohri, Sind.

Replies to the Questionnaire.

SECTION I.

Agriculturist means a *zemindar* and a peasant. A *zemindar* is able to meet his demands either from his own resources or by taking loans from bankers, co-operative societies or Government. He gets generally no assistance from the Imperial Bank of India. The greatest difficulty is, however, experienced by a peasant who in most cases has no resources of his own. His condition generally is pitiable. In the absence of any security it is not expected that any one who wants to run his concern on sound lines will advance money to him. He has thus to live a miserable life or fall into the clutches of a money-lender who in the first place charges him a high and unreasonable rate of interest and in the second place does

not deal with him honestly. There are periods in the year when he has nothing to do. To improve his condition I suggest the following :—

A. Co-operative societies should advance to the peasants especially during the season when crop is about to be ripe, from 20 to 50 per cent. of the value of the crop of his share, from time to time on the security of the crop. The rate of interest should be from 6 to 7½ per cent.

B. The Government should realize its sacred duty and encourage the policy of giving away lands to peasants who themselves cultivate lands on concession rates. The price of land should be recovered from them by instalments. In granting such lands Government should make it a condition that they will not be sold, mortgaged or charged in any way. Further methods be devised by which peasants should be encouraged to become steady and thrifty.

C. Government should start industries on their own responsibility in each centre where in addition to regular employees peasants should be able to work during the leisure periods. I do not think with the present scientific knowledge of the people and risks involved any private enterprise on a large scale is possible. India is far below other nations in this respect. Government can and should start industries on the lines similar to those now in force in jails.

Co-operative societies should receive substantial assistance from the Government so that they in turn should be able to render substantial help to *zemindars* and peasant.

The Imperial Bank of India at present is carrying on its work with an unusual degree of caution beyond reasonable limits and I suggest the following :—

A. It should transact the business of the public quickly. A work which could be and should be done in five minutes is taking half an hour or even an hour. People feel very much inconvenienced in this respect. If necessary, staff be increased.

B. It should give better facilities to the indigenous bankers than it does at present. While it is necessary that care and caution be used, I think the Imperial bank goes beyond reasonable limits. Quite consistently with efficient management and without any risk worth the name, it can advance loans to indigenous bankers on a greater scale than it does at present.

C. The Imperial Bank should allow loans and advances in current account to bankers and the public as against its own fixed deposits on the rate of interest higher at the most by 1½ per cent. than that allowed by the bank on its fixed deposit receipts.

D. Having satisfied itself about the genuineness of the railway receipt or looking to the position of the party it should advance from 50 to 75 per cent. of the value of the goods against the railway receipt.

E. On drafts it should charge as follows :—

Up to Rs. 1,000 two annas per cent.

Over Rs. 1,000 and up to Rs. 2,000 one anna six pies per cent.

Over Rs. 2,000 and up to Rs. 5,000 one anna per cent.

Over Rs. 5,000 nine pies only.

F. In financial crisis it should help the banks and the indigenous banker to tide over temporary difficulties by advancing loans after making reasonably sure that the position of the party is sound.

G. It should advance money to bankers on approved list without making another person also liable provided the approved banker allows the inspection of his books and accounts confidentially.

H. As against railway receipts endorsed by other banks it should advance 75 to 90 per cent. of the value of the goods to the bank.

I. It should reduce its bank rate and bring it to 5 per cent. and in exceptional cases not beyond 6 per cent.

J. It should Indianize at least 50 per cent. and, if possible, up to 75 per cent. of the superior staff. Able and competent Indians can be found in large numbers who can hold their own against Europeans in every respect.

SECTION II.

The bankers generally receive deposits from 6 to 9 per cent. There are short periods in the year when he can get money from 4 to 6 per cent. per annum, but much depends upon the financial position and reputation of the party. He generally uses his own money as well as the deposits received either in contracts or in works carried on by himself or through his working partners. An average banker generally gets no facility from the Imperial Bank inspite of the fact that there are many bankers of sound financial position. A banker in general will not appreciate the introduction of any measure to regulate the inspection of his accounts. I do not think there is any large amount in the hands of indigenous bankers without employment. The form of *hundi* mostly in use is what is technically called *jama kharcha* with one anna stamp. The *hundi*, as the word is technically understood, is being disused and discouraged, firstly because of the heavy stamp duty and secondly because of the prejudice bankers of sound financial position have come to entertain against this form. Stamp duties on those *hundis* must be reduced and brought to the level of promissory notes.

An indigenous banker specially in towns is gradually getting shy of assisting the agriculturists in finances mainly on account of the difficulties in recovering the money.

If the Imperial Bank of India were to exercise their discretion more reasonably and give proper facilities to the bankers I think the bankers can do much and better work.

SECTION III.

The postal cash certificates would be more popular than they are at present if they are restored to the level when a certificate issued at Rs. 7-8-0 was payable at Rs. 10 after 5 years. But this in turn will affect trade as bankers will get less deposits.

Cheque habit is now more popular because of the abolition of stamp duty.

Oral Evidence.

12433. *The Chairman :* Mr. Chandiram, you are the Proprietor of the Silk Weaving Factory, Rohri ?—Yes.

12434. I find there are certain interesting points about other industries but nothing about your own industry ?—But I feel interested in land also,

12435. Are there many weavers in Rohri or round about it ?—There are many weavers and *menghwars*, but the weavers who weave silk are not at present able to carry on their work properly on account of competition.

12436. What do *menghwars* manufacture ?—They generally prepare *jori* cloth.

12437. For what purpose this cloth is used ?—For bathing purpose. At times, it is used for bed-sheets also.

12438. Is it like *khaddar* ?—Yes.

12439. Do these *menghwars* buy their yarn on credit ?—Generally they buy from *sowcars* and pay cash.

12440. Are they bound to sell their cloth to the man from whom they purchase the yarn ?—No. On the contrary, they can sell it anywhere they like.

12441. Are they thrifty ?—Yes.

12442. And their economic condition is also fair ?—They do live, but not so decently as one should expect them to live.

12443. About this other class, *viz.*, the silk weavers, are they in the hands of money-lenders ?—Yes, they were, but this industry has practically died out in Rohri. They used to produce *suzi* cloth which was used for pants and there was a time when educated people used to purchase this kind of cloth, but this kind of industry has died out now on account of cheap cloth coming from foreign markets.

12444. Has this industry died owing to competition of foreign cloth ?—Yes, and they had not the facilities for getting money.

12445. What sort of cloth do you manufacture ?—We manufacture mercerised cotton cloth, silk cloth, etc.

12446. Have you weavers as your employees ?—Generally these *menghwars* are employed.

12447. Is it a factory where you pay for wages ?—I pay them salary plus daily wages in proportion to the outturn. The average man in my factory is able to earn from Rs. 25 to Rs. 30 a month.

12448. Are there many such factories in this district ?—No, not many.

12449. Not weaving factories but are there many other small factories ?—No.

12450. In this district or elsewhere in Sind, can you say whether there are any difficulties about finance so far as small industries are concerned ? We have some evidence for the Presidency. You know that small industries require some permanent capital and some floating capital. If such capital is required, that is to say, for long-term or for short-term, are there any financial facilities available ?—In the first place I do not think that there are small industries on a large scale. There may be some weavers who may be having small industries not worth the name.

12451. Are financial facilities available to these weavers ?—If there are better facilities of finance, perhaps it will be better.

12452. What better facilities do you suggest ?—There must be some societies aided by Governmen who should be able to get them money at a reasonable rate of interest, i.e., from 6 to 8 per cent.

12453. Do you know anything about *lakhi* weavers ?—No.

12454. If you had more finance, could you expand your business ?—No.

12455. Speaking about the Imperial Bank, you make some suggestions. You want that the business should be transacted quickly. What business ?—Payment of cheques. It takes a long time when one goes with railway receipts.

12456. Is there a crowd there ?—At times there is. I do not know whether the staff is quite sufficient, but the fact is it takes a long time.

12457. Do they allow loans against fixed deposits ?—Yes. I have made one suggestion about bankers in the approved list. It is at present on a small scale.

12458. Have you any limit fixed ?—I never approach them on account of my self-respect. I know at that time they would not advance even against railway receipt knowing one's position well.

12459. I believe those who draw from time to time have some deposit ?—I know of cases when I received cheques from my clients in Calcutta and gave to them for collection, till the money was actually received, they would not allow us to draw money.

12460. They do not know exactly whether the man has sufficient money ?—I say that they can very easily find it out.

12461. Do you mean the drawer ?—I mean the drawee. I send demand drafts also and I do not get any facility.

12462. *Mr. V. L. Mehta :* This is for discounting demand draft ?—Yes.

12463. *The Chairman :* In the case of demand drafts is it a rule that they only discount demand drafts of people whom they have on the list ?—Yes. I have suggested that there is at present hardship even with regard to people on the approved list because they must be the drawer and the drawee. It is very difficult to be so. So I have suggested that it should advance money to bankers on approved list without making another person also liable provided the approved banker allows the inspection of his books and accounts confidentially. Only one man should be allowed to draw money. This will be a great facility.

12464. *Mr. V. L. Mehta :* About postal cash certificates you say that the return should be increased ?—I say in that case they will be more popular, but in turn it will affect the deposits with bankers.

12465. You yourself would not advocate it ?—I would not advocate it in the interest of trade also.

12466. You have suggested that the Imperial Bank should advance money to bankers on approved list without making another person also liable provided the approved banker allows the inspection of his books and accounts confidential. Would this condition also apply to your suggestion in (F) with regard to financing bankers to tide over their financial crisis ?—Yes.

12467. *Professor Kale :* Do you think that the Imperial Bank is at the present moment over-cautious in its dealings with bankers ?—Yes.

12468. And if its present rules are relaxed in favour of indigenous bankers there is not much danger of loss ?—No.

12469. Do you know of any cases where the Imperial Bank has lost on account of its dealings with indigenous bankers ?—No, not to my knowledge.

12470. So that you think that the present practice of the Imperial Bank is not justified by experience of the past ?—Yes.

12471. You say that Government should start industries on their own responsibility. Which industries would you suggest ?—It all depends upon the local industries. There are hundreds of industries.

12472. Have you considered the practicability of any such industries ?—Yes, personally I feel there is capital but the scientific knowledge is lacking. Unless it is supplied by Government it is difficult for us to start such industries. Government should send some trained people.

12473. Do you think that in Sind any particular industry can be started with Government help ? Have you any concrete suggestion to make ?—I say weaving and spinning could be started. There is not one single mill here.

12474. Why do you not have a cotton mill. You say there is no lack of capital. Is it then due to lack of enterprise ?—Scientific knowledge is lacking.

(The witness withdrew.)

Mr. BHOJRAJ M. AJWANI, Sukkur.

Replies to the Questionnaire.

An agriculturist in Sind means a *zemindar*, a peasant, a *hari*. These agriculturists have to meet their expenses on their agricultural operations either by borrowing money from co-operative societies or from *banias* by giving personal securities or mortgaging their property or crops. Co-operative societies in Sind perhaps charge them from 8 to 9 per cent. and the *bania* charges them from 9 to 30 per cent. A *bania* feels especially interested to advance money to these *zemindars* as they are certain that their income will swell in no time. Beyond advancing *taccavi* loans for capital and permanent improvements through co-operative banks, and in case of calamities remission of land revenue and *taccavi* loans, Government plays no part in agricultural finances. Not only Government, but the Imperial Bank of India too deliberately avoids to make any advances. Imperial Bank of India is to be severely accused of its discriminating between European and Indian parties and it is my firm conviction that the above Bank would gladly have supported a European firm doing agricultural work. Co-operative banks, therefore, in Sind with all the strength and organization at their command may be able to finance only about 5 per cent. of the total finances required by the agricultural population. To accelerate the advancement and the progress of the Co-operative Movement in Sind there ought to be an association representing all the co-operative societies which should meet and devise ways to enlarge their working. Excepting at present of the praiseworthy efforts of the Deputy Registrar of Co-operative Societies and his few assistants, there is no other organization to put life into this. There is not that real feeling amongst the people of Sind—educated as well as illiterate—to join co-operation, only because the Movement has not been made popular still. There should be a widespread propaganda in this line and co-operative banks apart from accepting deposits from people should consider to create other connections too with the general trading community, *e.g.*, bill collecting, etc. It will make them popular and bring them in touch with leading merchants of the town. Besides the co-operative banks ought to have direct dealings of lending money on mortgage or personal securities and also help export and import trade by way of accepting bills and advancing certain percentage on the security of the railway receipts. To enable the co-operative banks to do all this it is incumbent on the Imperial Bank of

India, which enjoys the resources of Government, to assist under statutory obligation in financing the co-operative banks against the security of promissory notes endorsed in their favour. Sind at least has a great complaint against the Imperial Bank for its being too strict. The Imperial Bank does not at present accept B. C. from merchants who are not their customers and those who have no accounts with the same. The Imperial Bank does not allow any interest on current accounts. The Imperial Bank does not help a middle class merchant in his export and import trade. By such restrictions the middle class merchants are not encouraged to do such trade. For export they negotiate fully the bills of the European firms and some leading Indian firms on presentation of full set of documents B/L, and policies, etc. I therefore suggest that either the Imperial Bank be enforced by some obligation to incline itself to this or co-operative banks should see their way to help the traders. The co-operative banks in that case should enjoy a part of the Government reserve now held by the Imperial Bank. The agriculturists and traders are the important factors of the life of the country and it is indeed high time that at least a share of what they give to the Government by way of revenue should come back to them in the shape of cheap credit or short time assistance in export and import trade.

The following are some of the current forms of *hundis* and promissory notes :—

(1) Promissory note, (2) Sight *hundis*, (3) Demand draft *hundis*.

The rate of interest depends on two considerations—

(1) Financial position of the borrowing party.

(2) Demand and supply of finances during the season in the market.

Generally from October to February there is much demand in the market and the rate of interest, therefore, is generally high, *i.e.*, from 6 to 9 per cent. During other months it is from 4 to 7 per cent. Generally good merchants write promissory notes on one anna stamps and do not use *hundis*. Apart from the saving in the stamps, merchants make it a point of reputation in refusing to write *hundis*. There will be great facilities if promissory notes and *hundis* can be used for payment of various goods bought in the market.

Fixed deposit receipts of the banks and postal certificates should also be treated as negotiable instruments and the *hundis* and promissory notes written by the individuals or firms should also be accepted by the banks on sufficient security. Stamp duty on *hundis* must be reduced as the abolition of stamp duty on cheques has been greatly appreciated by the depositors. There will be further facilities if the vernacular is introduced in banking. I would suggest that the period of payment on *hundis* and promissory notes should be made at least six months, as short-term promissory notes are a great cause of anxiety to the borrowers and these are of little help to them in their trade. This can be practical if some amount of confidence is established in the borrower. It has been my experience that in many cases the insolvent parties obtain money on the promissory notes and *hundis* up to their last day and this causes a severe loss to the banking business. Besides it also has been observed that a merchant before declaring himself insolvent manages to dispose of his property only a few days earlier or transfers away the same in the name of his wife or others to avoid attachment. Such practice must be stopped under law. A merchant having done this should be severely dealt with under the law. This will lead to the establishment of great amount of confidence amongst lenders.

Mr. Bhojraj M. Ajwani.

The court fees also for filing a suit to recover the amount of *hundis* and promissory notes should be nominal. Any amount over Rs. 500 should bear the court duty of about Rs. 20 and below that Rs. 5. Besides this, our civil courts have a very bad name in taking considerably long time in deciding cases. These money-lenders are in certain cases unwilling to file suits as it will tell upon their time and money and thus it being insufficient protection to their feelings they have to be very careful in making advances and lending money. Courts should therefore take at most a month to settle the suits.

Oral Evidence.

12475. *The Chairman :* Mr. Bhojraj, you are a general merchant ?—Yes.

12476. And you are the Managing Director of the Urban Co-operative Society, Sukkur ?—Yes.

12477. What sort of merchandise do you deal in ?—I have agencies for Lipton's tea, the Imperial Tobacco Company, for soaps, toilets, etc.

12478. Do those who give you agencies give goods on credit for a certain period ?—Yes, they give me credit for 60 days.

12479. You pay them out of the sale proceeds of goods they send you ?—I send them the sale report.

12480. As regards people who have firms like you, do they usually resort to banks or to indigenous bankers for finance or do they usually depend upon their own capital and on the credit they get from wholesale merchants ?—Some go to banks for help, but there is no satisfactory arrangement. They generally go to indigenous bankers.

12481. On what security are loans advanced ?—They give on personal security.

12482. Do you think that the present financial facilities for financing such business are enough ?—No, they are not enough. The banks should come forward to help them.

12483. On what security ?—If they want to be satisfied, they might see our accounts.

12484. You say that they should look into your accounts and see your position and then advance ?—Yes.

12485. And these accounts should be audited ?—No.

12486. Although you want advances in times of need ?—Yes.

12487. Are any other facilities for remittance needed and are not available now ?—In this connection I have at least to say something about the Imperial Bank. I have dealings with the Imperial Bank and other banks also. Compared with the other banks, I get no facility from the Imperial Bank. If I send my railway receipts they do not advance me.

12488. Do they only advance to people on their list ?—Yes.

12489. Is your name on the list ?—No.

12490. Have you applied for a loan against railway receipts ?—No.

12491. How do you say that they do not advance against railway receipts ?—The Manager of the People's Bank said to me that the Imperial Bank would not advance against railway receipts. So I am afraid they would not give me also.

12492. You want the Imperial Bank to advance for agriculture ?—I say that the Imperial Bank should advance co-operative societies to finance agriculture.

12493. But they only advance short-term loans for agriculture. You want them to give long-term loans ?—Yes.

12494. You suggest an association representing all co-operative societies. What sort of association do you want ?—At present there is the Co-operative Institute at Hyderabad representing all societies but we have none here.

12495. Why is it not started if there is a demand for it ?—It has not been started.

12496. You want co-operative societies also to do bill collection work ?—Yes.

12497. You are the Managing Director of the Urban Co-operative Society. Is there anything to prevent you from doing this business ? Do not some urban banks do it ?—Yes, but at Sukkur we were told that it is a trouble to the staff.

12498. But it is not done freely ?—No; they charge 4 annas.

12499. There is, I suppose, nothing in the rules or bye-laws to prevent you from doing this business and it is purely a question of administrative convenience ?—Yes.

12500. You also say that co-operative banks should help export and import trade. This is again the business of urban banks ?—But they do not do at present.

12501. Why do they not do it ? Is it because their funds are limited or the staff is not enough ?—It is because the funds are limited.

12502. Speaking about current forms of *hundis* you say: "Apart from the saving in the stamps, merchants make it a point of reputation in refusing to write *hundis*." This is to escape stamp duty ?—Yes.

12503. But what is the point of honour ?—Their custom is now being discouraged by merchants. Writing a *hundi* means a merchant of a smaller financial position.

12504. But in Shikarpur and at other places there is a good deal of business done in *mudati hundis* ?—Now the merchants do not write very many *hundis*.

12505. Do they write promissory notes ?—Yes, with one anna stamp.

12506. Is it negotiated amongst *shroffs* and merchants ?—Yes; a man can sell it by endorsement.

12507. Everybody knows that this merchant has written a promissory note and has borrowed ?—But he has borrowed only on one anna stamp.

12508. Writing on one anna stamp is a more honourable way of borrowing than writing *hundis*, is that so ?—No. It is the opinion in general that a man who borrows on one anna stamp is a man of better position.

12509. You say that the period of payment on *hundis* and promissory notes should be made at least six months. There is nothing to prevent any one from drawing a *hundi* for six months ?—Generally the period at present is from two months to four months. They do not give for longer periods because there is no sufficient security. They fear that a merchant might fail.

12510. So it is due to want of confidence and on account of depression in trade ?—Yes.

12511. *Mr. Kamat :* The one anna stamped document to which you refer, is it strictly speaking a promissory note or a receipt ?—It is a receipt. It is called *jama kharcha*.

12512. Strictly speaking a promissory note requires four annas stamp ?—Yes.

12513. Has it been found that this sort of negotiability given to an one-anna stamp is sound in law ? Has any case arisen ?—No. There was one legal opinion that it is illegal to sell this receipt. I do not know whether any cases have arisen.

12514. You say " For export the Imperial Bank negotiate fully the bills of the European firms and some leading Indian firms on presentation of full set of documents B/L and policies, etc." I find this has been flatly denied by an European witness in Karachi. Have you any concrete case to support your statement ?—For instance a petty European gets all facilities from the Imperial Bank and gets his cheques issued at once or advances against the railway receipt.

12515. Do you know of any European getting accommodation on railway receipt and an Indian being refused ?—In Sukkur there is no European firm. In Karachi I know persons who have been refused. If you like I can give you their names.

12516. About fixed deposit receipt of banks being made negotiable, at present, you know one can overdraw against his deposit from the bank. You have said that fixed deposit receipts of banks should also be treated as negotiable instruments. As a matter of fact you can overdraw against your fixed deposit receipt from your bank ? —They charge a high rate of interest.

12517. What you want is to make them absolutely negotiable so that they can pass from hand to hand ?—At present it does not pass.

12518. As long as you can get accommodation, why do you insist that they should be totally negotiable in the *bazar* ?—Because they do not give us as much interest as we get otherwise.

12519. If you make them negotiable entirely, is not the spirit of lien gone ? Suppose you deposit Rs. 10,000 with your bank and you have dealings with the bank, in case there is a liability on your part to the bank, on this fixed deposit of Rs. 10,000 they keep a lien. If you now transfer your deposit to some man, then that man will claim the full sum of Rs. 10,000 from the bank and to this extent there is the danger. Is this not the reason why banks do not like to make the fixed deposit receipt absolutely negotiable ?—They do not generally incur any liability at all. This is a general refusal to all.

12520. *Mr. V. L. Mehta :* You like co-operative banks to get money from the Imperial Bank and you want the Imperial Bank to accept responsibility for financing co-operative banks on the security of promissory notes ?—Yes.

12521. Suppose you have the district co-operative bank in Sukkur or your urban bank, can they not get money from the Sind Central Co-operative Bank on the same security ?—A certain percentage is fixed by the Sind Central Co-operative Bank. Up to this percentage money can be got and not more.

12522. You mean if they want money beyond this percentage, they might be allowed to go to the Imperial Bank ?—Yes.

Mr. VIRUMAL BEGRAJ, Chairman, Urban Co-operative Bank, Sukkur.

Replies to the Questionnaire.

SECTION I.

The bankers of Sind do not deal with the agriculturists.

Heavy interest is charged on loans given to *zemindars* as there being less hope of recovery of full amounts owing to the *zemindars* having many reasons of refusing payment under the Agriculturists' Loans Act, the Sind Encumbered Estates Act and the Dekkhan Agriculturists' Relief Act.

The Imperial Bank is not directly dealing with *zemindars* but with bankers and on the endorsement of the bankers on *hundis* according to their reputation and credit.

The *zemindars* in the Deccan, who are also merchants, pay money to one another on joint signatures. They give loan to *shroffs* but not to *zemindars*. In some cases they give money to *zemindars* who are also merchants singly or on joint signatures according to their reputation and credit.

The co-operative bank gives loan to *zemindars* on the security of the co-operative bank's members.

In the present system the Agriculturists' Loans Act, the Sind Encumbered Estates Act and the Insolvency Act, etc., are obstacles.

CROP.—The merchants here directly deal between themselves and the European firms deal with merchants through their guaranteed brokers.

The merchants remit money to other places per receipts (*i.e.*, they give money and take receipt which they forward to the place where they want to remit). They also remit money to other places by postal telegraph or send consignments.

The previous exchange rate was reasonable and should be confirmed. The present is nearly 50 per cent. more. The previous *hundi* paper was thin, but now thicker and the postal rates are also higher.

The discount depends on the dealer's reputation and credit and on the bank's and the merchant's financial position.

Licensed warehouses cannot be introduced in India as otherwise the business will be handicaped. Mostly the business is done in India on reputation and credit.

MORTGAGE OF LANDS.—In Sind the mortgage of lands is not allowed by law. In Sind there is no mortgage bank.

The Government should open mortgage banks.

SUBSIDIARY INDUSTRIES.—Rice milling is going on to a great extent, molasses to some extent and gardening in fair extent.

The above industries can be improved on a higher scale if trained labour can be had.

QUESTION 6A.—There are no small industries not necessarily allied or subsidiary to agriculture.

Weaving looms and spinning wheels are on a very small scale in Sind but on a fair scale in other places.

QUESTION 7.—The *shroffs* have dealings with the Imperial Bank on a higher scale and merchants on a small scale as the merchants have also dealings with other banks. They keep consignments and get *hundis* in return. Co-operative banks are of great use to *zemindars*.

QUESTION 8.—There should be some essential change in the Agriculturists' Loans Act or totally abolished.

SECTION II.

Some *shroffs* do banking business and some banking and money-lending and some speculation.

Some deal in trade. Men of trade carry on their business on reputation and credit.

There is connection between indigenous and other banks except the co-operative bank.

The present facilities afforded by the Imperial Bank are not sufficient.

4. The present forms of *hundis*, etc., are in use with banks.

5. The present method of granting loans on *hundis* is more in use but less on cash credits.

6. It is not so. It depends on the market rate. It cannot be.

The bankers hardly get their capital money after making allowances for legal, managing and other expenses.

7. There is no prejudice against *shroffs*, but it is against money-lenders who get in writing more than what they actually pay.

The dealings of this class of bankers with their clientele are conducted on sound lines.

8. It will be beneficial to bankers if the Government abolish the Insolvency and the Agricultural Acts.

The present accounts kept are clear and trustworthy.

By introducing any measures for regulating their operations the attitude of bankers will not be bad.

10. The indigenous banking system cannot be linked with the central money market in any other way than the present system. The bankers will not keep dealings with co-operative banks.

A good organised large capital bank can secure confidence of the bankers.

11. There are no bankers in the *mofussil*, but there are some *zemindars* who keep their ready money.

An improvement in the organisation of lending or borrowing money can be made by abolishing the above Acts.

SECTION III.

Insurance companies are securing good amount.

Educated people, Government servants and pleaders should be induced to give their money and savings on interest.

Postal cash certificates should remain as at present but, if possible, a higher interest should be paid.

Interest on saving bank account is too low.

The Government have interference with bankers by postal cash certificates and treasury bills.

If cultivators have surplus money they waste in luxuries.

The abolition of stamps on cheques has produced no effect.

The bankers suffer much in transactions on account of the Imperial Bank having many branches.

Oral Evidence.

12523. *The Chairman:* Mr. Virumal Begraj, you are the Chairman of the Urban Co-operative Bank, Sukkur ?—Yes.

12524. You are also a director of the Central Co-operative Bank ?—Yes.

12525. Do you do any banking business yourself ?—No.

12526. You say that bankers in Sind do not deal with agriculturists. Has this always been the practice here ?—I am speaking so far as Sind is concerned and especially in Sukkur I know the bankers do not directly deal with *zemindars* or agriculturists. It is all done through brokers or *setias*.

12527. But *setias* also are bankers ?—There are money-lenders also who generally lend to agriculturists in Sind. Now-a-days co-operative banks have taken up the agency.

12528. You say that the Imperial Bank is not directly dealing with *zemindars* ?—Yes.

12529. Do you mean that the Imperial Bank does not give loans for a long period ?—It never advances.

12530. But short period loans are not likely to be of any use to *zemindars* ?—No ; they will always like long-term loans.

12531. We have been given to understand that recently the branch of the Imperial Bank here has begun to advance on the security of produce ?—Yes.

12532. *Zemindars* also can take advantage of this facility ?—Yes.

12533. Are many of them taking advantage of it ?—Not to my knowledge.

12534. Will it be useful if they are allowed to get loans on the security of their produce ?—Yes. We find the Imperial Bank of India here is not of much use to agriculturists especially.

12535. Do you think that the Imperial Bank can be of any great use to agriculturists ?—Yes.

12536. In what way ?—They always like to deal with people who have credit with them.

12537. Are you in touch with the working of any society ?—Yes.

12538. How far do you think it has been able to help cultivators ?— To a very large extent.

12539. Have you any ways or suggestions to make as to how the Movement can be developed so that agriculturists or *zemindars* can be adequately financed ?—If co-operative banks have sufficient money and lend for a long period, they can help these people.

12540. How can long-term deposits be raised ?—If the Government were to give about five lakhs of rupees, these people can have long-term loans. I have also proposed a mortgage bank.

12541. That is for redemption of debt ?—So if the debt is paid by instalments by *zemindars*, the banks will benefit and the *zemindars* will benefit.

12542. About indigenous banking you say : "Some *shroffs* do banking business and some banking and money-lending and some speculation". Is it easy to distinguish between these two classes ?—I know in Shikarpur there are some who do speculation business.

12543. Have many firms come to grief on account of speculation during these years ?—Yes.

12544. You say in paragraph 8 that measures for regulating the bankers' operation should be introduced ?—Yes, they would not be harmed.

12545. Would the bankers themselves like that their affairs should be regulated in this way ? Would they not object ?—Some may and some may not object.

12546. You do not think that it is possible to connect indigenous banking system with the general banking system of the country. Would it not be better for both of them if they were connected ?—Those people who are independent will not like it. Jealousy will come in and one will be depriving the other.

12547. These indigenous bankers say that joint stock banks and the Imperial Bank attract more money by way of deposits and, therefore, they have no sufficient capital. If this capital, which is available to a joint stock bank, can be made available to *shroffs* for extending their business, would it not be good ?—It would be encouraging.

12548. Do you think it is possible to connect the two ?—Yes.

12549. Do you think that Government have interfered with the bankers by issuing postal cash certificates and treasury bills ?—Yes ; the money that was going to bankers has gone to Government. Mostly clerks, pleaders and others go in for them.

12550. Do you think they used to deposit with *shroffs* ?—Yes, to an appreciable extent. The money now goes to cash certificates because the rate is high.

12551. You say : "The abolition of stamps on cheques has produced no effect" ?—People do not mind the stamp duty of one anna. I think the abolition of that duty has not encouraged merchants to use cheques.

12552. *Mr. Kamat :* Do you think that the Insolvency Act should be entirely abolished ?—I think now it has become a nuisance. In Sukkur and even in Karachi genuine cases are very few and 80 per cent of the cases are bogus. Only 15 or 20 per cent. may be genuine cases, but generally people take undue advantage of the Act.

12553. How to provide for these 15 or 20 per cent. genuine cases ?—There should be some sections in the Act for that. What happens now is that a man goes on borrowing and makes money out of the business and sets aside some money and declares himself insolvent and enjoys afterwards. There should be sections to see that only genuine cases are dealt with by the court. Now even a mango seller goes in insolvency and a grocer goes in insolvency for a business in which they do not make losses.

12554. Have you anything to suggest how the law should be stiffened ?—That is for lawyers.

12555. *Mr. V. L. Mehta :* You say that there is no connection between indigenous banks and co-operative banks. Do these small *sowcars* and *shroffs* not join co-operative banks ?—No.

12556. Do you think they would like to join, or do they not like ?—From my experience I see that they feel jealous and do not like to see co-operative banks increasing.

12557. *Professor Kale :* You have just said that on account of the issue of postal cash certificate much money is going into Government treasury which should have gone to indigenous banks ; but at the same time you say in your statement : " Postal cash certificates should remain as at present, but, if possible, a higher interest should be paid ". Is it not inconsistent ?—That was in reply to the question how to popularize cash certificates. But from the business point of view I say the issue of cash certificates means disencouragement to indigenous business.

12558. It therefore follows that Government should not encourage postal cash certificates from indigenous banking point of view ?—Exactly, if we want to encourage small indigenous banks and co-operative banks postal cash certificates should not exsist ; but these certificates are good for those people who go in for safe investment and want to earn interest.

12559. But you cannot have both ?—One is the Indian point of view and another is business point of view.

12560. But we have to reconcile the two points of view ?—That is very plain.

12561. Do you think that the branches of the Imperial Bank interfere with the transactions of indigenous bankers ?—They do.

12562. And are you of the opinion that this work of the branches of the Imperial Bank should be done by indigenous bankers themselves ?—Yes, and not by the Imperial Bank because the Imperial Bank more or less gets help from Government.

12563. Do you think that some system should be devised by means of which instead of the branches of the Imperial Bank the Indian *shroffs* should be allowed to do the work ?—Yes.

(witness withdrew.)

Seth CHANDIRAM VERHOMAL, Zemindar and Banker, Sukkur.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The agriculturist in Sukkur district obtains finance in the following ways :—

(*a*) For expenses during cultivation he runs up to the village *bania* or to the owner of the land if he has cultivated his land during that season.

(*b*) For capital and permanent improvements he approaches the Government for a *taccavi* loan or goes up for that purpose to the village money-lending *bania*.

(*c*) For the special needs he borrows money from the village *bania*.

The usual rate of interest varies from 6 to 12 per cent. per annum ; the loan is promised to be paid back immediately after the next crop. No security is often taken for such loan. The loan is usually advanced only on the word of the agriculturist. Sometimes when he borrows big amounts, he has to mortgage his land also.

The Government advances loan by way of *taccavi* specially to Mohamedan cultivators.

The Imperial Bank or other banks do not advance loans to agriculturists, but the co-operative banks generally give loans to Mohamedan agriculturists, and village money-lenders also do advance loans to agriculturists.

I cannot give the estimate of the total amount of capital required for various purposes stated above, nor is any information available on the above-mentioned points. This information may be had through revenue and judicial authorities.

For *taccavi* and other loans advanced by Government the agriculturist should be given a cheque on the Imperial Bank instead of his directly looking up to the *taluka* treasury for money ; for, when he actually receives money, he should be far away from the Revenue Department subordinates, for it is not safe for him to be in the *taluka* office with money which he gets on the recommendation of the Revenue Department subordinates or the *taccavi* money should be sent to the cultivator by way of money order.

There is no co-ordination among the various credit agencies.

QUESTION 2.—Crop is partly sold on the land and partly brought home by the small landholders for his personal wants. The big landholders sometimes directly send their grain to the market, and sometimes sell it to the grain merchants who come on the lands when the crop is ready. These city grain merchants transport the grain according to their requirements.

System of formation of pools will not be workable here. If the grain is sent to the city *bhalawana* (broker), he, if required, does advance some money before it is sold and no other facility is required.

When the grain is sold in the jungle by the Hindu landholder to the city merchant, he generally gives him a *hundi*, or a receipt called a *chithi* on his principals. Sometimes he gives him cash also.

These *chithis* or receipts or *hundis* should be exempted from stamp duty.

There are two classes of *hundis*, *viz.* (1) *Darshani* (payable at sight) and (2) *Mudati hundi* (payable after a fixed period).

Hundis are not discounted in our locality.

No instruments of ownership of goods and produce and documents are employed for raising money during the process of marketing. Sometimes a *sita* or *kabara* is written wherein terms of contract are mentioned. These *kabara* or *sitas* should be exempted from stamp duties.

QUESTION 3.—The value per acre of paddy land is about Rs. 600 per acre. The value of other lands varies between Rs. 100 to 500 per acre. Main factor which affects the valuation is the convenience of water. If the lands are situated near a village, these fetch more value, provided there are many well-to-do people living in those villages who care to purchase lands.

(*a*) Land sold in Government auction for non-payment of revenue does usually fetch full price, sometimes even more if there are many bidders.

(*b*) Land sold in the event of sale in court decree does not fetch its proper value.

(*c*) Value of land sold by private negotiation is generally the market price prevalent at the time of sale. It sometimes varies when the purchaser is eager to have a particular piece of land and the seller is unwilling to part with it and *vice versa*.

QUESTION 4.—To my knowledge there is no legal impediment to mortgage of land or agricultural holdings in this Province. There are no land mortgage banks excepting *zemindar* credit society banks which advance money on land mortgages specially to Mohamedan landholders.

The *zemindar* banks raise money mostly from the Hindu shareholders and Hindu *zemindars*.

The method of working of these *zemindars*' banks are far from satisfactory, for people backed by influential people are mostly employed to carry on bank business who do not know how to do the business and money is given on loan to Mohamedan *khatedars* without due consideration. Unless Government directly employs qualified staff who has treasury experience or the Imperial Bank working experience and money is advanced on loan more cautiously, the co-operative banks will not prosper.

(*a*) I suggest that on the death of the landholder or when a transfer of land is effected the mutation of names should be made by the sub-judge who should hold inquiry on oath and no stamp duty or process fee be charged during such inquiry.

(*b*) No.

(*c*) No.

The working capital of the proposed mortgage bank should be mainly derived from Government treasuries as the Government money is lying without interest in the Imperial Bank. The debenture bonds should carry Government guarantees both for principal and interest.

Whenever any loan is advanced by such bank to the agriculturist on the security of his land, the bank should first ascertain from the Collector of the district about the title, valuation and previous incumbrances, if any, on the land proposed to be mortgaged.

Agricultural mortgage banks should raise money only when Government undertakes to repay the depositors and they should lend money to agriculturists at 7 per cent. per annum and give 5 per cent. interest to the depositors and the difference of interest paid and interest earned on Government money used in business would cover up working charges.

QUESTION 5.—I do not know of any estimate about the existing indebtedness of agriculturists in any place, but to my belief and knowledge the debts are largely due to the money-lenders and Government and *zemindars*' banks.

The money-lenders usually charge interest at the rate of 6 to 12 per cent. per annum, the Government and *zemindars*' banks though charge interest at a reduced rate, yet in actual working the agriculturist appears a greater sufferer in the latter cases, for he has to please many persons before and after he actually gets money on a loan from public treasuries.

The lands of efficient farmers do not ordinarily pass from their hands to those of creditors. It is only the spendthrift farmers who lose their lands when they borrow more money than their expected incomes. They pass most of their time in idleness and are

unable to make their two ends meet—if there is bad harvest continuously for some years and they do nothing even during the months when there is no cultivation season.

In this district even in irrigated tracts the farmers are in the habit of doing nothing excepting during three or four months of actual cultivation. They will go on borrowing and borrowing money the whole year; if this state of affairs continues, the day will not be far off when there would be famine in the whole of this province every year partly on account of the lethargic habits of agriculturists and partly on account of failure of crop.

The Sindhi Mohamedan cultivators are, as a rule, so lazy that no incentive will be sufficiently effective to make them shake off their idleness.

QUESTION 6.—There are no small subsidiary industries allied to agriculture existing in this province. No industry can practically be attached; they can work as labourers when there is no agricultural work for them.

To encourage the cultivators as a trial each *hari* should be allowed a particular portion, say one-fifth of the actual area cultivated by him, each year free from land assessment. If he cultivates cotton in that one-fifth part, the cotton thus produced should be turned into thread and woven by the *hari* and his dependent family members. By this process the producer will benefit in every respect, for he will learn to shake off lethargy, learn the art of spinning and weaving and cover his whole family, and the surplus clothing he can sell to the village *bania* and thus make a saving for rainy day and thereby raise his standard of living and be free from the habit of taking loans to a great extent.

No special financial machinery is required for this purpose. Only special instructor be appointed in each *taluka* who should clearly and repeatedly point out the benefits arriving out of this method of working. The village *zemindars* should be given *affrimnamas* within whose reach and on whose lands appreciable number of farmers takes to this way of working during their leisure hours.

QUESTION 6A.—No, *vide* answer to Question 6.

QUESTION 7.—I do not know the relations existing between co-operative banks and other banks.

There is no competition between co-operative banks and joint stock companies here.

Sufficient sums of money be deposited by Government without interest in co-operative credit society banks to secure the efficiency of the working; the Government should appoint their own hands to carry on the bank business and be responsible to the depositors.

The co-operative banks have not met the requirements of agriculturists to any appreciable degree; nor has this Movement affected the trader and industrialist in this district.

SECTION II.

QUESTION 1.—Indigenous bankers advance money mostly on their personal credit and partly on mortgage securities to agriculturists.

Indigenous banks deposit money and accept money which may be paid to the assignee by issuing drafts on their branches in different places.

QUESTION 2.—Indigenous banks are helpful to the traders in so far that through them one can conveniently send money to a different place by paying less than one

would have to pay to the postal authorities. They do not help the industry or agriculture.

The indigenous banker does help the agriculture by advancing money and lend to the cultivator class mostly on their personal credit.

QUESTION 5.—Indigenous bankers give loans to agriculturists mostly on their personal credit at the rate of 6 to 12 per cent. per annum.

Indigenous bankers have got enough of their personal money to give on loan, they sometimes keep deposits and draw *hundis* to provide themselves with funds to meet their demands when there is rush of contracting works.

On deposits they generally allow 6 per cent. and on *hundis* the rate varies from 6 to 12 per cent. and sometimes it goes up to 18 per cent.

Personal position of drawers of *hundis* also works on the determination of the rate on interest.

QUESTION 6.—There is no practice with indigenous bankers to insist on advances being drawn in the shape of commodities purchased through them or repaid in goods sold through them.

Agricultural community has usually to pay interest from 6 to 12 per cent. per annum.

If Government advances loans without interest to agriculturists, then only the rates will diminish when they take loans from indigenous bankers.

Mere reduction of rates will not confer great benefit on the agricultural community. Absolute doing away with interest alone will make an appreciable difference in their living and enable them to spend more money on agricultural improvements and better implements.

QUESTION 7.—There is no prejudice in this locality against indigenous bankers.

They are sufficiently protected in law. Only the Insolvency Act should be done away with for most of the debtors take undue advantage of this Act. In any case applicant-debtors should be adjudicated insolvents very sparingly. Under the present system one is adjudicated insolvent as a matter of course and real question of inability to pay debts is contested when the discharge application is presented by the debtor and it takes very long time before these proceedings terminate and it becomes very difficult for the indigenous bankers to find out the moveable property of the insolvent with the result that he suffers ultimately mostly on account of the fraudulent conduct of the insolvent and it becomes very difficult to prove the frauds perpetrated by the insolvent.

Dealings of indigenous bankers with their clientele are not conducted on sound basis, for when the money is advanced to the agriculturist on personal credit and there is failure of crop in successive years, the money is not at all realized.

QUESTION 8.—If Government invests money in indigenous banks without interest as they do in the Imperial Bank, there is every chance on the indigenous banks' condition being improved.

Indigenous class of bankers can be more serviceable to the community if ways and means are found out whereby the loans they advance are returned to them in time.

Court fee stamps be reduced and process fee be not charged in civil court so that the indigenous bankers may freely come to court and put in execution applications oftener.

Seth Chandiram Verhomal.

Indigenous bankers keep day-book and ledger from which the debtors when returning the money do see their own accounts.

The indigenous banking community would resent very much the inspection of their accounts and their publicity when they would get no return from all that trouble and there would be unnecessary exposure of their financial position.

QUESTION 9.—Indigenous bankers and banks are generally able to meet all the demands for accommodation, but they are often obliged to refuse giving loans on account of the unacceptable nature of the security offered.

QUESTION 11.—Sometimes some money remains unemployed, but when there is rush of contracting business, the surplus money available in the market is taken away by the contractors by issuing *hundis*, etc.

SECTION III.

QUESTION 1.—Private deposits and the money contracted by the shareholders and remittance charges on the drafts.

Provident funds money and insurance premium are deposited in the banks and that money is utilized by the banks for their business. There is not much influence of these societies on the banking business.

Yes, the public are provided with full facilities for making investments.

Existing facilities cannot be improved by opening branches in the smaller places for there are post office savings banks in every *taluka* town.

Excepting a very few Mohamedans of old type, there are no people who want to be told how to earn interest, and these Mohamedans also make their investments by purchasing land or shops and do not keep cash at home.

QUESTION 2.—Cash certificates are popular here ; to make them more popular, rates of interest be increased. The present rates of interest are low and they require to be revised.

Yes, savings banks afford good facilities to the public. Generally Government servants and a few other educated people deposit money in post office savings bank.

If interest rate is increased, many more people will deposit money in savings banks.

QUESTION 3.—People in this part of the country do not as a rule know what Government securities are ; very few people know of cash certificates even.

Money realized from sale of agricultural produce is used by the people for their daily requirements.

The farmers do not lend money to fellow agriculturists ; if there is any savings in prosperous year, they pay it to the *bania* from whom they have taken loans or they sink a well in their land or sometimes purchase a small area close to their land.

QUESTION 4.—Here there is no appreciable difference in the growth of cheque habit.

There has been practically no difference caused by the abolition of stamp duty on cheques as a few people have got dealings with banks here.

A few well-to-do people who have got surplus money and have account with the bank sometime use cheque.

Payment to Government servants or bank employees by means of cheque will only create trouble for them without serving any useful purpose.

I have to make no suggestions regarding the use of vernacular scripts in banking.

QUESTION 5.—Yes, I do support the view that the banking and investment habit in India is of a very slow growth.

The bank rates are very low, therefore many people do not like to invest money in banks.

Unless and until the Government increases rates of interest, no propaganda will turn out useful results.

The opening of new branches of the Imperial Bank have afforded facilities to people to remit money to different places.

I would most willingly advise the formation of bodies which may act as trustees under the guidance and supervision of Government officers.

Oral Evidence.

(*Summary of Oral Evidence in Sindhi.*)

The Imperial Bank or other banks do not advance loans to agriculturists. It would be sufficient to the agriculturists even if the Imperial Bank were to advance for six months. The only way in which the Imperial Bank can help the agriculturists is by advancing loans against produce.

Hundis are not discounted by the bank in Sukkur except in case of approved parties.

I agree that land sold in the event of sale in court decrees does not fetch its proper value.

When I speak in my statement about the unsatisfactory working of *zemindari* bank. I refer to co-operative central banks. These banks advance to big Mohamedan *zemindars* and not to Hindu *zemindars*.

I was a member of the co-operative society and I found that the societies are not working well. There was no Hindu society, but individual Hindus applied to the bank for loans and they did not get them. The banks advance to Mohamedan societies. I applied to the central bank for loans, but I did not get it. I do not know if the central co-operative bank finances individuals or not. I suggest that Government should finance the co-operative credit society banks so that the work of the society might be carried out satisfactorily.

Mere reduction of rates will not confer great benefit on the agricultural community. Government should advance loans to the agriculturists free of interest; but if Government cannot do so, they might charge a small rate of interest. Government should charge the same rate which they pay on their borrowings.

I am a banker myself. I receive deposits. I deposit a good deal of money with the Imperial Bank of India as fixed deposit at four annas nine pies. They do not make any advances on my personal credit. I draw cheques on the Imperial Bank. After the abolition of stamp duty on cheques there has not been an appreciable increase in the use of cheques.

There should be some respectable people through whom the Imperial Bank should advance money to traders or *zemindars*. There should be certain people, say guaranteed brokers or agents, on whose recommendations the Imperial Bank should advance money

to traders. In the case of *zemindars* the Imperial Bank should advance money on the recommendation of the Collector.

To encourage the cultivators, I suggest that each *hari* should be allowed a certain portion, say one-fifth of the area cultivated by him, each year free from land assessment. If the *hari* cultivates cotton in that one-fifth part, he should be encouraged to do spinning and weaving so that his condition might be improved.

I suggest that instead of paying *taccavi* in cash at *taluka* treasury, it should be paid by cheques on the Imperial Bank of India.

There is a branch of the Imperial Bank in Shikarpur but not in Sukkur.

Both the big *zemindars* and small *khatedars* have to pay interests at the rate of six to twelve per cent.; some of the small agriculturists have to pay even 25 per cent., but they cannot repay. I suggest that Government should borrow money at cheap rates and advance to agriculturists loans at those rates.

I suggest that on the death of the landholder or when a transfer of land is effected, the mutation of names should be made by the sub-judge who should hold inquiries on oath and no stamp duty or process fee should be charged during such inquiries. That will, I think, prevent false entries.

Lands are not passing from the hands of agriculturists into the hands of non-agriculturists except when the farmers are extravagant. It is the extravagant habit of the farmers that leads them to borrow more and ultimately to lose the land.

(The witness withdrew.)

Khan Sahib Sardar KAISARKHAN, Chairman, Bozdar Co-operative Society, Sukkur.

Replies to the Questionnaire.

In our *taluka* where there are societies they advance money to their members for carrying on agricultural operations, but these societies being few and admission resting on selection, many agriculturists cannot take proper advantage of the financial assistance afforded by them with the result that they have to resort to *sowcars*. Government except in days of scarcity and floods does not help the agriculturists for current agricultural operations.

RATE OF INTEREST.—Societies charge their members interest at the rate of 1½ to 1¾ pies per rupee per month. Government charges 7½ per cent. on *taccavi* grants. The rate of *sowcars* varies from Rs. 1-8-0 to Rs. 3-0-0 per cent. per month according to the solvency of the borrower and nature of the security offered by him. The security usually offered and accepted is mortgage of land with or without possession, ornaments, etc. The *sowcar* while advancing loans also keeps in view the standing crop of the borrower and his ability to repay the loan. In case of failure to repay the loan punctually the *sowcar* charges about 1½ times the usual interest.

The usual condition on which the *sowcar* advances loans to *zemindars* is that the produce when ready should be sold to the former or at least through his agency. This puts the agriculturists in much loss as they are generally cheated both in price and weights.

Usually the *bania* advances current loans on the *khandha* system, but when a fairly good amount (*i.e.*, Rs. 200 or over) is required, he gets an outright sale deed executed, though a verbal understanding is given that if the loan is repaid within a certain stipulated period, the land will be restored to the vendor. In practice, however, it is found that the land is seldom restored to the borrower. The *zemindars* are thus losing their hold on their lands to a great extent annually.

The joint stock banks or indigenous banks or bankers give no financial help to the agriculturists.

My suggestions in regard to proper facilities for agricultural requirements and improving the lot of the agriculturists are as under :—

1. The benefits of the Shikarpur Zemindari Co-operative Bank should be extended to big *zemindars* of Mirpur Mathelo Division also, as the existing credit societies do not advance more than Rs. 1,000 maximum to a *zemindar* which amount is very inadequate for a big *zemindar*.

2. Starting of a land mortgage bank which may grant long-term loans repayable in easy instalments at low rate of interest for redemption of old debts and effecting capital improvements.

3. There should be a grain sale society for the disposal of produce at least one in each *taluka* and Government should also help such institutions.

4. The *sowcars* are cheating the *zemindars* in interest and calculations, etc., and in order to stop their underhand dealings Government should make arrangements for proper examination of their accounts. They may also prescribe their maximum rates of interest, if possible.

5. The Government and the Imperial Bank should afford financial assistance to the co-operative banks, when necessary, so that they may be able to meet the requirements of their constituents fully at all times.

QUESTION 3.—The value of land per acre in my *taluka* ranges from Rs. 40 to Rs. 400 according to the nature of the soil and irrigational facilities, nearness to established markets, etc.

The lands when put in auction whether under civil court decrees or arrears of land revenue fetch about Rs. 50 per cent. less than the market value.

Oral Evidence.

(*Summary of Oral Evidence in Sindhi.*)

I am a big *zemindar*. I pay assessment of about Rs. 8,000. I finance some *haris*, and some of them borrow from *sowcars*. There are some *haris* who are financed fully. Those *haris* who are very poor and who cannot get money from *banias* come to me, and I pay them for purchasing bullocks and for house expenses. Rs. 20 to 25 per acre would be sufficient for a *hari* to maintain himself and his family, and he has no need to borrow from outside.

The *zemindars* can get money at 12 per cent. if they have enough credit, but those who have no security have to pay even 36 per cent. I think a separate bank should be started for small *zemindars*. Most of the *zemindars* who borrow money from moneylenders have to sell their produce through them.

Khan Sahib Sardar Kaisarkhan.

It is not a fact that after they have distributed their produce to *zemindars* there is nothing left for *haris*, because the *zemindars* do not always take the full amount advanced. If they have advanced, say Rs. 100, and if the crop is worth Rs. 100 only, they do not recover Rs. 100. In the case of the *sowcar* he takes all.

I suggest that a grain sale society should be started in Sukkur. I know the working of the Shikarpur grain sale society. It has been working satisfactorily.

In my *taluka* there are no instances of *haris* running away after taking advances from *zemindars*. We advance to those *haris* whom we know. Ninety-five per cent. of my *haris* are steady and only 5 per cent. are not steady. There should be some restriction over those who run away.

I do not think the *haris* would agree to accept a tenure for seven or ten years. If they are induced to stick to their lands, I think the landlords will have no objection to this.

In my society there are no cases in which *zemindars* stood surety for *haris* and had to pay because the *haris* defaulted. I have not heard of any instance in other societies ; but if the *hari* fails to pay, the *zemindar* has to pay. I think the system is a good one.

(The witness withdrew.)

The Committee then adjourned and reassembled at Shikarpur on Monday, the 27th January 1930.

Monday, January 27th, 1930.

SHIKARPUR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

THE SHIKARPUR SHROFFS' ASSOCIATION.

Replies to the Questionnaire.

SECTION I.

QUESTION 1—(A) HOW AGRICULTURISTS OBTAIN FINANCE.—(*a*) The sources through which the agriculturist, generally in Sind, and in our district in particular, gets his loans in cultivation season are the following :—

(1) Town grain merchant, who gives to *zemindar* agriculturist.

(2) Village *sowcars*, who mostly finance cultivators.

(3) *Zemindar* supplies to the cultivator in the shape of *taccavi* money and seed grain to be repaid at harvest time.

(4) Co-operative banks.

(5) Government to a small extent as they have stopped *taccavi* under the Agriculturists' Loans Act except in places where there is general scarcity.

(*b*) For capital and permanent improvements, the agriculturist has to depend upon Government *taccavi* received through co-operative societies or through the *mukhtiarkars*, on his own savings and on the village money-lender and the grain-dealer.

(*c*) When there is a failure of crops the agriculturist gets extension of loans and more advances both from the co-operative banks and the *sowcars*.

The Government in this case are more helpful than in other cases. They help by *taccavi*, gratuitous relief and remission of Government taxes.

(B) THE RATES OF INTEREST—

THE RATES OF INTEREST VARY WITH VARIOUS AGENCIES.—(1) The co-operative banks charge interest at $9\frac{3}{8}$ to $10\frac{15}{16}$ per cent. per annum. The borrower has also to meet other incidental expenses, which sometimes may amount to as much as interest. In the case of crop loans the period of loans varies from 6 to 8 months, for two years for purposes of implements, etc., for five years for carrying out permanent improvements.

Co-operative banks give loans to co-operative societies which, in turn, advance to their members on personal security or on the security of property. Bank must get

back its loan whether it comes from the borrower or his sureties or the profits of the society.

(2) The village *sowcars* give loans taking ornaments as security; they also mortgage lands and do not hesitate even to advance money on personal security. In the case of big *zemindars*, who are generally financed by city grain dealers, the interest varies from 6 per cent. to 9 per cent. and there are no incidental expenses like those of the co-operative banks. In the case of others it varies according to the credit enjoyed by the borrower.

(C) (1) Part played by the Government has been indicated above.

(2) Co-operative banks and societies are of recent growth. They are in the hands of men who are practically new to the business line. The personal initiative which is a mighty factor in all economic operations is wanting in organizations of that nature.

The amount of their loan to one man amounts usually to Rs. 500 and in rare cases to Rs. 1,000.

(3) In Sind the indigenous banker does not play much part in financing agriculture directly, though indirectly by lending money to merchants and dealers he does help agriculture to some extent. In this connection attention is invited to the note appended hereto.

(4) Professional money-lenders, inspite of all that the people have been saying against them, and inspite of the propaganda carried on with ulterior views and often with objects other than economic, are a very important and necessary factor in the present economic organization of the Sind society. They provide the largest amount of funds to the agriculturists.

(5) Merchants and dealers also play an important part in financing the agriculturist. Generally in their case the produce of the agriculturist is sold through them, and this is done in mutual interest and to the satisfaction of both the parties.

A special note concerning the activities of the Shikarpuri Shroffs in relation to Question 1.

The Shikarpuri *shroffs* have their centres of activity in Southern India, Bombay, Burma and Colombo. There they lend their monies to agriculturists both directly and indirectly through the traders, the volume of indirect loans being greater than that of direct loans.

The loans are advanced on accounts and *hundis*, sometimes through a second personal security insuring the safe return of the money. Rarely loans are advanced on mortgage.

Those loans are usually short-term loans for about two or three months. In rare cases they extend to 7 months and more. The loans are advanced both at the time of cultivation and of marketing the produce respectively to cultivators and merchants. During the season of drought Shikarpuri bankers grant extension of the loans without raising the rate of interest which generally varies between 6 to 12 per cent., very rarely going a little higher. *En passant* it may be said that the rate of interest is governed by the rate of that of the Imperial Bank, the Shikarpuri banker's interest being about 2 to 4 per cent. above the Imperial Bank interest, which is meant for absolutely safe *shroff hundis*.

QUESTION 2.—(A) MARKETING THE PRODUCE.—The main crops of Sind are paddy, *jwar*, *bajri*, cotton, wh[illegible]. Cotton is [illegible]vn in parts of

Nawabshah, Thar and Parkar and Hyderabad districts. Rice of superior kind comes from Larkana district and also some parts of Sukkur district and inferior kind from Jacobabad district and Hyderabad and Karachi Lars. Wheat belongs more particularly to northern parts.

From the field the produce is brought to ginneries, husking mills and more important *mandis* (markets). From there the goods move to Karachi for exportation to foreign lands or to the Punjab. Most of the financing is done by the grain dealers and to some extent by commission agents.

(B) POOLING NOT POSSIBLE.—As the things stand it is difficult to pool the agricultural produce in Sind at present. Great illiteracy prevailing everywhere is one factor to contend with. Then comes the chronic want of the agriculturist making it impossible for him to wait for the return of his labour. The old habits and the old ways to which the agriculturists have been wedded for a long time will take much time to change. Again the agricultural market is liable to violent fluctuations. A merchant or a speculator can well brave these, but an agriculturist is ill-suited to face these whimsical moods of the market.

(C) FOREIGN AND INDIAN TRADER.—Foreign trader cannot give such facilities as an Indian merchant gives in marketing season.

(D) REMITTANCES.—The old popular and quite cheap system of remittances is the *darshani hundi* described in question 4 of part II below. Samples of *hundis* are also given in that place.

(E) SUGGESTION REGARDING NEGOTIABLE INSTRUMENTS.—For these attention is invited to question 7 of Part II.

QUESTION 3.—VALUE OF LAND.—The value of land in Sind varies between Rs. 20 and Rs. 1,000 per acre. The chief factors that determine the price of the land are :—

1. Variety of soil.
2. Modes of irrigation.
3. Proximity to river or canal.
4. Climatic conditions of the part in which the land is situated.
5. Nearness to big towns, railway stations and good roads.

QUESTION 6.—INDUSTRIES AND HOW TO DEVELOP THEM.—(A) INDIA ONCE HOME OF INDUSTRIES.—India was once the home of useful and fine arts and industries. Most of these were executed in cottages. But slowly these have been dying out. The relics of the old industries still exist. A number of new ones on modern lines are rising.

(B) INDUSTRIES ALLIED TO AGRICULTURE.—Those allied and supplemental to agriculture are :—

(*a*) Rice Husking.
(*b*) Cotton Ginning.
(*c*) Wheat Thrashing.

These, as carried on to-day, are more on modern lines than on olden lines. We find factories and mills for the purpose. As they are centralized and not distributed over all places, the agriculturist cannot derive much benefit from them in slack season.

(*d*) Horticulture.
(*e*) Dairy farming.

These are carried on, on old lines. For dairy farming the old conveniences do not exist. Larger pasture lands should be made available and the knowledge of modern methods should be disseminated.

(*f*) *Gur*-making is an old industry ; but the fine foreign crystal sugar is available in abundance, and hence the industry has practically died out. To revive this industry special experiments should be performed to secure better sugar-cane crop.

(*h*) Hand-spinning.

(*i*) Wool-shearing.

Hand-spinning is an industry that perhaps can be carried on most easily in every home. Recently it has been reviving under the guidance of Mahatma Gandhiji.

(*j*) Basket and matress weaving. These still persist ; but the *khokha* of wood is slowly displacing the basket, and mats are not much in fashion in these days.

(C) Other Industries.—Those industries that are not allied to agriculture and which, inspite of extremely adverse circumstances still persist in the province are :—

(*a*) Weaving.—This in some lines was carried to perfection in old days. Rohri, Gambat, Khairpur, Tatta and Nasarpur enjoyed a wide reputation. Nasarpur is still maintaining a part of the old reputation.

(*b*) Potteries and Tiles Making.—Tiles of Halla and Arore were things of beauty and ornamentation. Foreign stuff has driven them away from the market. Potteries have been to some extent replaced by crockery. Recently efforts have been made to make tiles on modern lines ; the concerns are flourishing.

(*c*) Lacquer Work and Toy Making.—Once the things made at Halla, Khanot, Kashmore and in Khairpur State formed a commodity of a very profitable business. The industry still exists, but it requires to be made more popular.

(*d*) Dyeing and Calico Printing.—These have also not wholly died out ; but the dye stuff used at present is practically all foreign.

(D) Suggestions for Developing Industries.—To stimulate and develop these and other industries following measures can profitably be used :—

(*a*) Government should put fairly heavy tariff duty on foreign articles competing with the Indian stuff.

(*b*) All State and semi-State institutions like municipalities and local boards should patronize the products of the province.

(*c*) Municipalities should remit octroi in the case of products of neighbouring industrial concerns.

(*d*) Rates of railway freight should be so changed as to make the raw material sufficiently available in indigenous industrial market.

(*e*) Experts should go about and give demonstration lessons.

(*f*) Exhibition of indigenous products should be organized.

(*g*) Government should set apart a special fund to subsidize the industries and to contribute to the capital required for the purpose.

(E) Spare time of Agriculturist.—In off-season the *Sindhi* agriculturist takes to clearing water courses, to marketing, and to rope-making and basket-weaving, etc.

In his spare time he should be stimulated to take to more of industries and taught improved methods of modern scientific agriculture.

QUESTION 8.—CREDIT AND LEGISLATION.—(A) LITIGATION EXPENSIVE.—The high expenses of law suits and inordinate delays in execution of decrees and lengthy procedure have all led to some extent to the reduction of credit facilities. But mostly the credit facilities depend upon the honesty and straightforwardness of dealers in whose case there is no apprehension of resort to law suits.

(B) DEKKHAN AGRICULTURISTS' RELIEF ACT.—As regards the Dekkhan Agriculturists' Relief Act, it has to a great extent undermined the credit capacity of the agriculturists. The definition of the word "Agriculturist" in this Act is so wide as to include even those who obtain that status a little before the institution of the suit, during its pendency and even after the passing of decrees.

The effects of the Dekkhan Agriculturists' Relief Act have not been, really speaking, beneficial to agriculturists and have, on the contrary, been harmful to them on account of credit being given to them on special terms.

Similar have been the effects of the Sind Incumbered Estates Act.

(C) OUR SUGGESTIONS.—In the opinion of this Association the Dekkhan Agriculturists' Relief Act must go and the Sind Incumbered Estates Act should be administered equitably to the creditors, so that the creditor should get his money and a fair value of it and recovery should not be delayed to benefit the protege to the prejudice of the creditor.

QUESTION 9.—(A) USURIOUS LOANS ACT.—The courts in this province always allow reasonable rate of interest inspite of agreement to the contrary. The Usurious Loans Act X of 1918 is made use of in the province though it may not be widely known to the litigating public. The principle of the Act, *viz.*, to cut down excessive rate of interest and to allow reasonable rate instead, is being enforced by every court in Sind. There might have been difference of opinion in some cases as regards what is the reasonable rate in a particular case looking to the nature of the security and risk taken by the lender, but that is due to honest difference of view in that particular case.

(B) MONEY-LENDERS' BILL.—As regards the Punjab Money Lenders' Bill, this Association would not suggest even for a moment the passing of such legislation. It appears that it was supported by one community and opposed by the other. Such communal enactments do not serve any useful purpose, but, on the contrary, produce distrust and disharmony and aggravate communal tension. Apart from its other effects, it will raise the cost of the business of the lender, which may not be justified by the volume of the business done. Those, who have practical knowledge of the affairs between the village money-lender and the borrower and of the village life, can easily perceive that such a piece of legislation will create ample distrust between the lender and the borrower and make it impossible to have the dealings in the ordinary convenient way which is so essential to village life. This is our general view of the Bill, as, at present, we are not in a position to give our views *in extenso* on the various provisions of the Bill.

SECTION II.

INDIGENOUS BANKER.—Before recording our answers, we want to make it clear that our Association is that of *shroffs* (Bankers) and not of professional money-lenders and usurers. The words "*shroff*" and "indigenous banker" are throughout used in the same sense.

QUESTION 1.—FUNCTIONS OF AN INDIGENOUS BANKER.—The functions of an indigenous banker are to advance monies on current accounts, on *hundis*, on mortgages and on security of produce, goods and ornaments; to discount *hundis*, with the banks and in the market; to give and receive remittances through Telegraphic Transfer Orders and Demand Drafts and to deal in bullion and coins.

Some *shroffs* also do commission agency business.

QUESTION 2.—FINANCING OF AGRICULTURE, INDUSTRY AND TRADE.—The indigenous bankers do not directly finance agriculture (*zemindar* and cultivator) in Sind. The agriculturists in the province are mainly financed by the grain dealers who, barring a few, draw for their finance upon the general market. In this connection the bankers also contribute a share. As the agriculturist is financed by the grain dealer, so the craftsman—in Shikarpur the weaver, a relic of the old village industry, being the principal man,—is financed by his own middleman, the cloth merchant.

The local trade finds its finance in the general market, including the banker.

The Shikarpur *shroffs* do not directly deal with the agriculturists in Sind because the latter lack in business instinct and business habits. Bankers do not deal where they do not expect regularity and straightforwardness. The protective Acts have impaired the credit of the agriculturists. In Bombay the Shikarpuri bankers finance trade and small industries. In Southern India they finance agriculture, industry and trade. In Burma they finance merchants (*chetties*) who advance to agriculturists. In this connection attention is also invited to Question 1 of Part I.

QUESTION 3.—(A) THE SHROFF'S CAPITAL, BUSINESS AND EXPENSES.—It is not possible to give an estimate of the capital and of the volume of the business of the Shikarpur *shroffs*. It may generally be said that their business is carried on on a grand scale.

The expenses, incurred by these bankers in their business, are, comparatively speaking, moderate. Their methods are remarkably economical, one reason, among others, being their simple, yet clean, accurate and reliable system of account-keeping. Any addition of the expenses due to a change of the system would be unbearable.

(B) SHROFF'S RELATIONS WITH OTHERS OF HIS PROFESSION.—The relations between one indigenous banker and another are mostly of a sweet nature. In almost all centres of their activities they have got their associations for considering questions of common interest and for settling their differences, if any.

In time of need one banker can easily get money (in *dasti* account) from another banker. Often this can be done by merely phoning up a friend.

(C) BANKS AND BANKERS.—(1) The bankers of Shikarpur have no business transactions with co-operative banks.

(2) Bankers have dealings with a number of joint stock banks managed both by European and Indian agencies. A *shroff* obtains a limited amount of finance from a joint stock bank on *hundis* of one or more merchants, endorsed by himself and on documents of goods. In slack season a *shroff* deposits monies with banks in current accounts. Their relations are mutually beneficial.

(D) THE SHROFF AND THE IMPERIAL BANK.—The Imperial Bank of India occupies the same position as is occupied by State banks elsewhere. The indigenous banker discounts his *hundis* with the Imperial Bank on a grand scale.

The rate of interest of *hundis* is guided by the bank rate, mostly a definite margin, say 2 to 4 per cent. being fixed over the rate at which *hundis* are discounted by the Bank, holding the drawer, drawee and the banker endorsing all responsible.

(E) THE FACILITIES AFFORDED BY THE IMPERIAL BANK.—The facilities given by the Imperial Bank can be multiplied.

(1) The limits fixed are not up to the position of the Shikarpuri *shroffs*.

(2) The bank should not compete with the *shroff*. As the things stand the *shroffs* discount their *hundis* with the bank, thus letting the bank officers know the names of their clients. The bank officers should scrupulously avoid to have direct dealings with the clients of the *shroffs* whose names they know in this way.

(3) The Imperial Bank should not open new branches as the business of *shroffs* suffers thereby.

(4) It may be added that formerly the indigenous banker supplied with funds large European purchasing export concerns. But this business is slowly slipping out of the hands of the indigenous banker by the reduction of the charges of remittance by the Imperial Bank. This innovation militates against the business profits of the *shroffs*.

QUESTION 4.—SHROFF'S DOCUMENTS.—The samples of various documents used by the indigenous banker are given in the appendix.

(A) DARSHANI HUNDI.—Of these the *darshani hundi* is payable at sight. It is used for remittance purposes. It is either *shahjog* or *namjog*. The last is to be paid only to the person in whose favour it is drawn. *Shahjog* is to be paid only to *shah vapari*, a known person, who is a substantial merchant and has his business in running order. This *shahjog hundi* is a unique thing. There is nothing exactly corresponding to it in western system, but it bears some resemblance to a crossed cheque. Speaking in general terms *darshani hundi* serves the purpose of demand draft.

(B) MUDATI HUNDI.—*Mudati hundi* is used when money is lent for a fixed term. The amount of interest due is taken at the very beginning. This interest is what in arithmetic is called banker's discount.

These *hundis* are also discounted in the market.

A stamped paper is used for this purpose.

(C) " ON DEMAND ".—" On Demand " is another instrument used. It is used for a loan where time is not fixed and the money lent can be demanded at any time.

(D) DOCUMENT HUNDI.—Document *hundi* is used when a man takes money and gives a railway receipt or bill of lading along with the insurance policy of the goods he proposes to send to another place. This document *hundi* is sent to the destination of the goods consigned. When the money is paid up, the insurance policy along with the railway receipt or bill of lading is handed over to the consignee.

QUESTION 5.—(A) HOW THE SHROFF GRANTS LOANS.—Loans are granted by the bankers in the following ways :—

(1) *Chalu-Khata* which corresponds to current accounts. This *khata* serves the purpose of both the loans and desposits. When one *shroff* asks for a certain amount of money for temporary accommodation, this transaction, which is of the nature of call money (*dasti*) or a clean overdraft, is also included in *khata*.

(2) *Hundis* are used for loans for fixed time ; they are loans on personal security some time backed up by a second security for the safe return of money.

(3) Monies are also advanced on mortgage of immovable property and also on the security of valuable ornaments and on that of the goods and produce.

Of these the loans on *hundis* are by far greater in volume than other loans.

(B) THE TERMS OF THEIR LOANS.—The loans granted on documents like *hundis* are usually short-term loans. Those granted on mortgages are often long-term loans. The rate of interest usually charged is a little higher than that of the Imperial Bank.

(C) WHERE DOES THE SHROFF GET HIS FUNDS.—The indigenous bankers use their own capital in the business and to provide themselves with additional funds, they discount *hundis* with banks and in *bazar*.

In Sind to some extent *shroffs* get their funds through deposits. In Shikarpur, however, this practice prevails to a very small extent; *hundi* is the current system.

(D) INTEREST ON DEPOSITS.—The rate of interest on deposits received by them varies between 4 and 6 per cent.

In our *shroff bazar* at Bombay in case of *dasti* the interest varies between 4 annas per cent. per mensem (3 per cent.) to 8 annas per cent. per mensem (6 per cent.) according to the conditions of money market.

QUESTION 6.—(A) NO ADVANCES IN SHAPE OF COMMODITIES.—The bankers do not insist upon clients to draw advances in the shape of commodities. The practice is unknown.

(B) RATE OF INTEREST CHARGED TO AN AGRICULTURIST.—The members of my Association have no direct dealings with agriculturist community in Sind. Elsewhere interest charged varies from 6 per cent. to 12 per cent. In very exceptional cases it is higher than that.

(C) REDUCING THE RATE OF INTEREST.—The rate of interest can be reduced provided:

(1) That the rate of the Imperial Bank and other leading banks is permanently reduced to vary between 4 per cent. and 6 per cent.

(2) And that the indigenous banker is able to command more abundant funds. They may be increased:—

(*a*) By the Imperial Bank offering facilities mentioned above in the question 3 (E) (Section II).

(*b*) By restricting the activities of the exchange banks in connection with receiving deposits and using them in foreign lands.

(*c*) By limiting the activities of the foreign insurance companies so as not to use Indian monies outside India.

(D) HOW TO AMELIORATE THE AGRICULTURIST'S CONDITION.—The reduction of the rate of the interest can certainly ameliorate the lot of the agriculturist community, provided that the agriculturist is awakened to his interests and made to build up his business character, weaning himself from extravagant habits.

(E) NET INCOME OF SHROFF.—The net income of an indigenous banker on his own capital is generally not more than 7 per cent. or 8 per cent. per annum and this in years in which there are no losses owing to the failures of the constituents. In case of failures the profits may be wiped off and the net result may be a loss. For about last 8 years the traders have been suffering reverses after reverses resulting in many failures owing whereto the profits of *shroffs* have decreased.

QUESTION 7.—(A) HIGH HONOUR OF THE BANKER.—There is absolutely no prejudice against the indigenous bankers. They are looked upon as the safe depositees of the people's money as they carry with them hoary traditions of the known *sowcars* of

the country, which traditions they scrupulously maintain. So high is the *shroffs'* honour, that they make and receive payments without passing any receipt. The beauty has been that on no occasion have payments been denied. Their account books are considered to be the most reliable.

(B) DISCRIMINATORY LAWS BE ABOLISHED.—There is no special law for the protection of the *shroff*. This Association suggests that all discriminatory laws that hinder or delay the execution of decrees passed on negotiable instruments should either be repealed or at least their application be restricted to suits other than those arising out of negotiable instruments.

(C) LEGAL FACILITIES REQUIRED.—The period of limitation of suits on negotiable instruments should be extended to 6 years instead of 3 years. The Shroff Association recommends that the especial procedure contained in chapter XXXVII of the Civil Procedure Code for summary trial of suits on *hundis*, etc., be applied to First Class Sub-Civil Courts at banking centres such as Shikarpur.

Stamp on negotiable instruments like *hundis* should be reduced to a minimum.

Unstamped or under stamped negotiable instruments should be admitted in evidence on payment of duty and penalty like other documents.

The Insolvency Act, as it stands now, militates against the interests of the *shroffs*. People, having recourse to subterfuges, go scot free under the law. It should be so revised and simplified as to assure expeditious disposal of claims and disputes regarding insolvent's property and to insure quick collection of his assests and distribution thereof to the creditors. In no case should the insolvent be entitled to a discharge unless he has paid his debts in the proportion of 6 annas to a rupee.

The cost of insolvency proceedings on the part of the insolvent's estate and that of the opposing creditors should be reduced to such a minimum that no substantial part of the assests should be wiped off by such costs. Composition should be encouraged.

(D) THE DEALINGS OF THE SHROFF WITH HIS CLIENTELE.—The dealings of the indigenous bankers with their clientele are absolutely sound and at the same time very convenient and easy. There is no formalism, no red-tapism, no loss of time. The Bankers and their clients have sweet social relations, straightforward business connections guided by accurate calculations correct to a pie.

QUESTION 8.—(A) HOW SHROFFS MAY BE MADE MORE SERVICEABLE.—To make the indigenous bankers more serviceable to the country they should be supplied with State funds on low rate of interest.

(B) CONSOLIDATING SHROFFS.—For strengthening and consolidating the indigenous banking system the following measures may be taken :—

(1) The indigenous bankers may be persuaded to form combines, wherever possible. In this system the different bankers can pool together their capital and then work in different areas for the common cause. To encourage this system the Government can advance to the combine an amount equal to the capital of the combine. The advantages are obvious :—

(*a*) Greater co-operation and co-ordination.

(*b*) Eliminating of unhealthy competition.

(*c*) Increase of credit and capital.

(C) SHROFFS' SCIENTIFIC SYSTEM OF ACCOUNTS.—The system of the accounts of the Indigenous bankers is, though a very simple one, extremely scientific and complete. It does not differ very much from the double entry system of the modern banks. But the rules of the thumb adopted by the *shroff* in calculating his interest and prices are far superior to the methods of the modern banks. They wonderfully economise time. If the indigenous bankers adopted foreign methods of keeping accounts, it would become more expensive for them. The increase would be such as their profits cannot bear.

(D) INSPECTION OF ACCOUNTS.—The accounts of the indigenous bankers are not open to general inspection, but a client can always ask for and get true copies of accounts if he so wishes.

(E) CONTROL OF OPERATIONS UNDESIRABLE.—(1) DELICATE.—The indigenous bankers would oppose any measures calculated to control their operations and to give publicity to their accounts. This is natural. Banking is the most delicate business, credit being its chief commodity.

(2) SHROFFS NOT ARTIFICIAL BEINGS.—They that desire that the banker's business should be regulated are carried away by false sentiments. They forget that the *sowcars* are not artificial beings created by some body, but that they are there as the result of economic conditions. They have served a useful purpose for centuries in the past and are of real necessity at present.

(3) UNDOING WORK OF CENTURIES.—Measures for regulating bankers would be an undue interference in the working of the present system, which is a creation of centuries of smooth commercial relations, and a result of natural laws of supply and demand and competition. These laws should be allowed to have a free play even now.

(4) REGULATE ALL TRADES.—If the business of a banker should be regulated, why should not the other trades also be regulated ? Why should the middleman make any profit at all ? Why should he not be eliminated altogether ? In India a large volume of the trade and commerce is in the hands of the foreigners. Before regulating the *shroff*, all this business should be regulated.

(5) BANKER AND THE MANUFACTURER.—Much has been made of the banker's profits, but in comparison of those of the manufacturers, they are nothing. Manufacturers earn on account of their expert knowledge and the *shroff* earns because he has a clear and deep insight in the working of the money market.

(6) PROFIT INCLUDES INSURANCE.—It may also be added that the so-called high interest of the *shroffs* is really interest plus insurance charges. The risks of the banker are very great and he must provide against these ; if he did not, not only he but his customers, both depositors and borrowers, would be involved in trouble.

(7) REGULATING BUSINESS UNFAIR.—It is very unfair that the *shroffs*, who stand as guarantee with banks and others, for the sake of the agriculturist, trader and artisan and who finance the latter with their own money and with that of others and who undertake risks, should be hampered with unnecessary legal restrictions. Certainly the *shroffs* cannot brook this interference.

They that advise the imposition of the restriction on *shroff's* business are either interested parties or people who have not got sufficient knowledge of banking business.

This Association would strongly protest against any interference with or control on the working of the *shroffs*.

In the case of unacceptable nature of the security offered every sane and sound businessman would refuse to lend the money. With all that the indigenous bankers undertake risks such as no bank would. Unlike banks the *shroff* has at his back long years of personal experience and contact with his customers.

The ordinary demands of the people are supplied. But there is a great room for expansion of the business. If the indigenous banker could command greater funds, he would be able to help the expansion of agriculture, trade and industry.

The linking of the indigenous bankers with central and provincial money markets can be achieved more by natural ways, by producing mutual trust and goodwill for the good of the people than by imposition of artificial laws. We do not suggest that indigenous bankers should be made or placed in the position of the agents of the central or provincial organizations. But they should be immediate suppliers of money to agriculture, trade and industry as is being done now and the indigenous bankers in return should be supplied with funds in addition to their own capital by the central and the provincial banks within limits of their prescribed credit. But these limits should be liberal.

(B) SHIKARPUR SHROFFS' ACTIVITIES.—The Shikarpur *shroffs* have by dint of labour and through enterprising spirit already linked themselves with important money markets of the country. They utilise their own capital and the capital of their townsmen in profitable markets, augment their capital by discounting *hundis* with the banks and finance agriculture, trade and industry in a large number of towns in Madras, Burma and Bombay.

(C) BRANCHES OF BANKS NOT WANTED.—This system should receive due recognition and be adopted by others. When the indigenous banking is thus encouraged and patronized, there will be little need of multiplying the branches of the joint stock, central, rural or urbran co-operative banks in districts. Branches of the Imperial Bank and the joint stock banks are already there in more important places and the urban co-operative banks have not in some places proved very useful owing to lack of business instinct in the management and in their clientele.

It may be also added that the indigenous banking system is less costly and more responsive.

(D) RESERVE BANK.—As a fountain-head of the country's finance a Central Reserve or State Bank may be started or the present Imperial Bank may be invested with all the duties and privileges of such a bank. To be useful a bank of this nature should have on its directorate representatives of Indian interests.

(2) RESERVE TO BE INVESTED IN INDIA.—The Reserve Bank must be made a real reserve bank. Its head office should be located in India and Indian reserves of all sorts should be deposited in the country and invested in enterprizes and industries within India and chiefly in such enterprizes as are controlled and managed by Indians themselves.

(3) RESERVE BANK AND SHROFFS.—Then the bank should encourage and patronize indigenous bankers as pointed out above and should give facilities to them even as the Imperial Bank does now.

Shroffs have not got any idle money lying with them and the Shikarpur *shroffs* have no village money in their hands.

The Shikarpur Shroffs' Association.

It is unfortunate that the banks usually drain monies from the district to the central places.

To stop these funds from flowing to the capital towns each bank should publish the balance sheet of each branch clearly bringing out how far their activities are helpful to the local traders.

Another step necessary to achieve the same result is to stimulate and develop the local industries so as to make it remunerative to invest money in them.

SECTION III.

QUESTION 1.—(A) FACILITIES FOR INVESTMENT.—The existing facilities are sufficient and the savings of the people, excepting those of some of the Mahomedans, are already invested in the post office saving banks, postal certificates and other concerns.

(B) PREJUDICE AGAINST INTEREST TAKING.—Prejudice against interest is dying fast in the province. Several Mahomedans are actually earning interest and some of the orthodox have proposed that the interest earned by their monies may be used for giving scholarships to the students of their community.

(C) INVESTING IN GOLD, SILVER AND LAND.—Indians had their indigenous banking system from times immemorial. Then there were the industries which took up their savings.

The hoarding habit and the habit of concealing underground originated and grew because of :—

(*a*) the unsettled political conditions on the eve of the establishment of the British Empire, which left the people only one way of providing themselves with means of living on a rainy day. Ornaments can easily purchase necessaries of life ;

(*b*) deterioration and disappearance of industries ;

(*c*) social customs. Ornaments form a part of *stridhan*.

After all wearing of ornaments is not a peculiar custom of the Indians. Other nations also use them.

People have a very exaggerated notion of this hoarding habit. It has been said that during the past decade India has imported 38 crores worth gold and silver per year. This means only Rs. 1-4-0 per head. Is it much ?

People try to invest in land because agriculture is the only industry left to them.

QUESTION 2.—POSTAL CERTIFICATES.—Postal certificates are popular. They and the treasury bills, with their high rate of interest and easy terms, compete with the indigenous bankers, who have, from times immemorial, been the custodians of the monetary interests of the country. At present investment in cash certificates amounts to crores of rupees.

The rate of interest on cash certificates is already too high. It should not be increased.

QUESTION 3.—Where do people keep their money ? The national income of India is very low as compared to that of the other lands. With such resources at his command the Indian cannot be expected to save much. What little some of our people are able to save is invested in Government securities, cash certificates, post office savings bank and other concerns.

QUESTION 4.—The Cheque Habit.—The habit of using cheque is slowly increasing and the abolition of stamp duty has accelerated its use. The man, who has no business relations with banks, finds it hard to use cheques, for the cashing of one simple cheque will cause him much inconvenience and loss of time.

On this account the Government servants, in the first instance, will resist the payment of their salaries through cheques. This innovation, therefore, must wait for some time or it may be experimented upon only in a limited area in the case of highly paid officers.

QUESTION 5 (A).—Banking not of recent growth.—It would not be correct to say that the banking or investment habit is of recent or slow growth in India. Banking has been known in India since the very dawn of civilization.

(B). The Imperial Bank Branches.—The opening of the Imperial Bank branches in the *mofussil* towns should be discouraged because it leads to the decrease of the business of the *shroffs* and has the tendency to drain away capital from local market.

APPENDIX

Shroff's Credit Instruments.

Darshani or Demand Draft.

(1)

Rs. 10,000 Shikarpur, 21-4-29.

On demand please pay to (Payee)_____ or order the sum of Rupees Ten Thousand only for value received cash.

To Seth

Name of Drawee Bankers

Name of Drawer

Note.—This does not bear stamp.

(2)

Mudati Hundi.

Rs. 10,000 Shikarpur, 21-4-29.

(90) ninety days after date without grace days I/We promise to pay to _____ or order the sum of rupees Ten Thousand only for value received in cash.

Name of Drawer.

Note.—Stamped paper at the rate of As. 1-6 per cent.

The Shikarpur Shroffs' Association.

(3)

On Demand.

Rs. 10,000 Shikarpur. 21-4-29.

On demand I/We promise to pay _____ or order the sum of Rupees Ten Thousand only with interest nine per cent. per annum for value received in cash.

Signature _____

Note.—Stamp one anna up to Rs. 250
,, two ,, ,, 500
,, four ,, ,, 1,000 or above.

(4)

Document Hundi.

Rs. 10,000 Shikarpur, 21-4-29.

On demand please pay to _____ or order the sum of Rupees Ten Thousand only for value received against Railway Receipt of 200 bales of cotton and Insurance Policy

To

Name of Drawee

Calcutta

Name [ ] Drawer.

Oral Evidence.

THE SHIKARPUR SHROFF ASSOCIATION was represented by :—

(1) Mr. HIRANAND PARSRAM NICHANI, Chairman of the Firm of Seth Parsam Hassanand.

(2) Seth LUNIDASING SATRAMSING of the Firm of Seth Satramsing Lunidasing.

(3) Seth HASASING JESASING of the Firm of Seth Satramsing Jesasing.

(4) Seth TAHALRAM RADHAKISHIN of the Firm of Seth Begraj Radhakishin.

(5) Seth KHUBCHABD FATEHCHAND of the Firm of Seth Fatehchand Khubchand.

(6) Seth JETHANAND of the Firm of Seth Naraindas Gangavishindas.

(7) Seth CHELLASING SATRAMSING of the Firm of Seth Satramsing Chelasing.

(8) Dr. KISHANCHAND M. BULCHANDANI, M.D., of the Firm of Seth Parsram Hassanand.

(9) Dr. BHAGVANDAS J. DEVIDASANI, M.B.B.S., of the Firm of Seth Deumal Isardas.

(10) Mr. TARACHAND D. GAJRA, M.A., The Secretary of the Association.

12564. *The Chairman :* Mr. Hiranand, you are the Chairman of the Shikarpur Shroffs' Association ?—Yes.

12565. Will you please tell us what is the constitution of this Association ?—This Association has been formed only now for the purpose of this memorandum.

12566. Was there no Association before ?—There was *no* regular Association before, but we used to meet and consult even before.

12567. There is an Association in Bombay known as the Multani Shroffs' Association, and when we wrote to them they said that they would give evidence in Shikarpur. Is it separate Association from your Association ?—It is one and the same. The head offices of Bombay firms are here, because the actual capitalists are here. There is an Association in Bombay and there was an Association here also, and we used to meet often here. But when we read in the papers certain reports against *shroffs*, this Association was formed for the purpose of this memorandum.

12568. Does it consist of members who are from Shikarpur ?—Yes.

12569. Are there any members who are from outside Shikarpur ?—No outsider at all. All are from Shikarpur.

12570. Is this memorandum printed in consultation with the Bombay people ?—Not in consultation with Bombay people, but here in the committee of the *shroffs*.

12571. What are the objects of this Association ?—To save ourselves from the attacks of others, to protect our own interests and to represent the case of the *shroffs* before this Committee.

12572. In the case of other *shroffs'* associations, such as the Bombay Shroffs' Association and the Marwari Chamber of Commerce, they have other objects, for instance, arbitration, fixing the rate of interest amongst themselves and fixing the usages. Has your Association also the same objects ?—Yes, the same objects.

12573. Have you any relations with other *shroffs'* Associations either here or in Bombay ?—No ; we have no relations.

12574. Coming to the definition of *shroffs*, some witnesses have said that *shroffs* are quite distinct from professional money-lenders. Are not village *sowcars shroffs* ?—No ; we are quite distinct from *sowcars* inasmuch as we never lend money either to villagers or to cultivators and our business is of a purely banking nature.

12575. Do all your members work individually ?—Yes.

12576. Do they not work in combination ?—No.

12577. Do they not work in partnership ?—Sometimes it happens that one *shroffi* firm purchases *hundis* and sends them to another *shroffi* firm in partnership.

12578. Speaking about the co-operative societies, you say in your memorandum : " The borrower has also to meet other incidental expenses." What are those incidental expenses ?—As a matter of fact this point was discussed in our committee, and there were certain *zemindar shroffs*, who said that the procedure of the co-operative societies is such that many formalities have to be observed by the borrower, and incidental expenses are involved.

12579. There are no stamp duties ?—No stamp duties, but the borrower has to procure sureties when the land is not mortgaged and the surety has to be taken to the head office.

12580. But when the *shroff* lends money he also wants a surety, and the same expenditure would be required ?—In the case of *shroffs*, there is no expenditure necessary. The practice is that sometimes the *shroff* goes to the borrower himself and asks him if he wants money, and sometimes the *shroff* takes a *hundi* form with him and asks the borrower to sign. Sometimes the borrower comes to the *shroff*. The procedure is very simple.

12581. Speaking about the village *sowcars*, you say that the interest charged is 9 per cent. ?—It varies from 6 to 9 per cent. in case of advances made by grain dealers to their *zamindar* clients.

12582. But we have been told that the interest charged by *sowcars* varies from 12 to 36 per cent. ?—Here grain dealers charge twelve annas per cent. per month to bigger *zemindars*.

12583. Most of the witnesses in Sind told us that the rate of interest is very high ?—That may be in the case of cultivators. I am speaking of dealings between grain dealers and *zemindars*.

12584. When the grain dealers advance, is it a condition that the produce is brought to them ?—No ; in case of need they take money, and when they send the grain to them for sale, they charge them commission. Generally there are mutual accounts. They charge 6 to 9 per cent. and sometimes even 12 per cent. This is in the case of bigger *zemindars*.

12585. What is the rate for middle class *zemindars* ?—They pay 12 per cent. to 24 per cent. and sometimes even more.

12586. Whom do you call bigger *zemindars* ? How much assessment do they pay ?—About Rs. 20,000. There are *zemindars* who pay lakhs of rupees assessment. There is no hard and fast rule.

12587. You say, " In Sind the indigenous banker does not play much part in financing agriculture directly." Does your *shroff* finance the village *sowcars* ?—Not the Shikarpuri *shroff*.

12588. Supposing the village *sowcar* wants money, does he not borrow from the *shroff* ?—He may borrow from the grain merchant, and the grain merchant borrows in the market, and these *shroffs* might purchase their *hundis* and thus they contribute indirectly to the financing of agriculture.

12589. It is rather curious that the *shroffs* from the north of India do more business in Burma, Colombo and Madras than they do in Sind. What is the cause for that ?—The causes are the Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act. And there is not enough business for *shroffs* here.

12590. Before the passing of the Acts was there more financing done here ?—Before the passing of the Act, the *shroffs* used to advance money to grain merchants, and the grain merchants used to invest their money with cultivating classes. The *hundis* of merchants in villages were easily sold in cities, but after the passing of these Acts *hundis* are not sold in cities. The *shroff* also does not wish to lock up his money for long periods.

12591. You say : " The loans are advanced on accounts and *hundis*, sometimes through a second personal security insuring the safe return of the money." Do you follow the system adopted by the Imperial Bank insisting on the second surety ?—Usually we give money on personal security, but sometimes when we find the parties not safe, we insist on second personal security.

12592. You say that you advance your loans mostly for short periods, say, two or three months. In that case how do you finance agriculturists, because they would not be able to repay in two or three months ?—They do not take from one *shroff*, but they take from several *shroffs* for different periods, and when a loan matures, they pay one *shroff* and borrow from another.

12593. Do you finance small cultivators or big ones ?—Both small and big cultivators, but mostly we finance the trading class.

12594. You say that your rate of interest varies with the Imperial Bank rate generally, but we found in Bombay, for instance, that the rate in the *bazar* sometimes, especially during the slack season, had not much relation with the Imperial Bank rate. The Imperial Bank rate depends upon various causes. The Imperial Bank rate in the slack season was 5 or 6 per cent., while the *bazar* rate had no relation with it. Is it not the case here ?—That is correct, because there are other considerations governing the *bazar* rate. Sometimes the money is very cheap, and there is no demand for it during the slack season, and people want to utilise that money, so at that time the rate is very low and perhaps lower than the bank rate even.

12595. Speaking about marketing, you say that the produce is brought to *mandis* or markets. Are there many such markets here ?—Yes ; in Shikarpur itself there is one.

12596. Outside Shikarpur is the produce usually sold in villages ?—Sometimes it is sold in villages and sometimes it is brought in the cities. There is no hard and fast rule for that.

12597. You say that pooling of agricultural produce is not possible because the agriculturist is always in chronic want of money. Cannot some arrangement be made by which this produce can be kept in a warehouse and advances made against it up to 60 or 70 per cent. ? That is done in the case of cotton in Sind. Can it not be done here ?—I could not tell you much about it. Sometimes they have to pay off their debts immediately and, therefore, they cannot pool their produce.

12598. You say, " Foreign trader cannot give such facilities as an Indian merchant gives in marketing season." Do these foreign traders finance to any large extent in this part of Sind ?—They purchase the produce.

12599. Do they finance before purchase ?—I do not think so. At least no instance is known to us.

12600. I ask this because some people said that in the Presidency these foreign merchants have taken to finance before purchase so as to eliminate the merchants that come in the middle ?—As regards wool, they give advances in Karachi through their guarantee brokers on the understanding that they export the wool through them.

12601. Speaking about industries in India, you say that many of these industries are dying out. Is that due to want of finance and want of proper marketing facilities, or do you think it is mainly due to competition ?—There is very keen competition, especially now the Japanese goods are competing with Indian goods. We can get Japanese grey shirtings or drillings for twelve rupees, whereas other type would cost sixteen rupees.

12602. Same quality ?—The durability may be less, but the quality and the fineness is the same. To the touch and to the eye it appears better quality.

12603. One of your suggestions for developing industries is that Government should set apart a special fund to subsidize the industries. That is the only suggestion you make

about the finance. Do you, as a banker, think that there is room for an industrial bank or banks in this part of the Presidency, which can finance industries ?—I should think so. Industrial banks could do a lot to finance the industries and encourage cottage industries in villages, because they keep the cultivator busy in his spare time.

12604. The village industry requires small capital. Cannot co-operative societies provide the necessary finance for these small men ?—Yes ; co-operatives societies should do it. I think they can do it.

12605. Speaking about litigation, you say : " Mostly the credit facilities depend upon honesty and straightforwardness of dealers in whose case there is no apprehension of resort to law suits." Will you kindly explain that ?—In the mercantile community honesty and straightforwardness is the best asset for a man. He may be a poor man, a very poor man, indeed he has nothing, yet if he is very honest in making payment and does not conceal anything, and if he goes to his lender and says that he is unable to pay and asks for time, the lender will give him time because he knows that he is honest. There are cases in which *soucars* and even rich people cannot claim credit because they are not honest.

12606. Speaking about the Usurious Loans Act, you say that the courts allow reasonable rate of interest in Sind. What is the reasonable rate of interest ?—One per cent. per month. Courts allow nine to twelve per cent. in case of agriculturists, and they allow up to one rupee nine annas per month, that is, one pice per rupee per month, in case of non-agriculturists. Sometimes different rates are allowed in particular cases. After decree they allow six per cent.

12607. Is the Usurious Loans Act used here ?—Yes ; courts do know it and they do enforce it.

12608. Speaking about the Punjab Money-lenders Bill you say that your Association is opposed to passing such a legislation. There are various points of view regarding the Bill. Would you agree that it is desirable for money-lenders to keep their accounts properly ?—Yes.

12609. Secondly, is there any objection to show their accounts to debtors ?—Yes, it is necessary to show if they are demanded ; but there should not be any obligation placed upon the money-lender. If the debtor demands it, the money-lender always gives it.

12610. But there should be no objection to the money-lenders being required to give the account every six months or so ?—Certainly, when they are demanded ; and the debtor should accept the receipt of it, so that afterwards he may not say that he has not received the account. Generally, they are in fact given when demanded. I think there is no complaint about it.

12611. Coming to part II of your memorandum regarding indigenous banking, we are out to see how the indigenous banking system can be developed and how it can be made to co-ordinate with the other banking system. These are the main objects with which our enquiry is concerned. Would it be correct to say that the main business of the Shikarpur *shroffs* is dealing in *hundis* ?—Yes.

12612. You say that you do not receive much by way of deposits ?—No.

12613. Who receives deposits ?—It is this way. Formerly there used to be large deposits kept with *shroffs*, but now the transactions of *hundis* have become so simple and popular that a man who has even Rs. 300 only purchases a *hundi*.

12614. Even the non-mercantile people ?—Yes, even women in Shikarpur do that. They purchase *hundis*, because they get interest in advance, and after 61 days they can renew them and receive interest again.

12615. Is that very common ?—Yes ; all classes of people take *hundis*. The system of deposits is discontinued here.

12616. Are there no fixed deposits ?—No ; deposits can be demanded at any time.

12617. You say that *shroffs* do not do any other business except commission agency business. Are there not some who trade on their own account ?—No ; Shikarpuri *shroffs* do not do it. That is only in the Presidency proper in case of *shroffs* of other communities.

12618. Do the *shroffs* give cash credit ?—Yes.

12619. You say : " The agriculturists in the provinces are mainly financed by the grain dealers, who, barring a few, draw for their finance upon the general market." How do they draw on the general market ?—They draw on the general market by writing or drawing *hundis*.

12620. On *shroffs* ?—General market means *shroffs* and others also.

12621. You say that in Bombay the Shikarpuri bankers finance trade and small industries. Which small industries ?—Pressmen, thread-makers, bottle-makers and other small industrialists.

12622. Is that also done by *hundis* ?—Yes, usually by *hundis*.

12623. Do they take promissory notes ?—*Hundis* or promissory notes. They will never take non-negotiable documents.

12624. Would it be correct to say that a large part of the working capital of Shikarpuri *shroffs* is their own ?—Yes ; that depends on the capital of the separate individuals.

12625. You say : " In time of need one banker can easily get money (in *dasti* account) from another banker." What is *dasti* account ?—*Dasti* account is call money.

12626. Coming to the question of the relations of *shroffs* with joint stock banks, do the Shikarpuri *shroffs* act as guarantee brokers ?—Not as real guarantee brokers.

12627. But they get advances from joint stock banks ?—Yes, they get advances on *hundis* and on documents of goods.

12628. Are there no difficulties in your dealings with joint stock banks apart from the Imperial Bank ?—No difficulty ; but the limits are fixed by banks.

12629. As regards your relations with the Imperial Bank, are you satisfied with the facilities generally given by the Imperial Bank ?—Yes ; we are satisfied. But we have suggested in our memorandum certain facilities that we want from the Imperial Bank.

12630. So far as the limits fixed are concerned, it is a question between you and the bank, and nobody can interfere ?—I do not think it can be done.

12631. You say that the Imperial Bank should not have direct dealings with the clients of *shroffs*. If the clients find that it is to their interest to deal directly with the Imperial Bank, why should they not do it ?—The Bank will induce the *shroffs*' clients and gradually *shroffs* will lose their clients. Thus the *shroffs*' best business will be taken away. That should not be done from the economic point of view, because the *shroffs* get money from the bank and they invest it with their clients.

12632. But the Imperial Bank finances big merchants generally ?—In the case of big merchants who borrow from us as well as from the Imperial Bank, there is no objection ; but in the case of small merchants, who borrow from us, they should not be induced by the Imperial Bank.

12633. *Mr. V. L. Mehta :* Does that objection apply to the Imperial Bank of India, which gets State funds, or does it apply to all kinds of banks ?—Other banks cannot be checked or controlled.

12634. You say that the Imperial Bank should not open branches. But we have been told that the opening of branches of the Imperial Bank has helped merchants ?—It may be that way. But it is this way also. The money of the small places is taken away by the Imperial Bank to the bigger places by opening branches at small centres.

12635. If it is required in small places, would they not provide finance ?—At present they do not do that. *Shroffs* have their firms in these small places, and the Imperial Bank compete with *shroffs*. There should not be competition between *shroffs* and the Bank.

12636. Do you want no competition between *shroffs* and joint stock banks or between *shroffs* and the Imperial Bank ?—With the Imperial Bank and even with joint stock banks, if it can be helped.

12637. How can you prevent joint stock banks from opening branches ?—We cannot control joint stock banks, but we can control the Imperial Bank. There is a fair field to every one, but the thing is, wherever there is competition between *shroffs* and the Imperial Bank, the market suffers and the business of the *shroffs* suffers.

12638. You have given some forms of *hundis* in your memorandum. Do you usually issue English forms ?—Yes ; nowadays Sindhi forms are mostly out of use.

12639. What exactly is the reason why the vernacular forms are out of use ?—They are printed forms.

12640. *The Chairman :* Is that because these forms can be circulated elsewhere besides Sind ?—Yes ; because English language has become the common language of India.

12641. Does the period vary ?—Yes ; generally it is 61 days to three months.

12642. The first form of *hundi*, which is a *darshani hundi*, resembles very much cheque ?—Yes.

12643. I find that you have *mudati* and *darshani hundis* in vogue ?—Yes.

12644. Have you also a bearer *hundi* ?—No, we do not issue it.

12645. Do you not have bearer at all ?—No ; all Shikarpur *shroffs* do not have bearer *hundis*. In Bombay they have these *hundis*. We cannot pay unless we know the parties.

12646. About the question of bearer *hundis*, there is some conflict of opinion on one point. There was formerly the practice when people thought that once a bearer *hundi* should always remain a bearer *hundi*. Later on there was the decision of the High Court that a bearer *hundi* can be changed into an order *hundi*. The Government of India wanted to undertake legislation at the suggestion of bankers. I do not know whether you would like to express an opinion on this point ?—There is one thing, *viz.*, most of our people do not know English and there will be so many endorsements. Considering all these things, I say that if it is once a bearer, it should always remain a bearer *hundi*.

12647. Shall I take this as the opinion of your Association that once a bearer should always remain a bearer ?—Yes.

12648. There is also another proposal by the Bombay Shroffs' Association. They say that in former times a *shah* was a definite person ; now-a-days anybody claims to be a *shah* and, therefore, there should be some association like theirs or like the Chamber of Commerce which should define who is a *shah* and a list should be kept. Is there any necessity for such a list ?—The opinion of my Association is, it is not practicable. The reasons are these. There are several associations. For instance, there is the Memon Association, there is the Borah Association and in Bombay there is the Marwari Shroffs' Association and there are several other associations. To make a list of all these and to go through the list every time and referring to it from time to time is a very difficult task. Sometimes new firms are formed and certain firms are closed. Therefore it is a difficult thing to keep a list and to give intimation from time to time as to the changes that take place.

12649. Supposing a man draws a *hundi* on Karachi and the drawee pays it to a man whom he believes to be a *shah* and he fails, who is responsible ?—The man whose money is with him suffers. It was his lookout not to send it to him.

12650. *Mr. V. L. Mehta :* The difficulty arose in Bombay like this. After all, you can call anybody a *shah*. There is nothing in law to prevent anybody being called a *shah*. I shall give you an instance. Assume there is a firm in Shikarpur drawing a *shahjog hundi* on somebody in Bombay in favour of X, Y or Z ; instead of getting into the hands of X, Y, or Z, it gets into the hands, through some wrong delivery by the post office, of somebody else who is not a *shah* but who is a swindler. What he does is, he gets hold of about half a dozen such *hundis*, collects Rs. 10,000 and decamps. And there is a gang of swindlers who have bogus shops. Such cases were brought to the notice of the Indian Merchants' Chamber and they introduced this new type of *hundi*. Under the *shahjog* system will not the drawee have to suffer under these circumstances ? The cash will be taken by the drawee and he should not pay.

12651. In Bombay the difficulty is this. In a small place like Broach or Ahmedabad, you can know who are the *shahs*, but in a big place like Bombay, it is very difficult to know who are the *shahs* ?—But the drawee should always take care to know whether he is a *shah* or not. He should have dealt with him before. It is for the drawee to take all precautions before making payment. If he were simply to believe that one is a *shah*, then he has to suffer.

12652. *The Chairman :* It was brought to our notice by some witnesses in Karachi that the usages about *hundis* differ not only from place to place but sometimes even in the same place. Here a witness has given a list of 16 points about usages of which I will mention one or two. The first point is whether on a holiday it is to be cashed on the previous day or on the following day, and so on. These are illustrations. We do not want you to commit yourselves to any of these things. The only question is whether there should be some standardization of the different usages or not ?—If we can agree to some formula about these things it is much better, but there are certain differences between our Association and other Associations. With us the time of payment is upto 6 o'clock in the evening, while with other Associations it is upto 4 o'clock. If all these usages are set at rest by common consultation, it would be much better.

12653. In reply to question 6 you say you want the Imperial Bank to reduce its rate of interest permanently. How can it be reduced permanently ?—What we mean is the maximum must be fixed above which the Bank's rate should not go.

12654. But you know so many circumstances go to fix the rate of interest. In reply to question 7 (b) You say : " This Association suggests that all discriminatory laws that hinder or delay the execution of decrees passed on negotiable instruments should either be repealed or at least their application be restricted to suits other than those arising out of Negotiable Instruments." What are these discriminatory laws you are thinking of ?—We are thinking of the Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act.

12655. In the next paragraph you say : " The period of limitation of suits on Negotiable Instruments should be extended to six years instead of three years " ?—Sometimes a client wants more than three years to make repayment. So the period might be extended. Three years is a short period. Six years will be a good term. It will accommodate the debtor more and also leave the banker in a safe position.

12656. We have been told everywhere in the province that *mudati hundis* have gone out of use during the last few years. Has it been the case with Shikarpur *shroffs* ?—No.

12657. You do stamp the *mudati hundis* at the rate of annas 1½ per hundred ?—Yes.

12658. And *mudati hundis* are as much in use as they were before ?—Yes.

12659. You say that the stamp duty on it should be reduced ?—Yes. As. 1½ is more. Every two months we renew it and in a year we pay six times. Formerly it was one anna and now it has been raised to annas 1½. If you take the 12 months into account it comes to the bond rate.

12660. Has the Insolvency Act affected your business to any appreciable extent ?—The insolvency proceedings take a very long time and the expenses of insolvency proceedings are so much that in many cases the assets are wiped off by the expenses. The law should be made very simple and the winding up should be very speedy. Also the expenses should be much less than that they are at present because something there should be left for the creditor.

12661. You say : " In no case should the insolvent be entitled to a discharge unless he has paid his debts in the proportion of six annas to a rupee." In some cases he may not be able to pay six annas ?—Even now the court has the discretion to provide a condition that he should not be entitled to a discharge until he pays annas 4 in the rupee ?—In some special cases the court might be given power to use their discretion to discharge the man even if he does not pay six annas in a rupee.

12662. *Mr. V. L. Mehta :* Are you referring to the insolvency proceedings at Bombay or here ?—I am referring to insolvency proceedings everywhere. The proceedings at Bombay I am told are very dilatory. Our suggestion is that there should be more than one official assignee because cases have been standing for more than eight years. There should be also one person interested to work as official assignee in each district.

12663. *The Chairman :* In reply to question 8 (*a*) you say : " To make the indigenous bankers more serviceable to the country they should be supplied with State funds at low rate of interest." Is it for any particular purpose you want State funds or generally and on what conditions ?—If *shroffs* are to give loans at cheaper rates, they should be supplied money at cheaper rates ; and if we are given some part of the surplus money of the Government at cheaper rates, we can certainly reduce our rate of interest.

12664. In paragraph you make an interesting suggestion that indigenous bankers should form combines. It certainly strengthens an organization like this, but the question is whether you will be willing to combine ?—We shall be willing to combine if we are given [illegible] and some help as are given to other institutions.

12665. Except the Imperial Bank, the State does not help any institution ?—Co operative societies are being helped.

12666. No ; they do not give finance ?—If there are *shroff* combines and capital i drawn, the Government can give us some help.

12667. Will this combination be on a joint stock basis ?—No ; it will be on a part nership basis.

12668. With unlimited liability ?—Yes.

12669. You probably know that in Germany they have a system in which a certai number of indigenous bankers join with a certain number of shareholders and manag the whole concern and in return get 20 per cent. of the net profits because their know ledge of the local circumstances as bankers is useful. They put in a certain amount o capital and they have to manage the concern in return for which they get 20 per cent of the net profits. Is this the sort of system which your Association would recommend ?— If these combines are formed and State funds are given to them the State can only hav interest and nothing more and all the profits or losses should belong to the combine.

12670. The system that I was describing is the system in which there are indigenous bankers as the predominant partners and managers. The management is in their hands while the extra capital is supplied by their shareholders. This is the system there Government may or may not help, but here it is a joint stock bank in one sense ?— It is a good proposal but at the same time we should be given freedom to have our own firms separately. It will then be a good thing, that is to say, the business will be done by expert indigenous bankers and they are to enjoy 20 per cent. net profits, provided they are also individually allowed to do their own business.

12671. You say : " Indigenous bankers would oppose any measures calculated to control their operations and to give publicity to their accounts." One can understand that, but when you want Government to give you certain facilities, would it not be fair that your accounts should be published and audited ?—We have put the case of *shroffs* as it is at present. We are strongly opposed to any kind of registration or control as regards publishing our accounts. I can give you reasons for that. In the first place there is no complaint whatsoever that our accounts are not reliable or that we do not keep proper accounts.

12672. Supposing the Imperial Bank or Government advance you money, would they not expect to see your accounts ?—If Government gives us funds and if Government wants accounts, in that case by mutual agreement it might be agreed that we might send our accounts to Government.

12673. For audit ?—For audit or anything. Government might send their auditors to audit our accounts.

12674. Is it your point that they should not be published ?—They should not be published because *shroffs* have objection to make their position open to the public. If Government were to give us funds, in that case we will have separate accounts of our dealings with the Government money.

12675. So you will only give accounts of Government money ?—It is left to the choice of the individual *shroff* to accept Government money on those conditions or not. But they are strongly opposed to publishing their accounts. As the Imperial Bank is now advancing money to us on *hundis*, so Government may advance money to us on *hundis*. The Imperial Bank never claims any accounts from us. They have some information about *shroffs*, and they may act on general information.

12676. Some *shroffs* in other parts have told us about the investigation they make through subordinates. They said that the Imperial Bank makes all sorts of enquiries from brother *shroffs*. Have you any objection to that?—We have no objection because it is reasonable on their part to make enquiries. We do not object to these confidential enquiries being made. Some of our members do object to the Imperial Bank making such enquiries.

12677. Would you not show your accounts even to the lending authority?—No; some people might accept these conditions.

12678. Are you not in favour of accepting the agency of the Imperial Bank?—No.

12679. Is that because your accounts will be examined? What is the difficulty?—One objection is that we would be acting under the guidance of the Imperial Bank, which we do not like.

12680. You are so very particular about not publishing your own accounts, not even showing them to Government or the Imperial Bank, which wants to finance you, but, on the other hand, you want the branches of joint stock banks and the Imperial Bank to publish their separate accounts?—It is because their liability is limited; our liability is unlimited.

12681. Therefore they should publish their accounts?—Certainly; the shareholders and the public have a right to know their position.

12682. You are claiming this as *shroffs* and not as shareholders?—We also purchase shares and sometimes we are shareholders. In the case of limited liability, people have to know the position of a particular concern, but in the case of unlimited liability where a person is individually liable, the dealers deal on the strength of their property.

12683. But you get accounts and the balance sheet of the concern as a whole. Do you want the accounts of their branches separately?—Yes; our object in saying this is to see that the money is not taken away from the local places to the central place. I think this refers to that only.

12684. Do you mean the accounts should show what amount is deposited and what amount is taken to the central place?—Yes; the branches must show how much money is deposited and how much money is drawn away to the central place.

12685. What have shareholders to do with that?—From the point of view of the public they have to know whether the local money is taken to the central place or not.

12686. *Mr. Kamat:* Taking the last point, although a private banker is not concerned very much with the general public, he is concerned with a large number of constituents. He may have constituents here, in the Madras Presidency and in Burma. Would you agree that this banker should publish his accounts to show his position and status to all the people with whom he has dealings?—We lend money: those constituents are our debtors. If they were creditors, they would be interested in knowing our position.

12687. Inasmuch as you receive deposits by way of *hundis*, you have also creditors?—Yes.

12688. Then why should you not publish your accounts?—If they want a copy of their account, we are prepared to give it.

12689. That is what you do now. But you apply the analogy of the shareholders of a public bank. Just as those shareholders are concerned in the position of the public

institution, so also in your case about a thousand people would be interested in knowing your position. Then why should you not apply that principle ?—In the case of joint stock banks their liability is limited to the amount of subscribed capital. In our case the liability is unlimited.

12690. That makes hardly any difference to the man who deals with you ?—That makes much difference. Those who deal with us know our dealings ; they are not forced to deal with us.

12691. There are two or three important points as regards the dealings of indigenous bankers. The first is the standardisation of the practice of *shroffs* with rgard to *hundis*, the second is modernising the methods of indigenous bankers and the third is the question of linking them up with the Imperial Bank and other banks and also with other banking agencies. As regards the first point, namely, standardisation of *hundis*, that is to say, making usages about *hundis* common in all provinces, how should that be achieved ?—That is the point for common discussion.

12692. Either you must voluntarily meet together and discuss this point through Shroffs Associations here, in Bombay and in Ahmedabad, etc., and come to some common formula, or Government should send round a circular to all these Associations before taking any step. Which of the two procedures would you prefer ?—The different Shroffs Associations should join together and discuss together and devise means.

12693. In this connection has the time come for you to form a sort of a federated Chamber of Commerce ? You told us in reply to the Chairman that you formed this committee only when the Banking Enquiry Committee came up, and I am not sure whether that association will continue or will dissolve after the Banking Committee is over. Do you think the time has come for the federation of *shroffs* in order to come to some sort of understanding for standardisation of *hundis*, etc. ?—That is again a matter for private discussion. The *shroffs* might see what is to be done for the common good of the business or for the common good of the constituents.

12694. Once we make these usages uniform, the next step to modernise the *shroffs* would be easier. For instance, in Shikarpur we find that you have adopted a standard form for letters of credit and demand and *mudati hundis*. Do you think the same thing could be done or imposed on *shroffs*, say, in Gujerat or in the Karnatak or in the Deccan ?—This is all a matter for discussion. There might be difficulties for some associations in some matters, but that is a matter for discussion.

12695. Having found this practicable in Shikarpur, do you think by your knowledge of your brother *shroffs*, say in Gujerat or the Karnatak, whether it would be difficult for them to do the same ?—We cannot say unless we meet together.

12696. About linking you up with the Imperial Bank and other banks you said that you are not in favour of publishing accounts generally, but you will be willing in certain cases to show your accounts to the Bank if the Bank gives you certain facilities ?—Yes, it will be left to the choice of each individual concerned.

12697. Would it be worth while to increase the present list of approved *shroffs* kept by the Imperial Bank and other banks ? Would that be a good method of linking up

the indigenous bankers with the Imperial Bank and joint stock banks ?—Our Association has no objection to increasing the list of approved *shroffs*.

12698. Speaking about branches of banks, you say that when the indigenous banking is encouraged and patronised, there will be no need of multiplying branches of joint stock banks or co-operative banks. You do not want multiplication of branches if something is done to the indigenous banking. That something you want is encouragement, and along with encouragement you do not want any disclosure of accounts, which will be one of the conditions laid on you. Assuming for a moment that it is a reasonable attitude, do you think that wherever there are *shroffs*, say, in *taluka* towns and such other small towns, no branch of the Imperial Bank or any joint stock banks should be opened ? Is that your idea ?—We have said that our main objection is that branches take away the money from local places to central places. We have said in our memorandum : "To stop these funds from flowing to the capital towns each bank should publish the balance sheet of each branch clearly bringing out how far their activities are helpful to the local traders ".

12699. Do you object mainly on the ground that all the capital of the local places is drawn away to central places ?—Yes ; and they should not compete with our business.

12700. But as bankers doing business in Shikarpur at your headquarters do you not do the same thing ? That is to say, you draw money from Shikarpur and Sind and you carry it away to Bombay or even Burma ?—Yes ; because it pays those who purchase our *hundis* here and for doing business in this locality as there is no safety of investment or attraction.

12701. If indigenous bankers are doing it, why do you object to branches of the Imperial Bank utilising their money ?—That might be done from business point of view. But when the State Bank like the Imperial Bank has its object to help the local trade, agriculture and industry, the business point of view disappears. And that makes the difference between the indigenous banker who has his profit in view and the State Bank which has the people's service in view.

12702. Have you something like a pass-book system ?—No.

12703. Do you not think it is a desirable system ?—We do not receive deposits. Generally we have current account with persons who have their own pass-books. They never demand pass-books, but we use pass-books in Bombay and other places.

12704. So do you think introduction of pass-books would not be a step in advance ?—Pass-books may be introduced ; we have no objection to pass-books being used.

12705. You have mentioned various improvements which you as bankers have already carried out here and you have also stated that your accounts are very straightforward and there is no complaint. Let us descend one step lower to the village money-lenders, who, although not of the same status as yourself, are practically doing the same kind of work for the village. Do you not think that their system of dealing with their village people is not so straightforward as probably the system you follow ?—There may be instances both ways. The money-lender may not be straightforward in some cases and the client may not be straightforward in some cases. But the money-lending class in villages cannot afford to keep the accounts in the manner in which *shroffs* in towns keep. Sometimes their business is also very small, and it does not pay them.

12706. We know the disabilities. But as they are dealing with millions of village clients, and as illiterate clients cannot protect themselves, do you agree that some sort of

regulation for village money-lenders, at any rate, is necessary ?—Will you kindly tell me what kind of regulation you want ?

12707. Say, something like the Money-lenders' Act ?—Like the one in the Punjab ?

12708. Yes ?—If you want that the provision of the Money-lenders' Act should be applied in villages, they will have to keep accounts and very clear accounts. In the first place they have no competent accountants in villages, and the business turned out by them is not sufficient to keep such accountants.

12709. Is that the reason why we should not touch them ?—It is just a transaction of a few rupees, one man borrowing two rupees and another man taking three rupees.

12710. Do you mean it would be impracticable to check their entries ?—But who will check the accounts ?

12711. Do you mean administratively it will be difficult ?—Yes. But now-a-days after the Dekkhan Agriculturists' Relief Act has come into force mostly big advances are made by means of *bhans* (bond). In that case no accounts are necessary. *Bhans* (bonds) are the primary evidence of dealings ; and in the case of small money-lenders there are very small items. They give five rupees or a rupee in cash or a few annas worth of goods to villagers, and if these village money-lenders or shop-keepers are made to keep proper accounts of their dealings, it would be very difficult for them.

12712. *Professor Kale :* Is there any distinction between Multani *shroffs* and Shikarpuri *shroffs* ?—No ; in Bombay they are called Multani *shroffs*. We could not tell you the reason for it, but perhaps it is like this that in olden days people of Shikarpur mostly came from the Punjab and from that part of the Punjab which is called Multan.

12713. Are they not known as Multanis here ?—They are known as Multani *shroffs* in Bombay.

12714. There must be some *shroffs* in Bombay who have come from Multan ?—No ; they are all Shikarpuri.

12715. You have stated that Government should bring down the rate of interest in India. Is it your idea that the rate of interest will be brought down if the different reserves, *viz.*, gold standard reserves and paper currency reserves, which are to-day with Government and with the Imperial Bank, are consolidated under the control of one State-managed Bank ?—Decidedly ; but the management of the bank should be Indian.

12716. Do you not think that the number of joint stock banks and their branches are likely to increase in India in the coming years with the economic development of the country, and this development of banking is likely to lead to competition with the indigenous *shroffs* ? You have very well stated that the *shroffs* have rendered very great services to the economic development of the country. But do you not think that the time has come when the *shroffs* should do something to strengthen their position in the face of the competition that is coming. Is this not desirable from the point of view of *shroffs* themselves ? Because you cannot prevent the extension of modern banking ?—What is that something ?

12717. I ask you whether it is necessary that something should be done to enable you to hold your own against the competition that is coming ?—If there is any competition coming into existence hereafter against which *shroffs* might be expected to set themselves, the *shroffs* will be able to see what can be done when that comes to happen.

The Shikarpur Shroffs' Association.

But one thing is certain that no banks, whether existing now or coming into existence hereafter, can advance money on the same terms as *shroffs* do. And any system that comes into existence hereafter cannot possibly compete with the system of *shroffs*, because the system of *shroffs* is very cheap, accommodating and convenient. And if you look to the instances of when we advance money and when we receive payments, you will see, for instance, in the case of *hundis* that if they come to demand payment for *hundis* at any time we are prepared to honour them even before maturity only by taking the interest back for the unexpired period. Same facilities in the opinion of our Association cannot be afforded by any joint stock bank. We have at our back special knowledge of our clientele, which other banks cannot expect to have.

12718. You say that you are not taking much of deposits as other banks do. But do you think that you would be able to go on with your funds when large sums of money are deposited in banks ?—We do not receive deposits. It all depends on the circumstances.

12719. I am putting it to you for this reason, though we are not primarily concerned with that question, that a Central Bank or a Reserve Bank might be started and the object of that bank will be to facilitate financial dealings, to lower the rate of interest and to give facilities to all people concerned. It will be at that time that the indigenous *shroffs*, who have been so useful in the past, should take their proper place in the new banking machinery ?—Then we shall see. We can make combines and consider it.

12720. *The Chairman :* A good deal of the action of Government as regards legislation and other banking matters will be influenced by the recommendations of the Central Banking and other Committees. So if there are any definite schemes which *shroffs* can propose, they will be properly considered when such legislation is introduced. They must not wait till the competition comes ?—We shall suggest after consideration.

12721. Will you please send to us the whole proposal when you prepare it ?—Yes.

12722. *Mr. V. L. Mehta :* Do Shikarpuri *shroffs* not do any business on the security of gold and silver ?—They do, but not here.

12723. We have a statement before us from the Government of India saying that while the *hundi* rate has not changed very much, the rate of interest on advances made on the security of gold and silver has gone up considerably in the last fifty years. Is that the position here too ?—Yes, that is a correct statement, because there is very heavy fluctuation in the prices of gold and silver. Sometimes they lose in value, and that affects the rate of interest that is charged. Now silver rate is 46 per 100 forward.

12724. Do bankers here make any advances on the security of agricultural produce ?—Shikarpuri bankers do not.

12725. You refer in your memorandum to some industrial concerns manufacturing tiles on modern lines. Are these being financed by you or by joint stock banks or have they their own capital ?—We have nothing to do with them. They have their own capital. Tile makers in Bombay are financed by us.

12726. You do business in Southern India and in Burma. In both these places I understand that it is the practice for people to keep long-term deposits either with banks or with bankers. Have you not found so ?—Banks keep deposits, but we do not receive deposits. Even in Rangoon and Madras we do not do [illegible] receiving deposits.

12727. You said that you do not like the idea which has been put before this Committee of indigenous bankers functioning as the agents of banks in India, and you explained as one reason that you did not want your business to be controlled by some other bank. Are there any other objections ?—It would not be paying to us. There will be no margin left to us.

12728. Would you like the system of post office cash certificates to be continued ?—Let it be continued. We have no objection.

12729. As you are yourself using English *hundi* and other forms, do you not insist that vernacular should be introduced in your province by banks ?—It would be much better.

12730. In Karachi we were given to understand that banks would have great difficulty if the signatures were made in vernacular. Have you experienced any such difficulty ?—No, because we know it. Our dealer may put it in any language.

12731. *The Chairman :* You said that one of the reasons why you do not like the agency idea is that you do not get anything. Do you not think that if large advances are made by the bank to you and one or two per cent. is given to you as commission, the business would be paying ?—We would not like the idea of working as subordinates. What kind of agency will it be ? If the risk is ours, we shall not take up the agency. If the risk is theirs and we have to do business, some of us might accept it.

12732. You said that some of your bankers finance certain small industries. Do they only confine themselves to certain small industries, or do they finance big industries ?—It is done to a very small extent. Only small industries are financed. Big industries are financed by banks.

12733. In what shape do you finance them ?—On *hundis*.

12734. Short-term loans ?—Yes, and we renew them.

12735. Is there a large sale here of *hundis* executed in Bombay ?—Yes, and so of Madras, Burma and Ceylon.

(The witnesses withdrew.)

Mr. LALCHAND TECKCHAND of the firm Messrs. Teckchand Khubchand, Shikarpur.

Replies to the Questionnaire.

SECTION I.

The present system to provide money to cultivators, *haris* and landlords is that big *zemindars* have regular accounts with town grain merchants and the *mofussil sowcars*. These people advance monies to them on simple credit and such advances are paid back after the grain is actually brought and sold. Such is the case with cultivators whose provision to get monies is by way of getting *taccavi* and giving mortgage of pieces of land. But in case the crop fails, they have to face litigation or these landlords seek protection under the Dekkhan Agriculturists' Relief Act or in case of very huge debts they seek protection of the Encumbered Estates Act.

Part of the loans is spent on improvement of land and purchase of manure or the seeds but it has been observed generally that owing to extravagance and lavishness of big *zemindars*, the debts are not safely repaid which is again a drawback in the credits.

In most of the cases the standing crops are also used as security.

In advancing loans as explained above the interest charged by the grain merchants runs generally from 6 to 9 per cent. as it all depends on the honesty of the purpose with which the money is advanced. But in the *mofussil*, the money-lenders generally advance monies at a high rate of interest, say 1 per cent. per month to Rs. 3 per cent. per month, and in case of small cultivating class, even a higher scale is charged inspite of ornaments security or the land security.

The result is that such transactions generally collapse and village money-lenders have recourse to litigation, the latter being in favour of the debtors when the question of decree execution or sale of the mortgaged land takes place. This brings worry and exhaustion on the money-lenders and when any other occasion arises for the advance of any loans to other *zemindars* or land owning class, the question of credit arises with the result that the money-lenders being induced to receive a very high interest have to fall in traps and advance loans.

The system of *taccavi* is also a cause of poverty to *haris*, because the money received by them is to be repaid on transfer of the produce to money-lenders and thus in several cases it has been observed that no corn remains behind for the *hari* to use it for the maintenance of his family. Again, therefore, they have recourse to acceptance of loans from the village *sowcars* till it so happens that land or some ornaments or their houses or cattle are to be pawned with their creditors.

No instances are available at hand where the Imperial Bank or any other banks advanced direct loans to land owning class. Very recently are known instances of some co-operative societies advancing limited loans on execution of certain documents being a sort of weapons to the societies for recovery of loans.

Arrangements should be made to start branches of the banks to advance loans to landlords direct with a limited scale of interest and to the limit which should run regard being had to their honesty, respectability and other status which should help them in preservation of their " credits " opened with the bank. But in case of their breach of payment, laws be framed to secure the loans in such a manner that loans are fully repaid without spending any more money on the litigation. But in case the banks do not advance money direct, there should be such arrangements that the endorser who endorses any negotiable instruments executed by the landlords should recover by means of laws relating to securing the debts in the same manner as banks themselves would recover.

Loans on Hundis to local Shroffs.

Here in the town of Shikarpur, the persons possessing money, of course, those who have no other course but to live on income of interest, have to invest it in purchase of *hundis* from local *shroff* who deliver to them *hundis* written by Deccan agricultural class or traders or the industrial people.

The rate of interest allowed to them is nearly on the scale of the Imperial Bank interest. This money is thus locked up with these local *shroffs* who thus export the same to the Deccan where they have their branches. They buy *hundis* on that side at a very high rate ranging from Re. 1 per cent. per month to Rs. 10 per cent. per month. Whatever *hundis* are rejected by the Imperial Bank or any other banks of that side, they have found way here to negotiate by endorsing to the persons living on interest. This sort of securing loans from the money-possessing people is one of the causes which has brought the agriculture or any industries of this place to ruinous condition. It is explained as under :—

The monied persons who now invest money in purchase of the Deccan or Bombay's *hundis* used to lend money to grain merchants or such other creditable traders or used

to invest in certain industries, say ice factory, rice and flour mills or any dyeing factory and such others. These grain merchants or any other trader or manufacturers negotiated no *hundi* papers but simply acknowledged the particular loan on piece of paper on one anna stamp or they acknowledged by writing a few lines in account books of the money-lender. The rate of interest allowed was generally 6 to 8 per cent. This facilitated such people to invest their credits in buying commodities and in case of grain merchants, they advanced loans to them by receiving 6 or 8 per cent. interest and in this way the outturn of money was being made in the local areas.

Since these *shroffs* are given opportunities by the Imperial Bank or any other banks to receive very high credits by giving *hundis* of the Deccan traders, etc., with their endorsements or those that are rejected are being sold here, the money belonging to local persons is locked and local traders are void of getting any money which has brought stringency of the severe type.

Our suggestion is that *hundis* executed by the Deccan people should not be sold or passed on in this place. They may be endorsed there and delivered in the Bank. This will greatly help the local traders to receive monies here profusely and will be a facility to even landlords.

Wool Trade.

Advances are paid to the wool dealers by the consigning firms in Karachi and Bombay for which 3 month sight bills are to be executed by the dealers. The monies advanced to the dealer are to be invested on purchase of wool only and no other commodity. Now what happens is that these firms owing to competition of securing many clients advance freely any amounts through their guarantee brokers against execution of 3 month sight bills. This has given opportunity to them to invest money in any other way, although there is expressly to be written in 3 month sight bill against "Wool", but these instructions are not adhered to. The advance money so received by the dealers is being spent on lavishly or in doing speculative trades.

There should be restrictions on the issue of the wool advances to be solely invested in purpose of wool which will stimulate the trade.

The wool is generally consigned to Liverpool which is the world market. Many stock thousands of bales there for sale and every 1½ months the wool stocks are auctioned. This is again a bad system of auction. According to hypothecation letters the consigning firms endorsing 3 month sight bills are given free discretion to sell such wool consignments with the result that, in declining market, very high losses are to be borne by the wool merchants in India and thus poverty enters in. They again have recourse to the Provincial Insolvency Act which brings cause of obstruction in their credits of receiving advances.

Our suggestion is that the money advanced to wool dealers should be solely invested in purchase of wool and every month or some period after to be fixed by those firms the stocks of wools should be supervised here. This will greatly prevent frequent collapses in this trade.

Oral Evidence.

12736. *The Chairman:* Mr. Lalchand, your firm is a firm of bankers as well as of merchants ?—Yes.

12737. Does the banking department of your firm finance the trading part ?—Yes.

12738. You are also a *zemindar* ?—I have 20 acres of land.

12739. I find you speak something about agricultural credit ?—Yes ; because I was once in the public service as the Inspector of Police. At that time I was in touch with agriculturists.

12740. There are only two points that I want to ask you about. First, you say that 3 per cent. per month or even more is charged against the security of ornaments ?—Yes.

12741. From whom ?—It is charged from *haris*.

12742. Although the security is enough, they are charged so high a rate of interest ?—Yes.

12743. Secondly, you say that the system of *taccavi* as it prevails at present causes great hardship to *haris*. What is the alternative you suggest ? They want some money ; the *zemindar* finances them and supposing the *zemindar* stops financing them who should finance them ?—Co-operative societies should finance them.

12744. But co-operative societies must have some one as surety. The *hari* has no land of his own ?—In our province, generally the cultivating class and the *zemindar* class are Mahomedans. Supposing a *hari* fails to pay, there will be litigation which will be protracted and all that in order to secure the money. Thus the *zemindars* and *haris* are protected under the Dekkhan Agriculturists' Relief Act. There is also this difficulty. My suggestion is this that although the lands are mortgaged to the person lending money, there should not be such an act or such a provision of law which should damage the interest of the money-lender.

12745. You want the Dekkhan Agriculturists' Relief Act to be more lenient ?—Yes.

12746. You suggest " Arrangements should be made to start branches of the banks to advance loan to landlords direct with a limited scale of interest and to the limit which should run regard being had to their honesty, respectability and other status which should help them in preservation of their credits opened with the bank." By whom arrangements should be made to start branches ?—By Government or by joint stock banks.

12747. With a limited scale of interest ?—Yes. Interest is the chief thing.

12748. There is a *zemindari* bank ?—Yes.

12749. Does it lend money at a comparatively low rate of interest ?—Yes ; but I am not in touch with it.

12750. About loans on *hundis* to local *shroffs*, you say that most of the *hundis* are executed in the Deccan ?—Yes.

12751. Do you also buy these *hundis* ?—Yes. When I say the Deccan, I mean the Madras Deccan.

12752. We are only concerned with the Bombay Deccan. You think this practice of selling these *hundis* here is objectionable because it draws away the money ?—Yes. It will never give any prospect to persons here.

12753. I expect they do it because it brings them greater profit ?—Yes. The thing is this that sometimes the Imperial Bank or some other banks accept their *hundis* and at other time they reject their *hundis* ; and all these *hundis* are sent to this market. This is rather objectionable.

12754. But when they refuse, do they endorse it ?—No.

12755. Does the purchaser, however, suffer any loss ? So far as the purchaser is concerned, it is endorsed by some local *shroffs*, is it not ?—Yes.

12756. You further say : " Our suggestion is that *hundis* executed by the Deccan people should not be sold or passed on in this place ". Why ?—I say that money is being drawned away from here to distant places in the country, and as a result of which the money market locally becomes very tight. There is no money for grain merchants or for traders or for miscellaneous shopkeepers.

12757. But you have the Imperial Bank here ?—It does not advance loans direct to these persons.

12758. It gives credit to *shroffs* ?—Yes, but *shroffs* do not give credit to these persons.

12759. Speaking about wool trade you say that many people take advances and use them for other purposes ?—Yes.

12760. Is it not a matter between an exporting firm in Karachi and the dealers ?—When a merchant passes this 3 month sight bill of exchange he has to put certain conditions regarding purchase of wool. When money is drawn expressly in terms of purchase, there should be some restriction by law.

12761. It is not a matter for Government or for the public to see. It is a matter between the exporting firm and its dealers. What should be the restriction binding the company to do so ?—It should be to sell at the discretion of the shipper. The minimum price should be fixed by the shipper.

12762. *Mr. Kamat :* About wool shipments, when you consign them through Karachi firms, can you put down a minimum at which their friends in the English market ought to sell ? Do you not openly accept the arrangement of open auction sale ?—Yes. But cannot Government fix the minimum at which it should be sold ?

12763. Then the whole spirit of auction is gone ?—Yes.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Tuesday, the 28th January 1930.

Tuesday, January 28th, 1930.

SHIKARPUR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. AGA GUL HASSAN KHAN, Managing Director, Grain Sale Society, Shikarpur, and Mr. SHEIKH GHULAM MAHOMED, Retired Deputy Collector, Shikarpur.

Replies to the Questionnaire.

SECTION I.

For current agricultural purposes as well as improvement the *zemindars* are financed by Government, *sowcars* and where there are co-operative societies by the societies also. But the *haris* who are tenants-at-will are financed for current expenses by the *zemindar* himself or by the village *sowcar* mostly in kind on the security of the *zemindar*.

RATES OF INTEREST.—Government charges interest at the fixed rate of 7½ per cent. per annum; co-operative banks and societies from 9⅜ to 10$\frac{15}{16}$ per cent. and *sowcars* from 12 to 36 per cent. per annum.

PERIOD OF LOAN.—Generally loans are granted for one crop only.

SECURITY.—Crop loans are generally given on personal security. In case of longer periods generally land security is the rule and where the condition of the *zemindar* is such that repayment is not apparently possible from his produce conditional sales are resorted to.

As stated above, Government, co-operative banks and *sowcar* finance agriculturists while the joint stock banks, bankers and other organizations play absolutely no part directly.

At least one crore of rupees would be required to meet the demands of the agriculturists of the Sukkur district and for the province at least 6 crores would be necessary.

No information is available as to the extent of finance provided annually in kind.

DEFECTS.—Procedure of loans by Government and societies is rather cumbrous and dilatory whereas that of the *sowcars* is easy of accomplishment and similarly the repayments not effected so rigidly and compulsorily.

The Government should better have nothing to do with loan grants and the work might well be transferred to societies.

As to the societies, to be more popular and beneficial to agricultural community, they should be allowed to transact business like the *bhalavina* who do not only money-lending business but are also suppliers and disposers and sometimes purchasers of the raw commodities.

There is no co-ordination among the various credit agencies including Government.

QUESTION 2.—Small quantities of grain are generally disposed of in repayment of loan to village *bania* who purchases them at a rate lower than the market rate whereas the larger quantities are generally taken soon after the grain is cleared, to the nearest market for immediate disposal to meet the demands of Government and also of the next agricultural operations. People are not in the habit of storing their produce for the rise though the grain sale societies have now offered to advance to the extent of 75 per cent. of the value of grain deposited with them. Very few people take advantage of this concession because they cannot afford to take the risk of the prices going down afterwards. The markets here are ruled by the grain dealers who in some matters act in combination against the new comers whether they be grain sale societies or individuals who do not belong to their class. Various tactics are resorted to, *e.g.*, forward purchases and conditional advances binding the *zemindars* to dispose of their grain through the particular grain dealer and none else.

As for the possibility of forming pools, the only course would be to have a central grain sale society located at a place like Karachi where large quantities supplied by several grain sale societies should be stored and disposed of at an advantage for export to foreign countries. This can be done only if the grain sale societies at various places are also the purchasers like grain dealers when the grain is going cheap in the market. As it is now, the sellers are at the mercy of the local *bhalavinas* who fix the prices at their sweet will according to as the grain brought to the market is much or little.

QUESTION 3.—Most valuable lands in the district are rice lands which are flow. Their value generally ranges from Rs. 200 to Rs. 600 per acre. The test is whether the land is capable of producing superior or inferior kind of rice and whether it can grow also the *dubari* or double crop as also the quantity of paddy it can yield per acre. Next to it is wheat land which sells at Rs. 100 to Rs. 400 per acre. In the case of wheat grown on well water the rates are sometimes higher. The other kinds of land are flow and lift. The flow land is generally valued at twice that of lift land as the latter involves more labour for drawing water. Garden lands are very valuable specially in the vicinity of large towns and fetch fabulous price of Rs. 1,000 to Rs. 2,000 per acre.

The land sale in case of Government auction for non-payment of revenue fetches the least price and the case of civil decrees is the same except when the decree holder himself is the purchaser and the decreed amount to be realized is more than the bids offered at the sales by the other bidders. In private negotiations the chief factor is the necessity which compels the seller to dispose of his land or the keen competition for the same piece by the several neighbours.

QUESTION 4.—Lands under restricted tenure cannot be mortgaged except with the express permission of the Collector of the district, though this rule is relaxed in cases when the land is mortgaged to co-operative societies or banks.

There are no such institutions as land mortgage banks or agricultural banks or other banks for the provision of long-term credit. It is high time that the central mortgage bank were started for the province with branches in each *taluka* if not in each district. The business of the bank should be to advance loans to *zemindars* at cheap rate of interest,

recoverable by easy instalments, on the security of their holdings of which a record should be maintained for easy reference. The large deposits of surplus money in England or the Imperial Bank of India have on them a better claim of the *zemindars* who pay the major portion of the revenue than the foreigners or traders and bankers in India, who are financed from these deposited funds. The loans to *zemindars* are comparatively much safer than to the traders and merchants who go bankrupt any moment and whose credit with the banks is established by the policy of nepotism.

The mortgage bank should be financed mainly by the State which is the chief partner in and the owner of the land. If this is done, people will be encouraged to deposit their savings freely in such banks.

QUESTION 5.—Calculation of interest by the *banias* is generally fraudulent. A Majority of the *zemindars* and the *haris* with whom they deal are illiterate and have to trust the *bania* to whom alone they look for monetary help in time of need. The *bania* generally counts lunar months rather than calendar months for his own interest and charges interest at the very outset which amount he includes in the principal on which runs the interest. He never allows a rebate on amounts repaid during the period and charges interest on running account which mainly consists of payments in kind sold at high prices. Account is settled after every crop and compound interest is charged every 4 or 6 months on the unpaid balance. Before a bargain is struck, demands are made for a *lungi* or reward over and above the interest which is generally 20 per cent. or more of the principal amount lent.

Several ancient and efficient *zemindars* have lost their holdings outright in payment of old debts either by sale to the creditor or by the process of civil court decrees and have been turned into *kamdars* or *haris* because they could not discharge their debts owing to cycles of bad years and multiplication of interest and no hope of relief from any other source. Many a money-lender has been turned into a holder of land which he manages rather inefficiently. A hopeless debtor *zemindar* or *hari* does not put his heart and soul in his work as he knows that his entire produce will be taken away by his merciless creditor who would not accommodate him to repay the loans by easy instalments or allow him postponement. His sole object being to dispossess him of the land at as early a date as possible.

QUESTION 6.—Most of the minor village industries have been killed by foreign supplies which every village gets ready made. The villagers illiterate as they are have no value for their time and the most important thing would be to educate masses and rouse them from their stupor and then to introduce some subsidiary industries in the beginning with the help of the State. Dairy farming and producing best breed, spinning and weaving, ice producing, poultry farming and such other small industries could with advantage be adopted by the villagers provided some profitable outlet is found for them. This could easily be done by co-operative societies in which the villagers will whole-heartedly take part but the scope of the societies is so very limited that they cannot take any initiative in matters like these and Government has neither the funds nor the aptitude for such purposes.

QUESTION 7.—*Zemindars* as a class are too poor to spare money for keeping deposits with societies either for long or short-terms. The traders find their business more lucrative and look down upon the societies as their rivals in business.

Government cannot afford in its present state of financial stringency to adequately supply funds to meet the demands of the societies and through them of the agriculturists

As stated above, at least one crore of rupees will be required to make the agriculturists independent of the *sowcars*. There is no competition between the joint stock banks and co-operative banks in this district. The chief concession required from the State would be to advance money to co-operative societies at nominal rate of interest or no interest if possible.

QUESTION 8.—The Dekkhan Agriculturists' Relief Act and the Sind Encumbered Estates Act have greatly curtailed the credit of the agriculturists and consequently the rate of interest charged to them is double or treble of what is ordinarily charged to traders and others. There will be no necessity for amendment or existence of these Acts if the money-lender who charges heavy rates and defrauds the simple agriculturists would disappear from the field. This could only be done if a State Agricultural Bank finances the agriculturists and supplies their needs.

Oral Evidence.

12764. *The Chairman :* Mr. Sheikh Ghulam Mahomed, you are the Chairman of the Grain Sale Society, Shikarpur ?—Yes.

12765. Mr. Aga Gul Hussan Khan, you are the Managing Director of the Grain Sale Society, Shikarpur ?—Yes.

12766. When was this sale society started ?—(*Mr. Aga Gul Hassan Khan*) : In May 1921.

12767. Are the members mostly big landholders or are there small landholders as well ?—Both.

12768. When your members bring their produce to the Sale Society, is it common for them to keep it here for some time or do they usually want to sell it at once ?—There are godowns in our Sale Society and they keep it there.

12769. Do they take an advance ?—In very few cases they take an advance.

12770. If they want an advance how much do you give them ?—They get 75 per cent.

12771. What has been your experience when they hold up their grain ? Do they get a better price ?—Yes. In certain cases they lose also.

12772. But generally it is better for them to hold it up, is it not ?—We advise them to hold up their produce when prices go down.

12773. We were told in Karachi that the Karachi Central Bank has started this warehousing business last year and some people lost ; but does this happen here very often ?—No.

12774. How is the grain sold ? Is it sold by private arrangement with grain merchants here ?—Yes.

12775. Not by auction ?—(*Mr. Sheikh Ghulam Mahomed*) : We sell by auction in Jacobabad. There are a number of merchants who go over there and the highest bidder takes it.

12776. Have you done much business so far in Jacobabad ?—During the year we have done business for Rs. 30,000. This is the first year.

12777. Is the produce sold separately ?—Yes. (*Aga Gul Hassan Khan*) : In certain cases we grade it. According to the quality they get price.

12778. If you have a large quantity, do you get a better price or is the price usually the same ?—It depends upon the market.

12779. Did you have any difficulties about finding buyers at all in the beginning ?—(*Mr. Sheikh Ghulam Mahomed*) : In Jacobabad, we had some difficulty. The first thing is that nobody would buy the produce unless it is sold at one and one-fourth of an anna less per maund. Supposing a maund is sold for Rs. 5, in other words the market is Rs. 5 per maund, what happens is, if it is sold through the society, they give As. $1\frac{1}{4}$ less per maund.

12780. Is this a sort of brokerage ?—No, they say that we are outsiders and we do not belong to their class and they have resolved amongst themselves that nobody should buy the grain from the society, unless it pays As. $1\frac{1}{4}$ to the grain merchant.

12781. It means when a *zemindar* wants to sell his produce through the society, he loses As. $1\frac{1}{4}$?—Yes.

12782. Does the *zemindar* get any other benefit from the society ?—His only benefit is that weighment and other things are to his advantage.

12783. Do *zemindars* appreciate this advantage ?—Yes, and that is why they send their grain to the society. They consider this facility of weighment as an advantage. (*Mr. Aga Gul Hassan Khan*) : Besides the society does not charge interest over interest as a *bania* does.

12784. Upon what ?—Upon the advances they get from us and besides the account is also honest.

12785. Do the buyers pay cash at once as soon as they purchase the produce from a *zemindar* ?—The grain merchants pay on the next day but we pay on the same day.

12786. Do you charge the same brokerage as a *bania* does ?—(*Mr. Sheikh Ghulam Mahomed*) ; It is almost the same.

12787. Have any of your members tried to send their grain directly to Karachi through the sale society ?—(*Mr. Aga Gul Hassan Khan*) : No, because there is risk of loading and other things.

12788. Have you any agents in Karachi with whom you have made any arrangements ?—(*Mr. Sheikh Ghulam Mahomed*) : No, because people do not seem inclined to send their grain at their risk and the society cannot take the risk.

12789. Do you finance your members before they actually bring their produce ?—The society at Shikarpur does, but the Jacobabad society is prohibited from doing so.

12790. To what extent does the Shikarpur sale society finance ?—(*Mr. Aga Gul Hassan Khan*) : Up to Rs. 3,000.

12791. On the condition that a *zemindar* brings his produce to the sale society ?—Yes.

12792. What is your experience ? Have the *zemindars* always fulfilled their promises ?—(*Mr. Sheikh Ghulam Mahomed*) : Generally they fulfil their promises.

12793. Have there been cases where you have given an advance and the *zemindar* has not brought the whole produce ?—I expect him to bring the whole produce. We give him the advance only on this condition. There are big *zemindars* also who have borrowed Rs 3,000.

12794. What is the condition ?—The condition is that they must at least bring produce for double the amount.

12795. Have there been cases where they have not brought anything at all ?—There have been very few such cases. We filed suits and have recovered the money through the *mukhtyarkar*. But there are very few such cases. On the whole we are quite safe.

12796. Those who are not members of societies take their produce to grain merchants ?—(*Mr. Aga Gul Hassan Khan*) : There are many non-members who bring their produce to the same society also.

12797. Do the members get an advantage which the non-members do not get ?—They are equally treated.

12798. Have you been able to give any rebate to members at all ?—In some cases we have given rebate.

12799. Who is a *bhalavina* ?—(*Mr. Sheikh Ghulam Mahomed*) : He is a commission agent and his system is not only to take commission and sell the thing but he does lending business side by side and he even purchases grain.

12800. I see that you want to follow the same system ?—Yes, if we are to cope with *bhalavinas*.

12801. You want sale societies to purchase grain ?—Yes, if the produce is cheap in the market. Suppose in Jacobabad the grain dealers combine amongst themselves not to bid for it or they bid very low, in that case the best course would be that we should be the purchaser for it ourselves, that is to say, the society or somebody from the society who may purchase his produce.

12802. If the society is not in a position to find purchasers for the *zemindar*, where would the society itself find purchasers for its own goods ?—It can send it to Karachi.

12803. Do you want the society to take the risk ?—Yes.

12804. Do you think in the present position it would be safe for the society to undertake such risks ?—To a certain extent it will be good and it will be safe also, because we know the prices current from various places and on that very day we can send the goods to the places where we would get a fair price. The society will not be a loser.

12805. In your statement you say that Government should better have nothing to do with loan grants and the work might well be transferred to societies, but at the end, you say that an agricultural bank managed by the State should finance agriculture ?—The reason is this. When an application for a loan is made, it is filed, then enquiries are made through the revenue agency. So these enquiries should not be made by Government. The money should be supplied by Government.

12806. If there is a State agricultural bank, enquires will have to be made by State officials ?—It will be by the bank officials who are quite different from *talatis* and *munshis* who have other dealings with people.

12807. You say here that except for the grain which is taken to the village banker in payment of his debt, the *zemindar* takes the grain to the market centres ?—This is the system here.

12808. We were told in other parts of Sind that the whole produce is taken to the village *bania* ?—This is not the system here. Even smaller *zemindars* who have a few cartloads sometimes bring their produce on their own account and sell it in the market.

12809. Do you sell the produce here according to the market rate ?—Yes.

12810. I find from your statement that your society in 1925-26 sold grain worth about Rs. 2,18,000 and then it went down to Rs. 1,75,000. Why is this so ?—(*Mr. Aga Gul Hassan Khan*) : This is owing to the year being bad.

12811. And this year it is only Rs. 98,000 up to the 15th of January ?—The season is current and in this season we expect more sale of grain.

12812. You expect this year sale will be more than previous years ?—Yes.

12813. Do you think the co-operative sale system is the best system ?—Yes.

12814. The grain sold in this market must be worth several lakhs of rupees ?—Yes.

12815. You have only touched a fringe of the problem ?—Yes.

12816. If you want to develop it, what do you think should be done ?—If money is forthcoming to finance people we can get their grain and dispose it off. As there is no certainty, we cannot make arrangements even with big merchants in Karachi or elsewhere to purchase our grain.

12817. Do you mean finance for cultivation purposes ?—Yes, and people do not give their grain unless and until they are financed by the society. They have already dealings with *banias* who supply their needs throughout the year and unless they know that we will supply them sufficiently for their wants, they will not bring their produce to us.

12818. There is a *zemindari* bank here ?—Yes.

12819. Have you not made any arrangement with the *zemindari* bank that any of their members who are financed by them should sell their grain through the sale society ?—This arrangement has been made with them and up to this time in Jacobabad they have given about Rs. 50,000 to *zemindars*. Up to this time not a single *zemindar* has brought his produce to the sale society even though the condition with the *zemindari* bank was such. The *zemindari* bank finances big *zemindars* and there are two very big *zemindars* each earning about a lakh or two who do not care about their promises. I spoke to the Deputy Commissioner twice that they have broken their promises that they made to the *zemindari* bank. They did not bring their produce to the sale society during the last *kharif* and *rabi* season, but this time the Deputy Commissioner has promised to see into the matter.

12820. What about the smaller *zemindars* ?—They do not get money at all from the *zemindari* bank. The smaller *zemindars* here get money from the co-operative society.

12821. Do you think the small *zemindars* who get money from the co-operative society fulfil their promise ?—Yes. It is only the big *zemindars* who do not care. (*Mr. Sheikh Ghulam Mahomed*) : This bank supplies advances only to *zemindars* paying Rs. 500 assessment and over. Others paying less than Rs. 500 get no help from the bank and they are the persons perhaps who, if they get help from the bank, would keep their promise.

12822. Are they not members of co-operative societies ?—So far as Jacobabad is concerned there are no societies for small *zemindars*.

12823. In Shikarpur there are ?—Yes.

12824. Are they keeping their promise ?—(*Mr. Aga Gul Hassan Khan*) : Yes.

12825. You say if finance were arranged, the society could be developed; but now even where finance has been arranged people are not keeping up their promises ?—They must be under the impression that they receive money from the society. The bank should be near the place of the society so that they should be under the impression that

this much has been paid to them by the society, otherwise they consider it a separate thing.

12826. They are given to understand, are they not ?—Yes, but they must be pressed to fulfil their promise.

12827. Was not this one of the reasons for starting this bank ?—Yes.

12828. This object has not been fulfilled ?—It is only the first year.

12829. Do you not think that it is your business to tell them to bring their produce to the sale society and that they would thereby be profited ?—Yes.

12830. But even those who are financed by the *zemindari* bank to the extent that is necessary have not brought their grain to the sale society ?—(*Mr. Sheikh Ghulam Mahomed*) : Unfortunately they are already tied up. It will require time to break their practice. Another thing is we should supply their needs in full throughout the year so that they may not go to *sowcars*. (*Mr. Aga Gul Hassan Khan*) : You can find that in the first year of this sale society we received grain worth Rs. 49,000.

12831. You had only 23 members ?—We encourage non-members also. We require a *zemindari* bank in each and every *taluka* and not only one in the district.

12832. *Mr. Kamat* : What is the area of operation of this sale society roughly ?—(*Mr. Sheikh Ghulam Mahomed*) : It serves nearly half of the district. It serves three *talukas* out of seven *talukas*. The distance for this sale society at Shikarpur being too long from other *talukas*, persons from these *talukas* do not send their grain to Shikarpur.

12833. In order to serve the district, you think a similar sale society should be started for other *talukas* also ?—Yes.

12834. You say that a State agricultural bank would be desirable ?—Yes.

12835. Do you mean a bank managed by the State ?—No, but financed by the State.

12836. You have here some *zemindari* banks. We are also told that there should be a land mortgage bank either for the province or for other districts. Are not the *zemindari* banks practically land mortgage banks because you practically mortgage their lands ?—Yes.

12837. Between the two, what would you like to have ?—First of all a *zemindari* bank does not advance to the full extent of the needs of *zemindars*. Another thing is, these *zemindari* banks do not take a regular mortgage and it is only a simple form taken from them and only a certain portion of the land is mortgaged. If a man wants on mortgage of his land one-fourth or one-third of the value of his property and if he is given such a sum, it will facilitate matters.

12838. In the case of a land mortgage bank it would be a long-term loan ?—Yes. But in the present case it is from crop to crop or from year to year. Besides, in the land mortgage bank the recovery of the loan becomes easier.

12839. Do I take it that you prefer a land mortgage bank to the expansion of *zemindari* banks ?—Yes, unless the *zemindari* banks also advance them for longer periods. The *zemindari* banks only advance for a year. There is another disadvantage in the *zemindari* bank. As it is, at present they want one-fifth of the amount advanced which is immediately recovered as share amount. A man borrowing Rs. 5,000 must at once pay Rs. 1,000. Now taking the interest for the sum of Rs. 5,000 for six months or for eight months, if he wants to repay it in six months or so, he has to pay

Rs. 5,500 whereas he actually receives only Rs. 4,000. So he has to pay an extra sum of Rs. 500. Now this is a very great burden on the people, though it will increase the share amount of the bank all the same it is a very heavy burden on the people who shrink from doing it. Out of necessity they go and borrow from the *zemindari* bank.

12840. You have described the methods of money-lenders. You say "Before a bargain is struck, demands are made for a *sungi*. What is *sungi* ?—It is this that when a man goes to a *sowcar* and tells him that he wants a credit of Rs. 10,000 or he wants to take Rs. 10,000 from him at once or by instalments, the first thing the *sowcar* would say is that he had no money in hand and that he would manage elsewhere and for managing to get money he would demand *sungi* or reward. This reward would come to 5 per cent. of the loan. To begin with, this amount is taken at once. In some cases it happens like this. In Jacobabad I know a man who borrowed Rs. 10,000 from a *sowcar*; he did not borrow it at once but he took it by instalments of Rs. 1,000 and thus he completed the sum of Rs. 10,000 by instalments. But the first thing was he had to pay Rs. 1,000 as *sungi*. So, he got only Rs. 9,000.

12841. And a *bania* charges interest at three months rest ?—Yes. And then this amount is added to the principal and interest runs on the whole amount.

12842. Do you think any regulation of money-lenders' accounts or fixing a maximum rate of interest would be possible ?—It would not be possible and at the same time it would not be practicable because what they charge is never on the paper and is never known.

12843. *Professor Kale :* You said that if a member wants to borrow from a *zemindari* bank Rs. 5000, he has to buy a share and pay one-fifth of the amount at once ?—Yes.

12844. He has to pay it under the bye-laws of the society ?—Yes.

12845. Do you think it is necessary to amend this bye-law ?—I should think so.

12846. *The Chairman :* Has he to pay only once or every time he borrows from the bank ?—Only once he has to pay.

12847. *Professor Kale* : Would it not be possible to amend the bye-law in such a way that the value of the share might be paid by him in instalments instead of paying it at once ? Do you think it is desirable to amend it ?—It might be amended, but I think there will be no necessity to charge one-fifth after some time because now the object is to increase the capital of the bank, but this object will not be so pressing after a year or two. Now we have Rs. 55,000 from members. Supposing this is raised to a lakh of rupees probably the rule might be amended to, say, instead of one-fifth, one-tenth or one-twentieth may be charged and it would be reasonable. For the present it is very hard for people to bear this burden. It is killing.

12848. Do you think that some change is necessary ?—Yes.

12849. Do you not think that all this restrictive legislation against the high rate of interest charged by *sowcars* and money-lenders is likely to defeat its purpose unless you start co-operative societies and banks which by their competition with money-lenders might bring down the rate of interest ?—Yes, that is the only real solution of the problem.

12850. Is there any strong prejudice against taking of interest by Mahomedans here and elsewhere ?—There is, but opinions are conflicting at present about it.

12851. Do you think that practical steps might be taken to encourage people to put in their money in banks ?—I think no step is at all necessary. In due course of time things will amend themselves.

12852. I was thinking whether investing money in postal cash certificates, where the actual interest is not to be drawn but at the end of five years you get interest and capital in a lump sum, would not do away with the prejudice ?—I think people understand that it is interest, but now the prejudice is gradually dying out.

12853. *Mr. V. L. Mehta :* You say, " Procedure of loans by Government and societies is rather cumbrous and dilatory." What changes would you suggest ?—The changes desirable are that if Government wants to advance money, it should be done within a certain period. At present the application is kept for a number of days, for a number of weeks and sometimes for a number of months.

12854. Supposing the credit of members is fixed in advance, and when the credit of all the members is fixed, the credit of the society is also fixed, will that be an advantage ?—That will help, but not very much unless the thing is taken away from the official clerk.

12855. Who will do the work of supervision or check or scrutiny ? Will it be done by Government auditors or by the union ?—Government auditors are necessary.

12856. So you would retain the audit, but you would not like the detailed investigation at the time of sanction ?—Quite.

12857. You suggest something about the method of recovery by co-operative societies. You say that repayments are not effected so rigidly and compulsorily by *sowcars.* What change of method would you suggest for co-operative societies to adopt ? The suggestion made here is that they enforce recoveries a little more rigorously. The practice is that when an advance is made for a crop or for current agricultural purpose, must the recovery not come out of the outturn of the crop ?—Quite ; but supposing the crop fails on account of bad season and the man is unable to pay, where will he pay from ? In such cases of calamity, there should be postponement of recovery.

12858. Do you suggest that after investigation postponements might be granted more liberally than they are now done ?—Yes.

12859. Has your society experienced any difficulty about keeping goods in godowns ?—No difficulty has been experienced.

12860. So you do not want any special facility in that behalf from Government ?—Of course, the rents charged for the godowns are rather in some cases prohibitive, and the godowns are not well-fitted for the purpose for which we use them. What we do is that we get a house on rent, which is a *katcha* house, sometimes with all combustible materials, and we store our grain there. It, therefore, becomes more difficult for insurance companies to insure our goods. For our business to be on a firm footing it would be better if Government were to grant us a site for godowns, and we will build godowns.

12861. Apart from your society, is there enough accommodation for godowns ?—Yes, but they are unsuitable houses.

(The witnesses withdrew.)

Khan Saheb ALLAHBUKSH KHAN, M.L.C. Shikarpur.

Replies to the Questionnaire.

I know of three ways by which the agriculturist of the district obtains finances for cultivation and improvements of his lands and domestic expenses.

1. *Bania* money-lenders who are divided in two c lasses : (1) *bania* shopkeeper and (2) *bhalavina*. These keep to themselves the dealings of about 90 per cent. of the agriculturists. *Bania* shopkeeper advances money to small *khatedars* to reasonable limits, in cash, corn, clothes, etc. This he recovers with interest which is charged from 18 to 24 per cent. at the end of the season. If, however, very unfortunately a bad year intervenes owing to flood or frost, the agriculturist is granted extension. But as the agriculturist's plight is very hard and his income hardly sufficient for his living, the liabilities remain and with exorbitant interest accrued on it, ultimately cause him to dispose of his land. I know of many instances where a *bania* shopkeeper who started his business on handful of articles, has acquired large landed property in the above manner. No. (2), *i.e.*, *bhalavinas* advance money to big *zemindars* and by virtue of such advances acquire the right to the disposal of the *zemindar's* grain. The interest charged by this class of money-lenders is comparatively low, *i.e.* from 6 to 12 per cent., but they are adequately compensated by the commission they earn on the sale of the grain.

The second source is the co-operative banks and societies. There are only two co-operative banks in the district, which as far as I am informed finance about 6 per cent. of the agriculturists. From this figure it will be observed that the work done by these institutions is negligible. With the present condition of these societies, I do not think it possible to oust *bania* money-lenders. The difficulties are that an agriculturist has carried on business with a *bania* money-lender from his fore-fathers and is perpetually indebted to him. Comparing a money-lender with a co-operative bank, he appears to me easily accessible and accommodating. Unlike the co-operative bank he advances money without making minute enquiries and does not keep him in suspense. This is all due to the illiteracy of the masses, which should as a first step be removed.

As referred to in the preceding paragraph, an agriculturist carries his business with a *bania* money-lender from father to son even at a great loss and is always under his debts. Measures should, therefore, be taken by the co-operative banks to relieve agriculturists of the indebtedness by granting them long-term loans at cheaper rates.

The co-operative banks as they exist to-day, each by itself, can be of more utility if they are all put together. As an individual concern, it cannot stand the competition nor does its scanty resources permit its giving loans for long duration. Its funds being limited, with no prospect of liberal credit ahead, it trades on smooth path of advances for current cultivation. I therefore recommend very strongly that all the co-operative institutions should be amalgamated and the Bank as a whole should have unlimited credit with the Imperial Bank of India, at a rate not exceeding 4 per cent. The revised Bank will be in a position to advance money for redemption of old debts and improvement of lands.

The process of giving loans should be simplified and the period for disposing of a case considerably reduced. The Record of Rights should be re-arranged so that at a glance, the impressions of the true affairs be had. The agriculturists are used to convenience and unless we follow in the foot-steps of money-lenders with certain restrictions, we shall not be able to improve the agriculturists' position.

The third source of the finance is the *taccavi* loans by Government. The rate charged on these is about 6¼ per cent. In view of the fact that an agriculturist has to incur out of pocket expenses to raise *taccavi* from the Government and also of the possibility that he might raise a loan from the co-operative bank, I recommend that the Government should put a stop to such loans in future. It should leave the work, now done by the Government to the co-operative banks. In lieu of the trouble, the Government should

undertake to collect instalments of loans, on behalf of the co-operative bank, along with its land assessment.

The difficulties with regard to the sale of grain through the co-operative societies are the same as mentioned above. They cannot purchase grain on their own account nor can they advance sums before the corn is actually stored with them. This will never suit the agriculturist who requires money beforehand to cultivate his lands. To facilitate the work of sale, I propose that the sale societies, which also exist by themselves, should be affiliated to the co-operative banks. Each co-operative bank branch should have under its control a number of such societies at different centres. To bear out the local competition, they should manage to sell grain at different places and should even send it outside the Province if the rates are favourable there.

Oral Evidence.

12862. *The Chairman :* You are a *zemindar* in Shikarpur ?—Yes.

12863. You are also Chairman of the Shikarpur Zemindari Bank ?—Yes.

12864. What is the usual system of cultivation here ? Do the *zemindars* cultivate through *haris*, or do they cultivate through hired labour ?—Usually they cultivate through hired labour. Sometimes they cultivate through *haris*.

12865. Are the *haris* financed by the *zemindar*, or have they to go to the *bania* ?—In some cases when the *zemindar* is rich, he gives loans to his *haris*, but generally they have to go to the *bania*.

12866. When the *hari* goes to the *bania*, does the *zemindar* take responsibility for the repayment of the loan, or he has nothing to do with it ?—He only helps the *bania* to recover ; he is not responsible for it.

12867. Are the lands here given on *batai* and not for cash rent ?—There is a system of cash also. When they are given for cash, then no advances are given by *zemindars*. When they are given on *batai*, they are given finance for cultivation and seed. Seed is not advanced, and the cost of the seed is borne by the cultivator.

12868. What is the system of *batai* here ? Do they share half and half ?—In some cases *zemindars* do take more, but usually they take half. In case of rice cultivation it is half and half, but in case of *juar*, three shares go to the *zemindar* and two shares go to the cultivator, but that is not the usual system.

12869. When the *zemindar* makes advances to the *hari*, does he recover any interest ?—No.

12870. Does he take a larger share ?—If he is a Hindu *zemindar*, he takes interest, but if he is a Mohamedan, he takes no interest.

12871. Does he not take a larger share of the produce in that case ?—No.

12872. What is the usual rate for a *hari*, if he borows from the *bania* ?—*Banias* have their shops in the village, and when the cultivator has to borrow from them, he goes to the shop. He does not take ten or twenty rupees, but he takes some articles and keeps his account with the *bania*. At the time of harvest, the *bania* goes to him and the cultivator pays in kind and sometimes in cash.

12873. Is the rate not settled ? Supposing he takes one maund of *juar*, he has to return 1½ maund ?—Yes ; especially in this district they charge much more.

Khan Saheb Allahbuksh Khan.

12874. When the *zemindar* has to borrow, what interest has he to pay ?—He borrows at 12 to 24 per cent.

12875. If he is a big *zemindar*, and he borrows from *bhalavina* ?—In that case it is 6 to 12 per cent., but such *zemindars* may be five to ten per cent.

12876. Who is a *bhalavina* ?—He is a commission agent. He charges from 6 to 12 per cent.

12877. Is there also a condition that the grain must be taken to him for sale ?—Yes, that is always the condition.

12878. Have most of the cultivators to take loans for cultivation purposes ?—Yes ; I think 95 per cent. have to.

12879. What do you think has been the effect of the Sind Encumbered Estates Act? Has it affected the credit of the *zemindar* ?—My personal opinion is that it has ; but when I consulted my friends, they said that it has not affected. My personal opinion is that it has on the contrary harmed by reducing the credit of the *zemindar*.

12880. I see that you are in favour of centralisation of co-operative finance ?—Yes.

12881. But you are not in favour of centralisation of management ?—Of management also. There should be a *zemindari* bank in every *taluka*, and the *taluka* bank may send one or two representatives to the central bank.

12882. The *taluka* bank should be managed by whom ?—By the *taluka zemindars*.

12883. That is to say, the power of granting loans should be in hands of the *taluka* board ?—Yes, subject to the control of the central board.

12884. Is it your idea that more funds will come to the central organisation ?—Yes ; and there will be greater development.

12885. Are you not in favour of the Government *taccavi* system ?—No.

12886. At present is there any source from which loans for long-term could be obtained for land improvement besides Government *taccavi* ?—No.

12887. Do you not think some system is necessary under which land improvement loans can be obtained ?—It is quite necessary that there should be some source from which a man can get loans for land improvement.

12888. Would you prefer non-Government finance ?—It should be governed by people and not by Government.

12889. Have they appointed any local committees to advise about the distribution of *taccavi* ?—No ; it might be on account of floods that they have appointed in Thar Parkar and in this district.

12890. Have you any experience of the working of that system ?—It is working better than it would have been if it was worked by Government agency.

12891. As regards co-operative sale society, do you agree that the sale organisation is necessary ?—It is necessary.

12892. What should be done to get *zemindars* to sell their produce through the sale organisation ?—I think time is necessary.

12893. How many members have you ?—Fifty-five.

12894. How many of them do you think depend solely on the *zemindari* bank ?—I think such members would be about 15 or 20.

12895. And others have still to go to *sowcars* ?—Yes.

12896. Is that because the limit is low ?—Yes ; the limit of the bank was Rs. 500. Three *talukas* in the Upper Frontier are affiliated with the *taluka* bank, and there *zemindars* have large holdings and, therefore, Rs. 500 is too small a sum for such big holders. We have, therefore, increased the limit from Rs. 500 to Rs. 1,000.

12897. But some witnesses have said that if you make finance easy, they would borrow more ?—That is true because people are illiterate.

12898. Is there any supervision exercised ?—What we do is that we give credit to the man and tell him to take the money up to his credit as necessity arises by instalments.

12899. Are they doing that ?—Yes, they are doing that, and that is the only way to encourage people until they are educated.

12900. Do they not take in lump ?—No ; as the bank is in infancy, we see that we do not lend to *zemindars* who would waste.

12901. Is there anything being done by *zemindari* banks to encourage savings of people as in the case of co-operative societies they have to contribute some small amount every year ?—The Shikarpur Zemindari Bank is in its infancy, and not a year has passed.

12902. Do you not think it would be the main function of a *zemindari* bank ?—I should think so.

12903. *Professor Kale* : Is it your view that district banks should be replaced by the branches of the Central Bank ?—No.

12904. A suggestion has been put forward before us that the Central Bank in Karachi should control the whole finance of co-operative societies in Sind ?—Yes ; but with the representatives of the *taluka* committee on the Central Bank Board.

12905. Quite true ; but the district banks will disappear according to their proposal. There would be no district banks as such, and there will be only branches of the Central Bank, and it is through branches of the Central Bank that the primary societies will be financed ?—I do not agree with that. I personally think that there should be *taluka zemindari* banks.

12906. *The Chairman :* Do you make a distinction between *zemindari* banks and co-operative societies ?—Yes.

12907. So far as credit societies are concerned, do you want the present arrangement to continue ?—I think so.

12908. *Mr. V. L. Mehta :* You suggest that the process of giving loans should be simplified. Do you refer to *zemindari* banks, or do you refer to village societies ?—*Zemindari* banks.

12909. What is your suggestion ?—We should have a copy of the Record of Rights, so that if the property of a man is mortgaged, we can at once know before we advance money. That is the only facility we want.

12910. Otherwise there are no delays as in ordinary village societies ?—I do not think. I think it is necessary in the beginning, because we have to send the application to the Assistant Registrar.

12911. Would you like that system to continue ?—It has been continued, and we might continue it for one year.

12912. About financing the *haris*, is it a practice here for *zemindars* to stand sureties to co-operative societies for loans taken by *haris* from societies ?—I do not know that.

12913. Is it a common experience here that these *haris* stick to one *zemindar* or do they change *zemindars* and run away ?—It depends on the facilities they receive. If the season is good they repay; but if crops fail, they become helpless and cannot repay.

12914. It is a fact that they involve the *zemindar* into liabilities and then run away ?—Certainly it is, because the *hari* is given advances by the *zemindar*, and if the crops fail for one or two years, the cultivators cannot pay and run away, and the *zemindar* will naturally suffer.

12915. Some witnesses have told us that in villages there is no difficulty about smaller *khatedars* and smaller *zemindars* getting accounts from *banias* from whom they borrow, if they demand from them. What is your experience ?—There is no difficulty; they get accounts if they ask for them.

12916. *Mr. Kamat :* Would it be possible to get long-term deposits from Musalman *zemindars*, say, fixed deposits for five years ?—Yes; if Government will take proper interest.

12917. Do you mean if the rate of interest is proper ?—If the Collector and the Commissioner of the division will take interest and encourage *zemindars* and induce them to deposit their money, the bank will get long-term deposits. The *zemindars* will accept the interest willingly, and even the Musalman *zemindars* would not object to it, if it is known as a State bank. They do not take interest either from Hindus or from Mohamedans, but if it is Government money, there is no objection to receiving it.

12918. Such money might facilitate loans for land improvement ?—Yes.

12919. About the Sind Encumbered Estates Act, so far as your own personal opinion goes, would you like it entirely abolished or modified ?—I would suggest that it should be substituted by some Act but not abolished. There may be some restrictions on the *zemindars* not to dispose of their lands. At present if the *zemindar* has property worth ten lakhs of rupees and if he wants five thousand rupees, he cannot get it. He has to go to *bhalavina* and get money at 20 or 30 per cent. whereas in the case of *sowcars*, who may have one or two lakhs of rupees, they have two credits. They can get money from the people of the town, and they can get money from the Imperial Bank, and there they have to pay only 6 or 8 per cent. but the *zemindar* has no credit. He lives away from the town and neither the people nor the bank would give him money because of the Act, and naturally the *zemindars* have lost their credit on account of the Act.

12920. So you do not object to the method by which the claims are decided, but you object to the curtailment of the credit because of the Act ?—Yes.

12921. *The Chairman :* Are you in favour of restricted tenure being introduced in the case of *zemindars*, so that they would be able to get money ?—I think at least for the first ten years it is absolutely necessary to keep the Act till people are educated.

(The witness withdrew.)

Mr. SAYED HAJANSHAH, Chairman, Co-operative Society, Shikarpur.

Replies to the Questionnaire.

The agriculturists obtain finance for expenses during cultivation from (1) co-operative societies, (2) money-lenders and (3) *taccavi* from Government.

The rates of interest in this district are as under :—

The co-operative societies charge interest from 1½ to 1¾ pies per rupee per month and interest on *taccavi* loans is 1¼ pies per rupee per month. Money-lenders charge generally 37½ per cent. on the security of land mortgaged with them, while the co-operative societies advance loans on the suretyship of two members only. The interest charged by money-lenders is very exorbitant and, moreover, their conditions are hard.

The *banias* in order to evade the provisions of the existing protective legislature generally advance cash loans by having outright sale deeds executed. There, however, exists an understanding between the parties whereby the land is restored to the owner if the loan is repaid punctually. In actual practice, however, it is found that more often than not the lands pass out of the hands of the real owners and go to the *sowcars*.

The remedy for the present defects in agricultural finance in my opinion is that :—

There should be at least two co-operative societies in each *tapa* which should freely advance loans to *zemindars*. With a view to make the working of the co-operative societies smooth, the revenue officials should have clear instructions to co-operate sincerely and give ready effect to the execution of the arbitration awards sent to them.

The money-lenders advance loans on their own terms. Government *taccavi* is not so freely available. It is the co-operative banks and societies which co-operate between themselves and help the *zemindars* materially.

Produce is sold through the local merchants who charge commission and other charges. The *banias* do not give proper price or weights and the agriculturists very much suffer in consequence. There are only *bania* merchants in this district who take chief part in the marketing of the produce and purchase and sell to their own advantage. The charges for internal remittance through the post offices are heavy while remittance by local *hundis* is not quite safe. Remittance through registered banks on small commission will solve the difficulty and the commission charged by the co-operative banks for the purpose should also be decreased.

QUESTION 3.—The value of rice land per acre ranges from Rs. 600 to Rs. 1,000 and that of other land from Rs. 50 to Rs. 150. If land is put to auction for arrears of land revenue, etc., the bids offered are generally those given for relinquished holdings, and paddy land fetches about Rs. 300 per acre, and ordinary land from Rs. 30 to Rs. 60 per acre. Purchase of land by private negotiation depends upon the inclinations of the purchaser and the degree of necessity compelling the seller to dispose of his land.

QUESTION 4.—There are no land mortgage banks or other banks in Sind to provide long-term credit. My suggestions about providing adequate finance to *zemindars* and improving their condition are as under :—

More co-operative banks may be started in the district which may advance long-term loans to the agriculturists.

The organization of sale societies should be pushed on.

There is no legal impediment against mortgage of land.

The Co-operative Movement in this district has been fairly useful in meeting the financial needs of the agriculturists to a fairly good extent, but still there is much scope and need for expansion.

The condition of the agriculturists will improve materially if rules regarding lending are made more elastic.

Societies teach members the habit of thrift as they are required to save something annually in the shape of shares. The share capital goes on growing gradually which means that the *zemindars* are saving as much.

Post office cash certificates though a very sound investment are not yet so popular as the rate of interest on them is not so attractive.

The *zemindars* generally utilize their savings, if they have any, in purchasing new lands and effecting improvements in them.

Oral Evidence.

12922. *The Chairman*: You are the Chairman of the Shikarpur Co-operative Society ?—Yes.

12923. When was the society started ?—It was started in 1918.

12924. So it is ten years old ?—Yes; and the reserve fund is Rs. 8,435

12925. There is a rule that after the first ten years the members can distribute half the reserve fund amongst themselves. Was that distributed ?—No.

12926. How many members have you ?—At present we have seventy members.

12927. And what is the working capital ?—Rs. 29,970.

12928. Is that enough for all the members ?—I do not think it is enough.

12929. Do the members have to go to *sowcars* ?—Very few.

12930. Do many of the members get sufficient amount for cultivation expenses ?—The limit is only up to Rs. 500.

12931. But it can be increased ?—Yes.

12932. Do the small *khatedars* for whom Rs. 500 is enough go to *sowcars* ?—They have not to go to *sowcars*.

12933. But the big *zemindars* have to ?—Yes.

12934. Cannot arrangements be made to finance big *zemindars* from your society ?—We cannot do that unless some rules are framed.

12935. Do you think that the limit should be increased ?—Yes.

12936. In your statement you say that money-lenders generally charge 37½ per cent.?—Yes.

12937 Is it usual ?—Yes.

12938. Is it for *haris* or small *khatedars* ?—For small *khatedars* and sometimes for big *khatedars* also.

12939. Have your members taken advantage of the sale society ?—Yes.

12940. Do all your members send their produce to the sale society ?—Yes, with the exception of a few.

12941. Those who take advances from the *bania* have probably to send it to him ?—That must be only five per cent.

12942. You say that remittance by local *hundis* is not quite safe. Is it because *hundis* are dishonoured here ?—Yes, because sometimes local man failed.

12943. Have many cases occurred like that ?—Yes.

12944. Recently ?—Yes.

12945. Were they *shroffs* ?—No, they were merchants. People lost their confidence in them, and they do not buy *hundis*.

12946. *Mr. V. L. Mehta :* Remittance from where to where ? Do you mean remittance from village to Shikarpur ?—Even from the village to Shikarpur or from Shikarpur to Karachi or somewhere else.

12947. *The Chairman :* Who does the business of remittance ? Agriculturists or *zemindars* do not buy *hundis* ?—No ; *zemindars* only do that because they generally remain outside the town so that they deposit their money with the *bania* in their villages and ask the *bania* to give them their *hundis* and when they go to Shikarpur they find it difficult to cash them.

12948. As regards the Co-operative Movement, you say that there is still scope for expansion. Do you mean the extension of a large number of societies ?—Yes ; there should be at least two co-operative societies in each *tapa*.

12949. I expect it is a question of supervision and more staff ?—Yes.

12950. You say that societies teach members the habit of thrift ; that is to say they buy shares ?—Yes.

12951. Do they deposit ?—Yes.

12952. How much do you have by way of deposit ?—Rs. 300.

12953. That is small ?—It is on account of bad years.

12954. *Mr. V. L. Mehta :* What are the rates of commission charged by co-operative banks for remittance purposes ?—They are charging more than two annas.

12955. Cannot you pay the money in the treasury ?—Sometimes we pay, but it takes 15 to 20 days.

12956. If the delay is abolished, could you remit through the treasury ?—Yes.

12957. As regards rules regarding the lending by co-operative societies, would you like them to remain elastic ?—Yes ; the limit should be increased.

12958. Do you mean instead of Rs. 500 the limit should be raised to Rs. 1,000 ?—Yes, and even more in special cases.

12959. At present if a member wants Rs. 1,000 can he get from the society ?—Yes, but he cannot get more than Rs. 1,000.

12960. Would you like them to advance more than Rs. 1,000 ?—Certainly.

12961. But the power of sanction will remain with the Deputy Registrar ?—Yes.

(The witness withdrew.)

The Committee then adjourned and reassembled at Bombay on Monday, the 3rd February 1930.

Mr. Sayed Hajanshah.

Monday, February 3rd, 1930.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*)

Mr. L. D. L. BUCKLEY.
Mr. H. V. DESAI.
Professor V. G. KALE.
Mr. B. S. KAMAT.

Mr. R. P. MASANI (*Secretary*).

Mr. J. G. RIDLAND, Secretary and Treasurer, Imperial Bank of India, Bombay.

Oral Evidence.

12962. *The Chairman :* Mr. Ridland, you are the Secretary and Treasurer of the Imperial Bank of India, Bombay Circle ?—Yes. The Bombay Circle includes Sind also.

12963. Can you tell us to what extent your Bank is financing agriculture either directly or indirectly at present ? I take it that you are not making any loans directly to agriculturists ?—We as a rule finance agriculturists through *shroffs*. We also make advances against grain and other produce direct ; in some cases perhaps to agriculturists, but, as a general rule, we advance to middlemen who purchase the produce from agriculturists.

12964. We were told in Sind that you have started making advances direct to big *zemindars* ?—Yes, we have been trying to push this method for some time.

12965. Has this been developing well ?—It is devloping rather slowly because of the prejudice agaist handing over stocks to the Bank as security.

12966. This is mostly in *mofussil* areas. Do you have any such difficulties in presidency towns ?—Yes.

12967. Are advances against produce made to big cultivators or to small ones also ?—Even to a small man advances against produce are made.

12968. I think Sir Norman Murray in his evidence before the Hilton Young Commission does make a reference to this and says that advances are also made to small dealers ?—Yes, I understand that in the Madras Presidency, they are financed to a larger extent than is possible in the Bombay Presidency and in Sind. I believe that in the Madras Presidency there are more small cultivators than in this Presidency. I know that some branches in the Madras Presidency give a large number of loans against stocks in godowns. We are trying to develop this method here, and we have been meeting with a certain measure of success.

12969. Are goods deposited in your own godowns ?—No, they are stored in private godowns under the Bank's lock and key.

12970. Are you in a position to say anything as to the feasibility of having licensed warehouses in India ? Probably you know one of the questions we have to consider

is how far it is feasible to start warehouses licensed by Government or other public bodies and to keep control over them in different areas so that advances could be made against the security of such goods ?—You already have something of the kind in the Bombay Port Trust warehouses. The receipt of the Bombay Port Trust is quite sufficient evidence of possession, and an advance can be made against it, but I have already referred to the prejudice on the part of merchants against pledging their stocks to the Bank as security. This prejudice is very strong and we are trying to break it down, and have succeeded to a fair extent in some places, but it may militate against the proposal.

12971. Do you accept railway receipts as collateral security for advances ?—No, because a railway receipt has not the same legal significance as a bill of lading. It does not absolutely entitle the holder to the goods in the same way as a bill of lading does, but we accept bills, usually demand bills, with railway receipts attached. Many say that we finance cotton merchants by allowing them to draw against cotton in transit, and to this extent, it may be said, we accept railway receipts.

12972. It has been suggested to us by the Chamber of Commerce that the railway receipt should be made a negotiable instrument. Do you agree with this view ?—Yes, I think it will be very helpful.

12973. Could you give us some particulars about the daily average balance of Government lying with your Bank at different centres, free of interest ?—Government do not keep their balances with the Bank at different centres. Their account is kept at our Central Office. There is one account for the Government of India, and the balance of receipts and payments at each of the branches and local head offices throughout India is adjusted once a month, that is to say, Government receipts and payments every month are adjusted at each office and the corresponding debit or credit balance is transferred to the main account at the Central Office.

12974. You were speaking about advances against produce. Is it a fact that you refuse to advance against cloth ?—No, it is not a fact. It is quite contrary to the fact.

12975. You are making advances against cloth ?—Yes. A considerable amount has been advanced on the security of cloth, either directly against bales in our possession or indirectly by the hypothecation of stocks of cloth as collateral security. We are always willing to consider business of this nature.

12976. How many branches have you in this Presidency ?—Including the town branches here, there are 49 in the Bombay Circle.

12977. It is said that the branches of your Bank as well as of the joint stock banks drain away capital from districts, and make it rather difficult for the trade, agriculture and industries of these districts being financed properly at a reasonable rate of interest. Do you think that this view is correct ?—No, I am opposed to this view. I would say that in any bank with a number of branches it is bound to happen that, at some of these deposits will exceed the advances which can be given locally, and at others the reverse will occur. The object of extending branches is twofold, *viz.*, to tap the sources available for the receipt of deposits and at the same time to find suitable investment for the bank's funds at various places where this can be done.

12978. Would it be possible for you to give us some figures in some branches showing how much money you tap and how much you invest ?—I understand that these figures are being collected by the Manging Governors and will be submitted when they give evidence before the Central Banking Enquiry Committee.

12979. Will they not be available for this Province ?—They will be available through the Central Banking Enquiry Committee. The Managing Governors are collecting figures for the whole Bank.

12980. We have been told by some people that the branches of the Imperial Bank of India have been vey useful to trade and industry, but many people have said that they have been unfairly competing with joint stock banks and with indigenous bankers, especially as the Imperial Bank receives large deposits from Government free of interest, while the other banks do not have similar concession. What is your view ?—I would say that in return for balances kept by Government this Bank conducts, free of charge, the whole of the Treasury business of the Government (that is to say, the receipt and payment of all moneys due to and by Government, also collections and remittance of funds on behalf of all Government departments), and maintain currency chests, at their local head offices and branches throughout India, supplying the necessary accommodation and staff for these purposes. The cost to the Bank of these services is a very considerable itemof expenditure. The Bank also grants ways and means, advances to Government from time to time and maintains cash reserves sufficient for the banking requirements of the country. The public get cheap remittances between all our offices and branches and have also the facility of exchanging notes for coins and *vice versa* at offices where we conduct Government business. In addition to these various servics, we have also assisted Government in the spread of banking facilities and the education of the people in banking habits by the opening of 100 new branches, also in the floating of loans and in our general co-operation on all questions of currency and exchange. If this is put on debit side of the book, I think the advantage that we have owing to the free use of Government balance is very much discounted.

12981. Would it be possible to find out what the cost of the establishment for rendering all these services to Government is, on one side, and the profit you get on Government balances free of interest, on the other side ?—I think it is possible to reckon the amount of expenditure to maintain all these services for Government.

12982. Has this been done ?—I believe this was done in connection with the proposal to establish a Reserve Bank in India.

12983. Is it available ?—No, it is not available to me. I think the Managing Governors will probably be willing to give this information when they will be examined by the Central Banking Enquiry Committee, and, no doubt, it will be made available to the Provincial Committee.

12984. Is it not with you ?—No.

12985. Several witnesses have told us that many of these branches are not paying. Could you tell us why ?—This is a confidential matter about which I believe the Managing Governors are giving evidence before the Central Banking Enquiry Committee.

12986. It would be confidential perhaps to ask whether a particular branch is paying or not, but would it be regarded as confidential if you are asked to give information generally ?—I think the question will be put in this form to the Managing Governors.

12987. But can we get information about this Province ?—I think they would like to deal with the branches as a whole. I think this question eminently relates to the whole of the branches throughout India.

12988. We have been told that some of the branches of the Imperial Bank are opened at places where there are already branches of joint stock banks and there is just enough business for the latter. In consequence of the privileged position of the Imperial Bank, [illegible] of the joint stock bank suffers. Can you say whether this is a fact ?—It is

a fact that some of the new branches were opened at places where joint stock banks were already established. At the same time, in terms of our charter from Government, we were compelled to open a hundred branches at approved centres throughout India in five years.

12989. Approved by Government ?—Yes, and it would have been difficult, if not impossible, to confine this number to places where no other bank existed. Moreover, Government nominated 25 per cent. of the places where new branches were opened. There is a general demand for increased banking facilities and it is impossible to meet this without making such facilities cheaper to the general public.

12990. Coming to another question, how far are *shroffs* financed by the Imperial Bank of India ? It has been stated before us that *shroffs* are not given sufficient facilities by your Bank except in the presidency towns where *hundi* business is done ?—I have no figures with me. I think with regard to this question also, figures are being collected for the whole Bank and will be given by the Managing Governors. In Bombay the *shroffs* are financed to a considerable extent, in various ways, principally, by the rediscounting of *bazar* bills purchased by them and by direct advances on personal or other authorised security. At certain upcountry places also (particularly at Sukkur branch), their *bazar* bill purchases (made to finance trade all over India) are rediscounted, but, as a rule, accommodation to *shroffs* is granted at our branches by advances by way of loans, cash credits or bills discounted and in some cases by advances against produce.

12991. We are told that it is mainly the Shikarpur *shroffs* who get such advances and not others. Is there any special reason for this ?—In this connection, I would like to bring to the notice of the Committee the fact that through the Multani *shroffs* trade is financed not only in this city, but throughout India. Bills which are bought by Multanis in Bombay are mostly from Cutchi Memon merchants who finance trade all over this side of India including Central India and Central Provinces. Produce is purchased at places upcountry by these merchants with funds remitted from Bombay obtained through *shroffs* from the Imperial Bank. In this way, the Bank has always financed upcountry trade to a great extent.

12992. *Mr. Desai :* You are financing only one section of a particular community, the Cutchi Memons or Multanis. In the case of Gujarat and Southern Maratha Country, the merchants have some grievance against your Bank. I say that your Bank is not financing on this side of Presidency ?—We have established branches at various places in Gujarat and in the South and we are pushing our business there, as far as we can, in order to reach the people who require accommodation.

12993. I think your Ahmedabad branch is there for many years. How many usance *hundis* have been discounted at Ahmedabad ? You know that it is the centre of trade in Gujarat. Might I ask you whether the custom applies to Gujarat with regard to the method of obtaining finance ?—Personally I do not think so. The *shroffs* in Ahmedabad are very strong. They are big firms and have plenty of means. I do not think that the system of *bazar hundis* is in vogue in Ahmedabad in the same way as it is in Bombay. We would be only too glad if trade were financed in Ahmedabad by the purchase of *bazar* bills by *shroffs* who in turn could rediscount them with us.

12994. *The Chairman :* We are told in Ahmedabad and at other places except Shikarpur that usance *hundis* have disminished to a very great extent during the last few years and people are going in for *darshani hundis* only ?—Yes, the object may possibly be to escape the stamp duty.

12995. We have been told that your agents are not in close touch with local conditions, because they do not know the vernacular and that they are transferred too often. Is that statement correct ?—Personally I do not think there is much substance in that. Our agents to a great extent are guided by the knowledge and experience of businessmen of their districts, who are constantly consulted by them.

12996. Do you not have local advisory committees ?—No, we do not have them. The information so obtained is carefully recorded, so that new agents have the benefit of it. Then there is a connecting link between the old agent and the new agent, namely, the Banks' shroffs or cash-keepers. These shroffs are Banks' employees, and not outsiders. I do not think it is necesssary or desirable to appoint local advisory committees.

12997. It is stated that there is not much discretion left to the local agents, and it takes much time when papers have to be sent to headquarters for sanction ?—I can say this, that we do everything possible to avoid delay in this matter. The agents are given a certain amount of discretion, and references they make to head office for sanction for advances which they have been asked to give are dealt with the same day they are received. We have a very efficient system of dealing with all enquiries of this type, and we make a point of sending the reply the same day by telegram, if so required.

12998. You have opened several branches, but it would not be possible or practical, I presume, to open branches at small places, at least for some time to come. I find from the evidence before the Hilton-Young Commission that there was a proposal for opening out-stations of branches already started. Has anything been done in that direction ?—Yes, we have some out-stations in the Bombay Circle.

12999. How are they run ?—One of our employees is put in charge; the business done there is for the most part advances against produce.

13000. There is a suggestion made to us by several witnesses that as the Imperial Bank cannot open branches in, say, *taluka* towns and other smaller centres, it might be advisable for the Bank to take up some *shroffs*, who are of the proper standing, and who can give proper security, and appoint them as agents of the Bank. What is your opinion about this proposal ?—In my opinion the suggestion is an interesting one, but I do not think it is a practical proposition.

13001. Can you give us your reasons why you think it is not practical ?—There are serious practical difficulties, I think, especially in the way of controlling business of this type. Our business is restricted by our Act. At the present time with our own agents and with our own employees and our existing system we can be satisfied that these restrictions are fully observed. That would be one of the practical difficulties to know that these guarantee *shroffs* or agents would be strictly carrying out the terms of our Act. Also I think these *shroffs* are doing their own business, and here we come down to the personal element. It would be left to the *shroffs* to say when selecting business whether advances were on behalf of the Bank or himself.

13002. If they are put under the same restrictions as you put your agents, for instance, to apply to head office for sanction, would the difficulty still remain ?—I think it will.

13003. At present the *shroffs* are not registered, and their accounts are not published, but if they agree to get themselves registered and to have their accounts audited by a Government or bank auditor, would that remove the difficulty to some extent ?—It would depend upon what the registration would be. Would the *shroffs* be required to submit their balance sheets showing their position ?

13004. Yes ?—Well, then, I do not know whether this would result in the Bank giving them additional facilities or withdrawing facilities already given.

13005. If they were registered and if their accounts were audited, would the difficulties of appointing them as agents of the Imperial Bank still remain ?—I do not think it would remove all the practical difficulties.

13006. Do you think that it is possible to give greater facilities to the *shroffs* as a class than what are being given at present ?—*Shroffs* in the *mofussil*, I suppose ?

13007. Yes ?—I think it would be, if they could get over the prejudice that exists against pledging their stocks.

13008. That is as regards *shroffs*, who are doing commission agency business ?—Yes, I think most of the *shroffs* upcountry do such business. They buy produce or they give advances to holders of produce and in turn they want finance in addition to their own funds to handle their business. If they would more readily pledge their stocks, whether their own or held on behalf of other people, that would facilitate our giving them accommodation. As I have said, we are making progress in this direction and are inducing the people generally to overcome the prejudice and to pledge the stocks with us. Another possible way would be the extension of the system of re-discounting trade bills.

13009. Can you tell us in what way your Bank is helping the Co-operative Movement ?—We act as their bankers for the custody of their balances, and we give them advances on security.

13010. Were some concessions withdrawn recently ? We heard about it in Karachi ?—Yes, certain concessions were withdrawn.

13011. Were there any special reasons ?—Yes, we now give the same facilities to the co-operative banks as to other Indian banks. Also as agents to Government we give the benefit of transfers to and from our branches at par, when such transfers relate to purely co-operative business.

13012. We see from a note which was submitted by the Government of India to the Joint Select Committee on the Reserve Bank of India Bill that the finance provided by your Bank for the Co-operative Movement in Bombay is less than in other major provinces of India. Are there any special reasons for this ?—The reason, I think, must be the comparatively greater strength of the Bombay Provincial Bank. My recollection of the balance sheet of the Bombay Provincial Bank is that it has deposits of about one and a half crore and has advanced to co-operative societies only about half that amount.

13013. The credit allowed by your Bank to the Bombay Provincial Bank has, we are informed, been withdrawn because of the floating charges on its general assets created in favour of debenture holders. As the Bank has a separately invested sinking fund of three and half lakhs as against eight lakhs of long-term debentures, and besides has holdings in Government securities valued at forty lakhs, do you not think that your Bank would be sufficiently protected for a credit of four lakhs ?—It is a technical difficulty.

13014. We understand that the Maclagan Committee on Co-operation recommended that undrawn portion of the cash credit given by the Imperial Bank might be useful to the co-operative bank as a fluid resource ?—It is only a technical difficulty. We are willing to give them advances, provided our legal position is secured, and we were advised by our legal advisors that the Bombay Provincial Bank cannot pledge anything specifically, because the whole of their assets are pledged by the debentures issued by

them. I understand that they are taking legal opinion on the subject with a view to try to overcome the difficulty. It is not the case that we are not desirous of helping the Bank by giving it advances. On the contrary, we would be only too glad to do so.

13015. Do you give any cash credit to the district banks ?—Yes, we are doing that, I think, at Jalgaon.

13016. As regards remittance transfer receipts, you said just now that so long as the facilities are required for purely co-operative purposes, you give them, but who decides the question ? Is it the local agent who decides whether a particular remittance is required for a co-operative purpose or not ?—In this matter our agents carry out instructions laid down by the Government in the Resource Manual relating to remittance transfer receipts. We are merely agents of Government in this matter.

13017. We are told in one district that the agent refused to remit certain money on the ground that in his opinion it was not meant for purely co-operative purposes, while on the other hand, the co-operative bank held that it was for a co-operative purpose ?—What was eventually decided in that case ?

13018. I could not tell you that. But we are told it was the agent who decided and refused to remit ?—I think that is an isolated case and I do not know the particulars, but our agents are agents of Government in this respect.

13019. Have they authority to refuse ?—It is all laid down in the Resource Manual. I think they have a right to ask for a certificate showing that the remittance is for a *bona fide* public purpose, and our agents must follow the rules laid down in the Resource Manual.

13020. It is also stated that the agent refused to change currency notes into cash, and to convert currency notes of larger denominations into notes of smaller denominations ?—I am not aware of any instance. I will take up any particular case that comes to my notice. Our usual practice is to exchange currency notes for coin and *vice versa* to a reasonable extent.

13021. As regards your relations with joint stock banks, has there been any conflict regarding the operations of the bankers' clearing house ?—There has been some misunderstanding in the past through some of the member banks not realising that the Imperial Bank is merely a member of the clearing house and not the clearing house itself. The point in dispute has not been settled.

13022. Have all members equal rights ?—Yes.

13023. Has each member equal votes ?—Yes.

13024. Has there been any conflict about the discounting of local trade bill, especially Multani bills ?—There is always a conflict of interests between competitors in business.

13025. As regards the preparations of your Bank's balance sheet, your balance sheet is drawn up in a different way from the balance sheet of the ordinary joint stock banks ; is it so ?—Yes, I submit our balance sheet* and the balance sheet* of the Bank of India, and you can see the difference. Briefly, our balance sheet is drawn up according to the regulations of the Imperial Bank of India Act, and the joint stock banks draw up their balance sheets in accordance with the regulations of the Indian Companies Act.

13026. Is there any special reason why these two are drawn up in a different way ?—I presume the Legislature had good reasons for differentiating with regard to the form

* Not printed.

of the balance sheets. Also, you have to consider the circumstances under which the joint stock bank's balance sheet has to be made up in the present form. The origin of that was, I understand, the position that arose from the bank crisis in 1913, when a very large number of banks failed, and it was brought to light that many of them had granted advances to the promoters' firms to an undue extent and on insufficient security. I think I am right in saying that it was after that, that legislation was introduced by Government as safeguards against the same state of affairs occurring in future. It was not made applicable to the Presidency Banks and the Imperial Bank, because safeguards already existed there.

13027. I do not know whether you are in touch with the working of the newly started land mortgage banks ?—I am afraid, not.

13028. Land mortgage banks are started with the idea of advancing long-term loans for debt redemption and land improvement to agriculturists. And it has been suggested that the bank should raise their capital mainly by means of long-term debentures, interest on which should be guaranteed by Government. That proposal has come to us from various witnesses, and the question is whether the Imperial Bank would be able to help such banks by subscribing to such debentures ?—In my opinion, the establishment of land mortgage banks is a matter for private investors, and capital should be provided by them. At the present time it does not seem to be a practical proposition from the point of view of investors to start these land mortgage banks to any extent.

13029. If the interest on debentures is guaranteed by Government, would the Imperial Bank subscribe to these debentures ?—The interest and not the capital ?

13030. No ?—I consider that long-term finance should be supplied by investors, and not by banks, such as the Imperial Bank of India. It is a great disadvantage to a bank to lock up its money in more or less permanent investments. And land mortgage bank debentures would be a permanent advance unrealisable within a reasonably short period unless there were a free market for such debentures throughout India. That would make a difference, and the debentures would then be on the same footing as Port Trust debentures or debentures of other public bodies.

13031. It is proposed that these debentures should be floated not separately by each land mortgage bank, but by a central institution for each province. Would you rather have it for the whole country ?—As far as I can see, in the beginning the money must come from private investors or from Government if Government are prepared to advance it. But for the bank it would mean locking up assets for an indefinite period.

13032. As regards facilities for export and import business, it is alleged that at present European firms and individuals can get better facilities than Indian firms ?—As far as I know there is no substance in that at all. Export business is hardly financed by us at all; we are precluded by the Imperial Bank of India Act from dealing in foreign currencies and exchange and, therefore, we cannot take a large part in directly financing export business. Our advances to Indian firms and individuals largely preponderate over our advances to European customers.

13033. Is that at headquarters or also in the districts ?—All over. The export business that we finance is insignificant. We give finance to a few Indian firms which may be used for their export business; but the extent to which that is done is very small.

13034. Do you not finance the purchase of agricultural produce by firms which export ?—Not beyond India.

13035. Are you also in charge of public debt offices ?—We are.

13036. Do you think there is any need to increase these offices ?—No, so far as this Presidency is concerned.

13037. Are there sufficient facilities for the public ?—I think so. If there had been demand for more public debt offices, it would have been met.

13038. As regards the use of cheques, many witnesses have told us that the use of cheques would be encouraged if the vernacular was used for signing ?—We already allow cheques to be written in vernacular. They are so written in large numbers every day in the Mandvi branch.

13039. Do you expect the drawer of the cheque to sign before one of your officers ?—Yes, if the Bank pays any cheque, which are forged, the Bank is responsible and, therefore, we have to be careful.

13040. *Mr. Desai :* At the same time it should not be at the cost of the country ?—We allow five or ten cheques at a time to be signed before a Bank officer, and these have to be kept under lock and key. In that way I do not think that trade is hindered.

13041. *The Chairman :* Is the use of cheques encouraged amongst people not knowing English ?—Yes, we are trying to do that by allowing cheques to be written in vernacular. Now with the spread of education more and more people know English, and the necessity for this is not so much felt.

13042. Has your Bank considered the question of giving interest on current accounts ?—That is a matter relating to general policy, which is for the Managing Governors to decide.

13043. I expect that the question has been considered before ?—Yes, it has been considered.

13044. Are there any people to whom you do give interest on current accounts ?—No interest is allowed on any ordinary current accounts.

13045. Have you any suggestions to make for encouraging the investment habit ?—I suggest education in regard to simple economic facts and the desirability of investing money at interest instead of hoarding it.

13046. Do you think there is much hoarding in ornaments ?—I think there is a lot of hoarding, and that is evidenced by the import figures of precious metals into India, which are of large dimensions.

13047. What is your experience ? Do these precious metals come out in times of scarcity ?—In my own personal experience I have known of actual hoards being realised in times of famine or scarcity in Gujerat. There is a regular market for gold ornaments in Ahmedabad and when famine or scarcity conditions prevail, the sale of such gold always increases.

13048. As regards the Negotiable Instruments Act, we have received certain suggestions. The first suggestion is that the *hundi* or cheque once drawn "bearer" should always remain "bearer." Do you agree with that ?—Yes, I understand that a Bill to deal with this point has been circulated.

13049. Yes, but it has been held over until the Banking Committee has reported ?—Yes.

13050. Are you in favour of reducing or abolishing the stamp duty on usance bills ?—Yes.

13051. Abolishing altogether ?—Not altogether, there should be some nominal stamp, because people like to see some stamp. But I think a reduction would help the creation of a discount market.

13052. We have two suggestions made to us. One is that the stamp duty, which is at present one and a half anna for every Rs. 100, should be reduced to half an anna or a quarter of an anna, or should be abolished. What is your opinion ?—It would be for *shroffs* to express an opinion on that. I do not know to what extent the business would be increased by a mere reduction. I think the stamp duty should be a nominal amount. A great deal of business is done on one anna stamp at present which should really be on a two-month *hundi* stamp.

13053. If the stamp duty on the *mudati hundi* were reduced to half an anna or a quarter of an anna per cent., do you think the business would recover ?—I do not think it would.

13054. Would you not re-discount *mudati hundis* with only one anna stamp ?—We cannot, because they are improperly stamped and, therefore, illegal.

13055. The other suggestion is that the Negotiable Instruments Act should be so amended as to offer protection to bankers for cheques drawn by one branch against another. Are you in favour of that ?—Yes.

13056. Are you in favour of all suggestions made by the Chamber of Commerce ?—Yes.

13057. Are supply bills and telegraphic transfers issued by you to all who apply, or only to those who have made previous arrangements with you or the Deputy Controller of the Currency ?—We supply telegraphic transfers on our branches to anybody. Supply bills are drawn on sub-treasuries and they are issued under instructions from the Deputy Controller of the Currency. In that case we merely act as agents to Government ; in the case of telegraphic transfers we do the business as bankers ourselves.

13058. Are these facilities to the general public satisfactory or would you like them to be extended ?—I think that transfers are given in India at a lower rate than in any other country. Probably, Mr. Buckley would know something about that. The charge of one anna per cent. for telegraphic transfers for Rs. 10,000 and over from any branch of the Imperial Bank to any other branch of the Imperial Bank in India is, I consider, a very reasonable rate.

13059. Is it possible for your Bank to distinguish between recognized *shroffs* and other customers in respect of issue of supply bills, demand drafts and telegraphic transfers, discounting at branches of demands bills on Bombay, advances of all type ? At present we have been told by *shroffs* that they are treated just as any other customer. Could you give certain recognized *shroffs* certain facilities just as you give to joint stock banks ?—The difficulty there would be who is to decide who a *shroff* is ? I think it would be very difficult to say that one man is a *shroff* and he should get a favoured rate, and that another man is a merchant and *shroff*, and he should not get a favoured rate.

13060. Where there are no branches of your Bank, do you think remittance facilities could be improved through the post office. At present the charges are high ?—I doubt it. It would depend on the amount of funds available at post offices. You would never know whether the particular post office drawn upon had money or not, and for that

reason if a draft were issued on it the party might have to wait for payment, until some stamps were sold, and the post office had funds. I think it would be rather difficult to increase the facility through post office for that reason.

13061. In Germany, it is stated that the Imperial Bank provides facilities for free transfer of funds from one branch to another. Do you contemplate the extension of similar facilities in India, especially in the light of the recommendation of the Hilton Young Commission that facilities for transfer of funds should be opened and extended ?—I do not think that it would be reasonable to give transfers without any charge at all.

13062. We were told in Sukkur that the concession, which you used to give to your clients for transferring money from one branch to another, has been withdrawn. Is that a fact ?—Yes, it has been modified, because we found that it was working to our disadvantage. It is not reasonable to employ staff and pay them without the Bank getting anything in return for their services. This withdrawal is subject to modification in specific cases when we are compensated in other directions. If we are not compensated in other directions we insist upon payment of the charges. It is a business proposition ; we have hitherto been asked to do too much for no compensation at all.

13063. Other complaint brought to our notice is that the Imperial Bank is charging *mofussil* customers slightly more than the market rate for sterling drafts ?—We should be on the safe side. I understand the exchange banks do not give you the same rate, say, in Amritsar as they give in Bombay. It is a measure of protection to avoid possible loss in exchange, on our part. We are not like exchange banks. We cannot sell exchange in the open market ; we can only buy. We are not allowed to do exchange business under our Act, and we have to depend on the rate at which we can buy exchange here for ourselves for supplying our customers' requirements.

13064. Would you object to co-operative banks doing inland exchange business at places where there are branches of your Bank (1) on their undertaking not to make use of Government, (2) on their agreeing not to quote competitive rate and (3) on their remitting funds through you on payment of charges ?—I think they are doing it. If you ask my personal opinion, I think the co-operative banks should confine its activities to co-operative banking.

13065. But the remittance of funds may be a part of co-operative banking ?—Yes, and where it is a part of co-operative banking, we give them facilities of remittance transfer receipts free of charge.

13066. At present it is laid down that this business of remittance is not a part of the legitimate business of co-operative banks ?—Personally I do not think it is. They are doing it in other words ordinary general banking business. I think it would be somewhat inequitable, if we were to give co-operative banks, simply because they are co-operative banks, larger facilities than we give to other joint stock banks who are doing general banking business.

13067. But if they undertake not to make use of Government concessions and to pay charges ?—There is no harm in doing that, if they want to do that. Personally I think they should not do it.

13068. That is as regards places where there are your branches. But where there are no branches of your bank, would you approve of co-operative banks having these concessions for remittance purposes ?—Personally I think they are taking a big risk if they do business of this kind. Co-operative banks are established specially for the purpose of financing co-operative societies, and I think there would be strong objections to their

going beyond their business. It would be a matter for the co-operative bank's management to decide as to the advisability or not of doing that business. From the point of view of the general public, it might provide facilities, but as a banker I do not look favourably on the co-operative banks doing anything except co-operative banking.

13069. What is your suggestion about the prevention of frauds in the endorsement of Government securities and the protection of *bona fide* purchasers ? Are delays at public debt office in any sense a contributory cause ? Are there many such cases of frauds ?—I do not think you can say that there are many cases of frauds.

13070. But where there is a fraud the *bona fide* purchaser suffers ?—The holder of a Government Promissory Note has the same protection and also the same responsibility as the holder of an ordinary promissory note, under the Negotiable Instruments Act. It would be a very difficult matter to legislate further for his protection. It is impossible for the public debt office to keep a register of signatures of every holder of a promissory note, so that they can check whether the signature is forged or genuine.

13071. Are they bearers ?—No, they are transferable by endorsement. If the endorsements are correct, and subsequently it transpires there is a forgery, the holder suffers.

13072. *Mr. Kamat:* What is your position as regards the Indianisation of your staff ? During each of the last ten years how many additional Indians were appointed as agents at branches or as officers at headquarters ?—I am speaking only of the staff of the Bombay Circle ; I have no figures for the whole staff. During the last ten years the following were additional appointments of Indians :—

In 1921 there were five additional appointments at the head office and three at branches.

In 1922 there was one additional appointment at a branch.

In 1923 there were two additional appointments at the head office and five at branches.

In 1924 one additional appointment at a branch.

In 1925 two at head office and six at branches.

In 1926 one additional appointment at a branch.

In 1927 one additional appointment at the head office and two at branches.

In 1928 two additional appointments at branches.

In 1929 three additional appointments at branches.

In all 34 additional appointments.

13073. What is the proportion of Indians holding posts carrying Rs. 500 and over in the Bank and its branches to the total number of such appointments ?—The proportion of Indians to the total number is 29 per cent. in the Bombay Circle ; 33 Indians are holding posts of Rs. 500 and over, the total number being 113.

13074. As regards the Bank giving advances against produce, leaving aside Sind, in the other parts of the Presidency in the *mofussil*, is there much of this system of financing against produce ?—Yes, it has grown during the last five years, and it is growing every day. There is a fair amount of advances now given by us against produce in godowns. Our agents are instructed to give these facilities and to push this business as much as possible. We have made considerable strides in this direction.

13075. You mean to the people who correspond to the *zemindars* of Sind ?—As a rule, people are of smaller standing than big *zemindars* of Sind. Our advances are made down to Rs. 2,000.

13076. *The Chairman*: Is there any minimum fixed?—No, there is no minimum fixed.

13077. *Mr. Kamat*: In certain season money is idle with the Bank, whereas during the same season the agriculturist requires money for his current agricultural expenses, for his seeds, manure and so on. Can you suggest any method by which this money, which is lying idle with the Bank in the slack season, could be utilised to the benefit of the agriculturist at that particular time?—It is very difficult for us to reach the agriculturist direct. We reach him, as I have said, mostly through *shroffs*. And the *shroff's* funds at that time are usually not fully occupied, and he is thus able to give these advances to the cultivators himself without applying to the Bank for assistance. I may say we would be only too happy to have our moneys invested during the slack season of the year, and we would do everything we could to employ these moneys, because we would be able to earn some interest. If any means could be found to give advances to the cultivators, I would be only too glad to encourage it.

13078. As regards the limit of credit of *shroffs* or of merchants, we are told that before the amalgamation of the Presidency Banks they used to enjoy the privilege of having their credit limits for different towns, Madras, Bombay, etc., whereas after the amalgamation their limits have been curtailed?—As far as I know, it is not correct. If the *shroffs* referred to are the Multani *shroffs*, I am not aware that limits have been generally curtailed.

13079. As regards the complaint, which we have heard, regarding the location of your branches that they are located not in the business quarters of the town but rather away, have you anything to say?—No, except that we do all we can to have them in suitable places, because naturally we want to be as near the business locality as we possibly can. Take a particular instance, Sholapur. That branch was situated in the beginning in the cantonment; but in order to get closer to the business centre, we have bought a plot and are building an office just at the entrance of the *bazar*. We try to get as near the business part of the town as possible, but we have to think of Government also. We have to keep the office conveniently near the Government treasury as well as near the *bazar*.

13080. As regards advances in your *mofussil* branches against agricultural produce, an allegation has been made that European merchants are able to persuade your Bank authorities to make them advances against their goods, whereas in the case of Indian merchants they find it difficult to induce the Bank authorities to advance money on goods, even if they are actually in the custody of the Bank?—There is no differentiation between Indians and Europeans at all.

13081. *Mr. Buckley*: It is represented that as most of the agents of the Bank at the branches do not know the vernacular and are ignorant of the local conditions, the business of the branch suffers. Do you make them pass any examination in vernacular?—Yes, one of our staff rules is that they must pass it.

13082. In your experience, do they keep up their knowledge of vernacular?—Yes, when they are sent upcountry, they have to be conversant with the vernacular, otherwise they cannot transact their business as there are still a great many of the Bank's customers who do not know English sufficiently well.

13083. Are your agents as a whole able to talk to the customers without the intervention of, say, the cash keeper or one of the Bank officials?—It is difficult to answer that question. Certainly, they ought to be able to do it.

13084. As regards the question of bank clearing houses, how does the small banker come into the clearing house ?—If he is proposed and seconded by two members of the clearing house, he is ballotted for by the other members. If a sufficient number of votes are accorded in his favour, he gets in.

13085. *The Chairman :* Has he to keep a minimum deposit ?—As far as the clearing house itself is concerned, there is no minimum deposit. There is a certain amount of confusion existing in people's minds between the clearing house and the Imperial Bank as a bankers' bank.

13086. Has a member of the clearing house to keep a certain amount of deposit with the bankers' bank ?—Yes.

13087 What is the minimum amount ?—A lakh of rupees in Bombay.

13088. *Mr. Buckley :* Would you in favour of admitting a bank in cases where it was not elected as a member on probation to see how it exercises its membership ?—No.

13089. This is a very important privilege for a banker, and presumably if he were elected provisionally, he would do all in his power to justify such membership ?—It is open to a bank to become a member of the clearing house.

13090. I am talking of a small bank. We had it put to us that it was not possible for such banks to be elected members of the clearing house, and that means that their cheques are not so popular owing to the fact that they have to clear all such cheques at the counter ?—Yes. It is a matter of the standing of the bank to a large extent.

13091. You mentioned that you do accept vernacular cheques at one or two of your branches. Do you make out pass-books in the vernacular of these accounts ?—All pass-books are written in English and not in vernacular.

13092. With reference to the suggestion put to us by a number of witnesses with regard to Government issuing bearer bonds, have you any personal opinion to express on this suggestion ? Instead of sticking strictly to notes that pass by endorsement, would you give a chance to the public of taking advantage of such bearer bonds ?—I do not see any objection to this from a banker's point of view or from the point of view of the public. There might be objection from the point of view of Government. It might interfere with the collection of income-tax.

13093. *Professor Kale :* It has been suggested to us that Government Treasury business in places where your Bank has no branches should be transferred to co-operative banks. What do you think about this suggestion ?—Under the agreement between the Government of India and the Imperial Bank we have been appointed the sole bankers to the Government of India, but that might be a matter of arrangement between the Imperial Bank and the Government.

13094. Under this agreement Government cannot allow any other bank to transact their treasury business in places where you have no branches, is that so ?—This would be contrary to the agreement between the Secretary of State for India and this Bank which lays down *inter alia* that the Government of India shall employ the Bank as their sole banker in India.

13095. Does your Bank advance against gold jewellery and ornaments ?—No, not against jewellery, but against gold ornaments.

13096. Has this practice been started recently or has it been an old practice ?—Fairly recently in the Bombay Circle.

13097. Is there any particular rate of interest allowed on this kind of transaction ?—No. It is based on bank rate. It might be one per cent. above the bank rate. The interest terms are very reasonable.

13098. Do you think that the interest terms will be more favourable than if the security is in paper ?—No.

13099. Has your Bank been able to attract this kind of security more and more during the last few years ?—Yes.

13100. You said just now in reply to Mr. Buckley that your agents are expected to know vernaculars. Do you think that a mere knowledge of vernaculars is enough to establish a close contact between the general public and your agents ? My point is this. It has been suggested to us that unless some social contact is established, not merely contact of the knowledge of vernacular, the agent is not likely to come into close touch with the general public and know how matters stand. Do you think it desirable that such social contact should be established ?—In a country like India where you have so many different communities and the Bank has to serve all these communities, it is difficult to establish a close social contact in each case. For instance, there might be Parsis, Mahomedans and Hindus of different classes in some places. The Bank is not dealing with a particular caste or class.

13101. Irrespective of class or creed, with Indians as a whole, is it desirable or not to establish such social contact ?—I agree that the more you get to know your customers, the better it is.

13102. Would it be possible to take any steps to bring about such closer touch and to issue instructions to your agents to this effect ? Would it be possible to lay down a general policy ?—Sometimes it might be disadvantageous to be too closely connected with your customers.

13103. *The Chairman :* It has been alleged before us that because the agent is much more in contact socially with European merchants, they are able to get better facilities ; and it is said that there is not this social contact and touch with *shroffs* and other people in towns ?—Personally, I do not think there is any substance in this allegation. I may say that about 99 per cent. of the business done in this circle is done with Indians. I mean the upcountry business. I do not, therefore, think there is any substance in this statement. When a *shroff* or a merchant from the district comes to the town, where the branch is situated, he sees the agent, and the agent can get to know him in this way. When I was in upcountry, I consider, I was in quite close touch with the *shroffs* and merchants doing business with the Bank.

13104. *Professor Kale :* One of the questions which our Committee has to consider is how to bring about a closer relation between *shroffs* and joint stock banks. The only way in which the touch is established now is through your rediscounting of *hundis*. But is there any other way by means of which these two could be brought together ?—We are only too anxious to do what we can to increase our connection with *shroffs* in the country and to do business with them.

13105. I wonder whether your attention has been drawn to a lecture of Mr. Gubbay on indigenous banking, and he seems to take a pessimistic view about this closer relation between indigenous bankers and joint stock banks for the reason that the security the joint stock banks demand is not available in the *mofussil*. He also points out, as the Chairman put to you just now, the complaint that funds are drawn from the *mofussil* to be sent to the h[illegible] result of which the local rate of interest goes up and

the local trade to this extent is handicapped. This is the point Mr. Gubbay has put forward ?—Personally I do not think there is much in it. In reply to the Chairman I said that every bank with branches tries on the one hand to get deposits and on the other hand to employ the deposits where the money can be most usefully employed.

13106. This is one of the reasons why he seems to be pessimistic about the development of branch banking in India ?—We have paid a very close attention to such development during the last five years. We have adopted a new system of training our agents. We have inspectors going round different branches, reporting on the trade and industries of those places and the possibilities of giving out finance and pointing these out to the agents. In every way we can think of, we are trying to expand our business at branches.

13107. And he also points out that owing to this absence of contact the Bank rate cannot control the *bazar* rate of interest on *hundis*, because there is not this close association between the internal money market and the joint stock bank money market, so to say. Do you think it is correct ?—I do not think there is anything in this. An advance against Government securities entails very little expenditure of time and money. On the other hand, we have to incur expenses in connection with giving produce advance. To cover these expenses the branches charge a little more than the bank rate.

13108. The *shroffs* have not got such high expenditure to incur. They have the advantage of an intimate knowledge of local conditions ?—Yes. On the other hand, a *shroff* has not got the resources which the Bank has.

13109. Here comes the difficulty. They say that post office savings banks and postal cash certificates have seriously affected the deposits which otherwise would have gone to them, and thus have adversely affected the trade of the country ?—But the banks are also affected.

13110. *Mr. Desai :* You have informed the Committee that the average weekly holding of bills for the year 1929 was Rs. 717 lakhs. Are these bills discounted, self-retiring drafts or bills accepted by the Bank against cash credit and promissory notes ?—These are all usance bills maturing at certain dates.

13111. Self-retiring ?—Yes. These are figures for the whole Bank including the Bombay Circle. So far as the Bombay Circle is concerned, these are all ordinary usance bills.

13112. Then there is another grievance of the merchants and one is submitted by the Marwari Chamber of Commerce. It is as follows : " The credit limits fixed individually for the *shroff* in the capitals or banking centres are inadequate. It has been particularly so since the amalgamation of the three Presidency Banks (Bengal, Madras and Bombay Banks of old) into the Imperial Bank. Formerly each of the Banks had the same limits individually as are now maintained collectively by the amalgamated bank ". I want to know whether the limit after the amalgamation has been increased or curtailed ?—As far as I know, there has been no general curtailment. It may be that in some cases the total amount of credit given by the Bank of Bengal, the Bank of Madras and the Bank of Bombay to a particular firm was after the amalgamation found to be in excess of what the Imperial Bank would fix as the amount of credit which they would consider as reasonable. To some extent, the three Presidency Banks were in competition before the amalgamation. They worked separately. They discounted bills of the same *shroff* operating in different Presidencies. When the amalgamation occurred the three Banks became one. The whole question was gone into as to what amount of credit each *shroff* should have with the new Bank. In some cases it might have happened that in the

opinion of the new Bank the credit given to one particular *shroff* by all the three Presidency Banks was in excess of what it ought to be. Each case had to be considered on its own merits when deciding the extent of credit which *shroff* should have from the new Bank.

13113. You have stated that the average weekly holding of bills for the year 1929 was Rs. 717 lakhs, and the Bank's holding of inland bills discounted on the 26th December was Rs. 573 lakhs. Is not December the busiest month ?—I would say the busiest season is the period when we are borrowing from the Currency Department. Our weekly statements prepared by the Bank will show which are the busy months in the year. Sometimes they vary from season to season. For instance, in one season, you will find the jute crop overlapping the cotton crop. The season varies from year to year.

13114. What is your experience in the month of December 1929 ?—It has been a peculiar season. Prices being low, the amount of money required to finance commodities was relatively less. Also the cultivators as usual in a year of low price have withheld their produce as much as possible.

13115. They had brought nearly 3 lakhs of bales more than last year ?—That is true, but I think in Berar the tendency was to hold up cotton.

13116. As a cotton merchant I can show from the statistics that many bales of cotton were brought to the market ?—That is true. I have seen the statistics this morning.

13117. My point is that when the money is in great demand, there is a grievance in commercial community that you are curtailing the credit facilities of the commercial community and, therefore, I want to get at the true facts, and these figures also show that the average weekly holding of bills for the year 1929 was Rs. 717 lakhs, while the Bank's holding of inland bills discounted in the month of December was 573 lakhs. I know cotton arrivals were very late, though the month was very busy. At the same time I want to know from you what is the policy of the Bank when prices are too low and when there is trade depression. Is it to curtail the credit facilities or to expend them ?—It is not our policy to curtail credit facilities when prices are low. On the contrary, it is safer for a banker to give advances when prices are low. There is not the risk as when prices are high. It cannot be said that for any reasons of this kind we have curtailed credit. In fact it cannot be so said at all.

13118. But your figures can prove it that it is so because the bank has discounted nearly 1½ crores less than the average of the year ?—I think the jute season this year has been a very peculiar one. The jute has not come out and the money has not gone into the jute districts to the same extent as in the previous year. This means more money is left in the central reserve for absorption elsewhere. I think this fact has a great deal to do with these figures.

13119. But comparing the stock of cotton in Bombay last year, the stock of cotton is two lakhs more this year ?—Yes, that is so.

13120. The investment in cotton would therefore be the same amount ?—I think there are peculiar circumstances in the cotton market this year of which I expect you are probably more fully aware than I am. Although the stock is more this year than last year, can you say that the stock in the hands of the merchants is greater this year than it was last year ? Is not the stock in the hands of exporters very much larger than it was last year ? I am informed that the latter is the case and that although the arrivals have been 3½ lakhs bales in excess of last year, cotton actually in Bombay is held to a very much larger extent by the exporting firms than it was last year.

13121. But I look to you for information on this point ?—This I cannot give, because cotton would not be financed by the Imperial Bank, but by the exchange banks if my view is correct.

13122. *The Chairman :* The whole point of Mr. Hirachand's question is, taking the average for the busy season as well as for the slack season it was Rs. 717 lakhs while at a particular period in the year which is the busy period it is less by a crore and a half than the average. Has this been due to curtailment of facilities or due to other causes ?—It is due to other causes and it is not due to curtailment of facilities.

13123. Does it happen that on a particular date several bills mature ?—No, not as a general rule.

13124. *Mr. Desai :* The other grievances of the Indian commercial community is that as the management is not in touch with the business community, the business in proportion to the trade of the country is not prosperous ; and I place my views before you that the head of the *hundi* department formerly was one Mr. Chunilal Suria and then Mr. Fakirbhoy Patel, while the *hundi* department now is in charge of a foreigner ?—No.

13125. Who is in charge of *hundi* department ?—There is an Indian officer by name Mr. Madhavrao Navalkar.

13126. He is only a petty officer compared with those two persons. Are we not therefore retarding the progress of Indianization ? Is it not retarding the progress of the trade of the country as the management is not in touch with the Indian business community ?—I am afraid I am not prepared to admit that the management is not in touch with the Indian business community. I say we are in very close touch with the *bazar* in Bombay.

13127. You have already replied to the Chairman and to Mr. Kamat about the progress of Indianization. You know when it was the Bombay Bank, the head of the *hundi* department was an Indian and now the head of the department is a foreigner. Is it not therefore retarding the progress of the country ?—I do not think you can make a general statement like this from a particular instance. Personally I think Indianization is going on at a very fast rate and this can be found out from the figures I have given to the Chairman. 34 additional appointments of Indians have been made in the last ten years. 29 per cent. of the total number of posts of Rs. 500 and over are held by Indians.

13128. But not for the responsible posts with whom the business community of Bombay is connected ?—I submit that we are in close touch with the business community in Bombay. I submit these questions are quite separate.

13129. You already stated that you tried to reach agriculturists through *shroffs*, but at the same time the *shroffs* are complaining against the treatment meted out to them and the result is that money is lying idle and agriculturists have been compelled to pay heavy interest to *shroffs*, as they are not getting sufficient accommodation from your Bank ?—Because it is a matter of business. The borrower's idea of accommodation is often at variance with the bank's idea. As I said, we are trying in every way to help *shroffs*. We consider that this is a part of our duty. Also this is a part of the way in which we can employ our money profitably. If the *shroffs* will give us more information with regard to their position, etc., it will be all the better. But there is a prejudice on their part against doing this.

13130. Is it not the Bank's duty also to come to terms or to give some reasonable terms to *shroffs* ?—I can claim that the terms given to *shroffs* are very reasonable.

13131. But the money is lying idle with the Bank and agriculturists are paying a very high rate of interest. This shows there must be some defect with the Bank or with *shroffs* ?—It is a question of the rate of interest at which *shroffs* are prepared to lend to cultivators.

13132. I want to know if you have extended the credit facilities of the country after the amalgamation of the three Presidency Banks ?—Do you mean the expansion of business in the country ?

13133. I mean in expanding the credit facilities after the amalgamation ?—We have established 100 new branches. We have been educating the people for making use of banking institutions.

13134. What amount have you invested and lent to the people in each district ?—As I explained to the Chairman, the Managing Governors are collecting information and will give it before the Central Banking Enquiry Committee, and you will no doubt then get this information.

(The witness withdrew.)

THE DIRECTOR OF AGRICULTURE, BOMBAY PRESIDENCY, POONA.

I

There have been practically no scientifically conducted "enquiries" into the problems of cultivators' finance, except those conducted by the Indian Central Cotton Committee on cotton. There have been four such "enquiries" in Bombay Presidency, and these are noted in the margin. You have doubtlessly obtained copies of these printed reports. Hence I am of opinion that most of the basic information sought in the questionnaire should be looked for in those reports, so far as relevant.

Sind, North Gujerat, Middle Gujerat, Khandesh.

II

At the time of the Royal Commission Enquiry into Indian Agriculture, this Department prepared notes on the marketing of a large number of crops. I am forwarding the file No. 610 entitled "Marketing Enquiry on Crops of the Bombay Presidency" which deals with this matter.

III

In my opinion the essence of the problem of financing the cultivator is to put him in funds sufficient to grow his current crop, at the beginning of the season, or at least during the growing period of his crop. In theory co-operative finance should be able to deal with this need, but in practice it only deals with a part of it ; and that frequently the minor part, according to my observation. In this connection I enclose file of papers No. 188 entitled "Cotton Operations in South Gujerat" starting with a Note prepared by me and ending with a concurrence that co-operative banking is unable to finance the cotton grower if he is prepared to give his standing crop as the only security, and it is to be remembered that many cultivators object to give their immoveable property as a security.

IV

At Hubli we have had in recent years a good illustration of the Hubli Cotton Sale Society losing business and thereby jeopardizing the spread of our improved cottons, because

(*a*) the sale society could not secure enough finance from the Karnatak Co-operative bank and

(*b*) the growers could not obtain their requirements in full from the sale society and credit societies taken collectively.

These growers accordingly had to borrow from the money-lenders and forego the freedom to send their cotton to the sale society for disposal.

This has re-acted upon the welfare of the Hubli Sale Society which has been selling much reduced quantities of cotton in auction sales as against private treaty and the decline in grading the cotton before sale. These two developments are due in part to the lack of finance commanded by the sale society.

The following table is taken from a report of the Deputy Director of Agriculture, Southern Division, dated 23rd September 1928 :—

Year	No. of dokaras graded	No. of dokaras sold by private treaty	Total No. of dokaras sold by the society	Percentage of graded dokaras to total dokaras
1918-19	2,956	970	3,926	75·3
1919-20	6,610	956	7,566	87·3
1920-21	5,460	2,657	8,117	67·2
1921-22	6,134	2,287	8,421	72·8
1922-23	2,064	1,260	3,324	62·1
1923-24	14,907	3,778	18,685	79·7
1924-25	11,648	3,917	15,565	74·9
1925-26	15,254	8,296	23,550	64·7
1926-27	2,671	13,656	16,329	16·3
1927-28	581	16,583	17,164	3·4

Dr. W. BURNS, D.Sc., Ag. Director of Agriculture, Bombay Presidency.

Oral Evidence.

13135. *The Chairman :* Dr. Burns, you are the Acting Director of Agriculture, Bombay Presidency ?—That is true.

13136. Several people during our enquiry have made a vague statement to the effect that agriculture in many parts of the Presidency is not a paying proposition. Has your Department made any enquiries to see how far the growing of particular crops in particular areas does pay or does not pay under the present conditions ?—I have the enquiries made by Rao Bahadur Patil and by Dr. Mann. In each case of Rao Bahadur Patil's enquiries minute enquiry is made to see as to whether particular crops do pay or not. In some cases there is profit and in some cases loss.

13137. Are these going to be printed ? Are there notes written on each of these enquiries ?—Yes ; I have already placed these at the disposal of Mr. Shah, and I am prepared to let you have any figures I have.

13138. If you can leave these with us, they would be useful ?—Yes ; I may point out that one criticism has been made with regard to these enquiries, as losses have been shown in some cases ; and it has been asked how is it that the business can be carried on at a loss. I think it is purely a matter of method. Rao Bahadur Patil has stated in his paper that agriculture is carried on for "livelihood" and not as a "business."

13139. Have you any information to show at what rate of interest the agriculturist can afford to borrow for agricultural purposes ? I am thinking of one article which Dr. Mann wrote in the Co-operative Quarterly, in which case he stated, I think, that it should be lower than 7 per cent. ?—It is possible to calculate this roughly for permanent improvements only. With regard to current expenses, the cultivator's expenses can be divided into two. The first is the actual amount required for the crop cultivation, and the second for his food, clothing, etc. The expenses for the actual growing of the crop are comparatively small, and they form a small fraction of the total amount that he requires. The main problem, therefore, is how to provide the other needs of the man to keep him alive till the crop is matured, when he can pay off the amount borrowed along with interest. But with regard to the rate there seems to be, from these facts as to how much he requires for his cultivation, no obvious guide as to what the rate should be. On the other hand, for permanent improvement, if one can say that after a certain number of years a certain amount of improvement would be done, one can calculate interest on the amount for the particular period. On that we have facts in the proceedings of the Bombay Provincial Board of Agriculture for 1927. These figures are up to 1925, and presumably I can get figures still more recent. These 1925 figures are figures about bunding works.

13140. Are there any figures available for wells and other works ?—No ; digging wells is a gamble ; whereas bunding is a certainty.

13141. Would it be correct to say that for cultivating ordinary dry crops not much capital is required ?—Yes.

13142. But for expensive crops like sugar-cane, very much is required. Has your Department gone into the question of sugar-cane ?—We have gone and Mr. Bristow has also gone into that question, and that Sugar Committee of the Imperial Council of Agricultural Research have been studying the question, and will be studying more so because I have just put up a scheme for research into reduction of sugar-cane expenses. So that we have facts with regard to sugar-cane expenses, and Rao Bahadur Patil has also gone into the question of sugar-cane expenses.

13143. When we went to Baramati, it was brought to our notice that the present condition is very unsatisfactory, and unless something is done, it will be very difficult to carry on sugar-cane cultivation ?—That is true ; the margin between expenses and income is, on the whole, narrow, particularly with an unexpanding market.

13144. What do you think would be the proper way of financing that crop between now and the time when the results of the research that you are contemplating are available ?—I cannot say.

13145. As regards agricultural improvement, is there any difficulty about financing the introduction of new seed or implements ?—With regard to improved seed, I should

say none, because there is not much difference between the price of improved and old seed. As regards improved seed and implements, the cost of the breeding of seed or the invention of implements does not fall on the cultivator, nor does the cost of distribution of these improved seeds and implements. As to implements, it is purely a question whether or not the implements can be made cheap enough.

13146. Is the cultivator able to find the necessary funds ?—He does, as soon as the implement is brought within a particular range of prices.

13147. As regards land improvement, we were informed in different places that people do not go in for land improvement unless they have their own money, as they find it very difficult to get long-term finance, and many people do not know about Government *taccavi* for land improvement. Do you think there is any need for propaganda for carrying out land improvement ? We were rather struck by what was being done in Bijapur. We found in that district there was the necessary staff to carry on the propaganda and the necessary finance for carrying out permanent land improvement, and some of us thought that if something similar were done by your Department, land improvements could be carried out with co-operative finance or Government *taccavi* ?—I agree. The enquiries in the Southern Division have shown that there is never any lack of people coming forward asking for financing the schemes. But even there, only a certain number of schemes have been carried out. The difficulty is that the permanent improvement takes a long period of years to pay, and the repayment should, therefore, be spread over a number of years. That was the subject of a resolution of the Bombay Provincial Board of Agriculture, 1927, which went before Government, in which the Board recommended twenty years for repayment.

13148. But so far as propaganda and the technical advice are necessary, could not the Department of Agriculture do it ?—Yes ; our difficulty has been to get funds from Government for more bunding offices.

13149. Have you in your office a list of improvements you recommend in each district, and the amount of finance that would be required for carrying them out ? Has any estimate been made ?—No ; but I think an estimate should be made. We could do it not by district by district but by the divisions, in which we have divided the Presidency for agricultural administration. I think an obviously rough figure could be got for our five agricultural divisions.

13150. Did you find the fact that a man's holding is small and fragmented comes in the way of carrying out land improvement schemes ?—I have no personal experience ; but it stands to reason that it must.

13151. As regards current expenses, could you give us figures ? There are two separate questions—the cost of cultivation and the financial requirements of the small agriculturists. What we are concerned with is not so much the cost of cultivation as the financial requirements, and if you could give us what is required by the ordinary cultivator for each crop per acre, we would be able to arrive at some reasonable estimate. Do you think you would be able to supply us the information ?—Yes ; I think so. The great difficulty is the amazing variations that we get in these figures ; but if their sources are indicated, one could arbitrarily arrive at some kind of middle figure. I have here figures of cost of cultivation on various Government farms, and they vary particularly on account of the fact that different superintendents have taken different basis.

13152. As regards marketing, we have the reports of the Indian Central Cotton Committee enquiries, and your predecessor was also good enough to send us a file about certain crops. Is there any other information available besides this ?—I am afraid not. Marketing is a subject we have just begun to tackle and the plea you have already had contain all our information.

13153. Speaking about marketing, Dr. Mann refers to the statement about the Hubli Sale Society. He says that because co-operative societies are not able to finance the cultivator sufficiently the percentage of *dokras* sold by auction has gone down. If the members get finance from outside, they take their cotton to those who finance them, but having once brought the cotton to the sale society, the fact that they were financed from outside, ought not in any way to affect the method of sale. There must be some other reasons besides the fact of finances, which explains why the sales are held by private treaty and not by auction ?—I have not studied the question ; but these figures indicate an astonishing increase in the total number of *dokras* sold by the society.

13154. But apparently the great point about that Society was the grading. There is very little cotton which is graded and sold by auction. Apparently it is sold by private treaty ?—About 50 per cent.

13155. Still the percentage has increased ?—Yes, markedly.

13156. Has your Department gone into the question of subsidiary industries ?—Yes, to some extent.

13157. Are there any such industries, which you are trying to introduce amongst the cultivators ?—We have taught such industries to the boys in agricultural vernacular schools, and the only place where I have heard of real success is in the Southern Division, where carpentry, rope-making and sometimes weaving have in certain number of cases been taken up very successfully.

13158. Do they require any financial or marketing facilities ? Has the development been restricted on account of not getting finance ?—I think they are on too small a scale to come under the question of finance. And, as a matter of fact, it has really been important in so far as it enables a man to utilise the spare time for his own gain.

13159. *Professor Kale :* Does your Department make a systematic study of the economics of agriculture ?—With the exception of Rao Bahadur Patil, who is a professor of economics, no.

13160. Do you not think that it is a desirable thing that the Agricultural Department should carry on this activity more systematically ? Because in your enquiry we have to grope in the dark for lack of reliable information. Do you not think it is better to bring the technique of agriculture into line with the economics of agriculture ?—I agree.

13161. Are you proposing to introduce some scheme by which this would be more systematically done ?—We have been trying to do that, and we will go further into the question.

13162. *Mr. Kumat :* From the experience of these economic enquiries carried out by Rao Bahadur Patil, do you think it would be worth while to extend similar enquiries elsewhere, if Government undertake such enquiries ?—Yes ; I do think so.

13163. As regards the outturn of cotton, should we rely on the figures given in the Indian Central Cotton Committee's report, or have you separate figures ?—It seem to

me that with regard to outturn of cotton, we ought to take all the figures from all sources whatever, for the reason that they do vary in an astonishing manner, and until one knows why they vary, one cannot get a reasoned average.

13164. Speaking about land improvement, especially wells, although as you say they are a gamble, and taking that risk, do you not think it would be worth while to provide finance for sinking wells on a much larger scale than at present ?—If I had to make my choice, I would prefer to put money into means of retaining the rainfall rather than tapping water, that is to say, I would prefer dry-farming to sinking wells.

13165. As regards fruit culture, I wonder whether from your experience you would give us information whether more fruit culture should be tried by farmers in certain tracts of this Presidency ?—In my opinion it is entirely a question whether a market could be organised. If we are certain that the profits of this fruit cultivation would go to the cultivators, I say it should be done. At the present moment I am not certain about the profits.

13166. I wonder whether you have had any special investigation made into the question of dairy work as a subsidiary industry in villages ?—My impression is that our Livestock Expert has those figures, but I have not seen them.

13167. Instead of commercial dairies, I should like to know whether small dairies for a group of villages would be a paying proposition and a good thing for supplementing the income of these people ?—That is a matter on which I cannot give you an authoritative opinion, but I think Mr. Bruen, the livestock expert, would be able to do that.

13168. We were told in certain places in the Presidency that if the farmer does more ploughing, more weeding and more intensive agriculture, there is no need for him to go into debt, and the extra that he will earn by intensive agriculture would be enough to make two ends meet. This was said especially in Sind. Do you agree with that view ?—There again, it all depends as to whether or not for any particular operation the gain is going to be greater than the expenses of that operation. In so far as any operation definitely increases the quality of the land or water-holding capacity of the soil, it most certainly will give him a return in the long run, but it all depends on what rate he gets his money. One cannot always estimate what result a particular operation would give. We have seen in the case of Southern Division that particular improvements would give particular results, and it is only when we have definite experiments made that we can say a particular operation would give particular results.

13169. *The Chairman :* There were certain village enquiries made by Dr. Mann ?—Yes.

13170. Have they been brought up-to-date ?—What I find is this. Mr. Kanitkar made further enquiries in Talegaon and the manuscript of that is apparently in my office, but they have not laid hands on it ; but I shall try to find it out.

13171. *The Chairman :* If it is available, please send it to us ?—Yes.

13172. Is there any other information which may be useful to us in connection with our questionnaire ?—The only thing that occurred to me was this one general principle of the financing of the cultivator from one harvest to another. It seems to me that it depends entirely upon the standard of living. If you take the cultivation charges, you will see that his actual cultivation expenses is comparatively small. It seems to me that the financing has to do very largely with his personal expenses. I do not know if that

matter interests you. There must be an absolute reducible minimum, below which it is impossible for a man to live, and probably, that is what he must have.

13173. Speaking about rice cultivation in the Konkan your Department had some difficulty about financing the distribution of new variety of seed. I think it was Colombo seed ?—I do not think that it was so serious.

13174. It has been overcome ?—Yes.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Tuesday, the 4th February 1930.

Tuesday, February 4th, 1930.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.
Mr. H. V. DESAI.
Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

THE PROVINCIAL CO-OPERATIVE BANK, BOMBAY.

SECTION 1.

AGRICULTURAL CREDIT.

QUESTION 1.—AGRICULTURAL CREDIT.—(*a*) For expenses during cultivation finance is provided by the Bank to agriculturists who are members of co-operative societies on the basis of normal credit statements prepared by the societies. In all areas where primary societies are served by the Bank direct, it has been one of the important duties of the inspecting staff to educate societies in the fixation of the normal credits of members, and every year steps are taken to see that these credits are fixed regularly in advance of the season and the maximum credits of societies as a whole are also determined in time on the basis of the normal credit statements. The system of granting maximum credits to primary societies has the effect of creating a sense of confidence among societies and their members by assuring them that finance will be made available if they conduct their affairs properly, bring in the promised amounts of recoveries and comply with the conditions governing the credits. Finance is also made available by the branches without delay, once credits are sanctioned by the head office, no further reference to it being necessary. Societies have only to see that advances are made in accordance with the approved statements of normal credits. Another indirect advantage of the system of normal credits is that if the credits of all members are fixed at general meetings, it is possible to check excessive borrowings by office-bearers and to meet the requirements of members with larger holdings by applying for special limits in excess of the limits fixed in the bye-laws. After inquiring into requirements and creditworthiness, inspectors recommend special limits to such members and obtain the requisite information called for by the Registrar. These limits are being approved generally by the Registrar, and to avoid delay the Registrar has delegated to the Assistant Registrars the power to approve of special limits to all except newly registered societies and for amounts not in excess of twice the usual limits. These credits have all to be sanctioned within a period of three to four months commencing from March and, as under the arrangements in force till last year applications were subject to scrutiny and disposal at the offices both of the Registrar and the Assistant Registrar in charge, delays occurred owing to rush of work in one season. The Board of Directors, therefore,

suggested to the Registrar that this power of making recommendations in all normal cases might be delegated to the Assistant Registrars and applications of societies with large arrears or low assets, or with an indifferent management, or of a special types might alone be referred to the Registrar. This suggestion was submitted by the Registrar to Government and the Board are glad to note that it has now been accepted. The adoption of this suggestion and the delegation of powers to the Assistant Registrars has considerably reduced the delays that used to occur in the sanction of credits. Nevertheless, it has to be admitted that there is some delay in the disposal of applications of societies with large arrears or with an indifferent management, because not only have such papers to go to the Registrar, but even at the Bank these applications are not disposed of, as other ordinary cases are, by the Manager or Managing Director. Further, the practice of allowing fresh finance to a society which is in arrears to the financing agency is of recent origin and is not as widely resorted to throughout the Presidency, as it should, under proper safeguards, be. Such finance, if unregulated, may be a danger; but as part of a policy of rectification and consolidation this practice has everything to recommend it. It may be added that to societies which are working normally permission is granted, provided the current dues of the Bank are paid in duly, to operate on the old credits subject, however, to their having fixed the normal credits of their members in accordance with which fresh finance is to be disbursed.

(*b*) In the note on the Bank's working, detailed information is given about the advances made out of the allotment under the Land Improvement Loans Act placed at the Bank's disposal by the Government of Bombay. It may be observed here that at the beginning of this year the full amount of the advances taken by the Bank from Government for this purpose has been repaid with interest, and all the advances, except those made during the current year, represent investment of the Bank's own funds in this business.

The main defect of the present system of agricultural finance by professional money-lenders is its unregulated character, unregulated in the sense that the conrol of credit is dependent wholly on the attitude of an individual who is not responsible to the community. It is his discretion, therefore, which determines the terms of business and not the needs of the community. The effect of this is seen in the rates of interest charged in various parts of the Presidency. On an average, these range from 12 to 24 per cent. except for favourable customers in some parts of Gujerat where they are lower. The incidence of interest charges is obviously too high for any industry to bear, particularly for the agricultural industry which is dependent for its profits altogether on the vagaries of seasons. No schemes of land improvement and agricultural development, involving outlay of capital expenditure, are possible under these conditions, especially as the general experience is that long-term capital on fair terms is scarcely available from local sources.

It is for this reason that the co-operative credit system is recommended as the best machinery for providing rural credit facilities; for it is a system which is regulated in the interest of the borrower, but at the same time attempts to regulate his financial operations. Owing to the fact that co-operative credit is a system of controlled credit, it possesses in the eyes of the agricultural borrower certain drawbacks inspite of its obvious advantages. The task before the co-operative banker is to eliminate these drawbacks or defects and at the same time to educate the borrower into a state of economic efficiency which will enable him to take the fullest possible advantage of the new machinery. The chief of the defects of the system of co-operative finance are the delays

that occur in the issue of funds and the inadequacy of the finance provided. The system of normal credits is intended to meet the complaint about the inadequacy of finance, and provided the repaying capacity is postulated, all attempts should be made to meet the legitimate demands for current agricultural needs and even for domestic ceremonies. For it is then only that the societies can gain the confidence of their members and secure their loyal co-operation. To meet the other grievance, the Provincial Bank, wherever it has to deal direct with primary societies, opens branches in centres as easily accessible to the people as possible. It has also brought about considerable reduction in the time taken for disposal of applications by securing the delegation of powers from the Registrar to the Assistant Registrars and from the Board of Directors of the Provincial Bank to its officers as well as to some of the local Advisory Committee of branches. It has, further, introduced the practice of allowing societies to draw against old credits for the urgent seasonal requirements of members.

(*b*) The system of granting loans for land improvement through co-operative agency is defective inasmuch as there is not enough co-ordination between the various departments of Government—Revenue, Public Works, Agricultural and Co-operative—in respect of both propaganda and investigation. The local revenue authorities are inclined to think that their duty is done when they tell applicants from villages with co-operative societies that their applications should be addressed to societies. They can very well place these applicants in touch with the local co-operative financing agency or the Co-operative Department and, in fact, they may deem it their duty to maintain touch with these agencies and exchange information. In some district the local authorities of the Public Works Departments have investigated the possibilities of minor irrigation works, but their information has not been made available to the other Departments and neither the Agricultural nor the Co-operative Department makes it a point to obtain such information and promote schemes of improvement, the former by giving technical advice and the latter by arranging for finance, and the schemes which are of the nature of public utility works can be examined by the local board engineers. If taluka development associations command a qualified staff their services too may be requisitioned in this behalf. In the absence of these agencies officers of the grade of agricultural overseers or organizers should be engaged for this specific work and if these stand in need of technical advice in respect of scrutiny of plans and estimates the services of the local officers of the Public Works Department should be at their disposal. As a consequence, there is ignorance about the facilities made available under the system, and even where agriculturists are aware of the facilities, it is a matter of considerable difficulty to get schemes prepared in a presentable manner and have them investigated within a reasonable period of time. The co-operative agencies get a nominal remuneration of one quarter to one half per cent. for the risk they undertake, and are, therefore, not sufficiently interested in the wider use of the funds placed at the disposal of the Movement by Government. They have also been relieved of the work of inquiry and investigation and hence can hardly be held responsible for the delays that occur in the investigation of proposals and their sanction. The Board would like to suggest that some special district staff should be engaged for this work under either the Co-operative or Agricultural Department, and this staff should deem it their duty to go to agriculturists and urge them to undertake schemes of land improvement rather than wait for cultivators to approach the staff for consultation. Where district local boards, as in Satara, have got their own local agricultural staff they may be asked to interest themselves in this work.

The Provincial Co-operative Bank, Bombay.

QUESTION 2.—MARKETING.—Reference is made in the note on the Bank's working to the efforts made by the Bank to develop co-operative marketing in various areas. The main articles of produce which have been handled by the Bank's branches or shops run in conjunction with such branches or by the purchase and sale unions are *gur*, cotton and groundnut, and the success which has attended the Bank's efforts at almost all these centres gives ground for hope that if similar pioneer attempts are made elsewhere, and are persisted in even at some sacrifice, they are bound, in course of time, to lead to the establishment of strong independent purchase and sale organizations. At Baramati, for instance, more than one-third of the entire production of *gur* on the Nira Canal area was, at one time, handled at the Bank's shops. The experience gained through these various organizations indicates, however, that it would be useful to have some central agency to co-ordinate these efforts to keep the local societies in touch with the fluctuation in the market prices and the trend of the various markets and to place the producing centres in touch with the central markets or with consuming centres. The need can be got either by the starting of a central wholesale agency in Bombay or by local federations organized on a commodity basis which would be helpful, for example, in organizing to better purpose the marketing of a commodity like *gur*.

The co-operative marketing agencies derive finance from co-operative banks and the members of agricultural societies dealing with them have experienced so far, in areas served by the Provincial Bank, no difficulty in regard to credit facilities for the marketing of their produce. Arrangements have been devised for the grant of financial accommodation through branches of the Provincial Bank on the security of agricultural produce pledged by members of societies to the branches or to the local co-operative marketing agencies.

REMITTANCE FACILITIES.—The Government of India have ruled that it is not part of the legitimate operations of co-operative banks to undertake the buying and selling of bills of exchange for profit. This ruling of the Government of India has come in the way of the extension by co-operative banks of their inland exchange business which, as a matter of fact, they undertook at the specific request of Government themselves. The question divides itself into two parts: first, whether co-operative banks should enter upon this line of business, and, secondly, whether for such business they are entitled to expect some assistance or concessions from Government. A glance at the balance sheet and reports of co-operative banks in other parts of the world is sufficient to prove that the position taken up by the Government of India is absolutely untenable, because co-operative banks all over the world undertake such business not only for internal transactions but also for transactions outside their own countries, and such business is by no means restricted only to co-operative institutions or to their own members. It need hardly be pointed out that to-day co-operative banks—central, urban and provincial—have penetrated into the most distant parts of the Presidency where no other organised bank would have ventured to establish itself, and it is at these centres that the banks are now providing cheap remittance facilities such as would stimulate local trade and commerce. This service these small institutions have undertaken to perform without waiting for any subsidies from Government like those that are enjoyed, either directly or indirectly, by a corporation of the size of the Imperial Bank of India. If for no other reason, because they render this service to the community in outlying parts of the Presidency, co-operative banks are entitled to receive some favourable treatment at the hands of Government. The Royal Commission on Currency and Exchange recommended the extension of cheap remittance facilities and, in the

opinion of the Board, this recommendation would cover the grant of some concessional treatment to co-operative banks in respect of their remittances through the local treasuries.

These remittance facilities are on the whole inadequate and costly. It is the co-operative organization that has made the remittance facilities available in most of the towns in the Bombay Presidency through the urban banks. The figures of those inland exchange transactions conducted at the Bank and its branches are as under as on 31st March 1929 :—

	Rs.
Drafts issued—7,669	for 48,65,667
Drafts discounted 5,938	for 76,63,758

This would not have been possible but for the concession of free remittance transfer receipt granted to the co-operative banks and this facility should be continued. Not only that, but the co-operative banks should be given the concession of getting funds by the sale of drafts on the Apex Bank at district and *taluka* treasuries. Another reform that would be necessary to be introduced is to reduce the limit for issue of supply bills from Rs. 1,000 to Rs. 500. Insured letters are not accepted over Rs. 600 and by the recent change in the rules for refund of currency notes, the cutting of notes into halves has been sought to be discouraged. Hence it is necessary that the supply bill limit should be lowered to Rs. 500 and that the premium rates too should be reduced.

Similarly, the money-order rates are felt to be high. When banks are doing the work for rates not exceeding ¼ per cent. it seems that the rate of 1 per cent. is quite exorbitant. It should be lowered at least to ½ per cent. subject to a minimum charge of one anna. At present the minimum charge has been raised to 2 annas, persons who have to make small remittances of sums under Rs. 5 have to pay 2 annas which works at 2½ per cent.

The post office can also develop banking habits by issuing inland postal orders and by issuing letters of credit payable at any post office in India, at reasonable rates. Such a system prevails in Germany adopted from Austria and Switzerland by which any individual, firm or association can, under certain conditions, transmit money without limit of amount to any part of Germany. All that is necessary is to open an account at a postal cheque office of which there are 13 in Germany. This can be done by making a permanent deposit of 25 marks. The account once opened can be operated through any post office in the country. In a vast country like India where modern banking is so imperfectly developed a system of this kind would be invaluable, and in making money more fluid it would be of the greatest advantage to co-operative societies to which the transfer of money is often a matter of considerable difficulty. If some such system is introduced it would also make it possible for village co-operative credit societies to open savings bank accounts for the villagers.

Trade Bills.—The question of the financing of agricultural produce by negotiable instruments was considered by the Provincial Co-operative Banks' Conference which was held in Bombay in January 1926. A resolution was adopted on the subject which recommended provincial banks to promote the financing of the Movement through the discounting of real trade bills to be drawn by sellers of agricultural produce on buyers. Trading societies and urban banks can discount such bills and they may be offered for re-discount to provincial banks. These bills will increase the liquidity of the resources of the Co-operative Movement and place in the possession of co-operative banks an easily

negotiable security. In consultation with the Provincial Bank, a beginning in this direction has already been made in the Bombay Presidency and the most enterprising of our urban banks, the one at Surat, has discounted a certain number of real trade bills and made arrangements with the Provincial Bank for re-discount. Similarly, if the consumers' movement develops, a consumers' wholesale society can meet the orders of its affiliated primary institutions against such bills, provided co-operative banks undertake to discount them. The development of this arrangement will also facilitate the financial operations of co-operative trading societies like those for the sale of cotton or other produce.

NEGOTIABLE INSTRUMENTS.—The Negotiable Instruments Act may be amended by making a bearer cheque bearer for all times irrespective of any subsequent endorsement thereon, and by extending to banks' drafts also the protection given to banks under Section 85 in case of forged endorsement on cheques. The Bill to amend the Negotiable Instruments Act now before the Legislative Assembly seeks to legalize a practice which was in vogue and which was based on the principle " once a bearer always a bearer ". In Great Britain, the practice and also the law favour this principle. It would not be incorrect to say that it is mainly because of this fact that the cheque system is so popular there. In fact, the cheques have replaced bank notes to a considerable extent, because there are no unnecessary restrictions to their negotiability.

The ruling by the Bombay High Court brought to light the difference in the law and practice in India and made it incumbent upon banks and business houses to examine all endorsements upon bearer instruments. It has ruled that the character of a negotiable instrument, which is drawn payable to bearer in the first instance, can be effectively altered by any subsequent endorsement. This not only throws considerable extra work and responsibility on banks and commercial houses without any corresponding advantage to their constituents or to the general public, but unnecessarily hampers the free negotiability of cheques.

There is another reason why bearer cheques should be legally allowed to remain bearer inspite of any subsequent endorsement thereon. For want of sufficient banking education and development of the banking habit very few people know what a regular endorsement is, especially as regards vernacular endorsements. Cheques are at times endorsed in so many different languages that some banks find it almost impossible to go through the endorsements. In such cases the paying bank insists on the collecting bank's confirmation. The collecting bank, not knowing the endorsing parties, naturally refuses to take any responsibility and returns the cheques to its customer uncollected. Hence the general public do not want to have anything to do with a cheque which is likely to be returned unpaid or uncollected for some technical irregularity. It is necessary, therefore, that there should be current in the banking world an instrument which will circulate as freely as a currency note inspite of any writing on it. And such an instrument should be a cheque drawn payable to a specified person or bearer which shall not, in any circumstances, lose its character as a bearer instrument on account of its having been endorsed by subsequent holders. And this is what the Bill seeks to provide.

Again, as the privity of contract is between the drawer, and the drawee, it stands to reason that the banker (the drawee) should obey the instructions of the drawer and none else. If the drawer so desires, he is, of course, at liberty to draw a cheque payable to order. For the purpose of safety, the cheque can be crossed and the crossing can be marked by the drawer or any holder.

Thus, if the Bill is passed, there will be current four kinds of cheques, *viz.* :—

(1) Bearer cheques which will circulate in the same way as currency notes without restrictions ;

(2) Order cheques which will circulate by endorsement only ;

(3) Crossed bearer cheques will be paid only through bank but without having to go through the endorsements. (This would compare to *shahjog hundis* in indigenous banking.)

(4) Crossed order cheques will be paid to banks and will also require to be regularly endorsed.

Nobody is compelled to receive one or the other kind of instrument. A person may draw or receive an instrument in any one of the above forms that suits his convenience and requirements.

It should lastly be noted that the proposed change will not affect *hundis*, as these are governed by local usage in accordance with the preamble of the Negotiable Instruments Act, 1881.

WAREHOUSES.—Wherever co-operative marketing organizations are in existence or co-operative banks undertake the work of making advances against agricultural produce to members of co-operative societies, some difficulty is felt in securing requisite godown accommodation. In the first place, the local accommodation is often not adequate, and, secondly, the local merchants or traders are disinclined to make this accommodation available to new organizations likely to compete with them. In Germany, Canada and Australia, Government give assistance for the provision of warehousing accommodation either in the shape of subsidies or loans at low rates of interest or the allotment of sites on favourable terms, and the Board suggest that similar facilities be made available in this Presidency. The Government of Madras and Bihar and Orissa have already made a beginning in this direction.

QUESTION 4.—LAND MORTGAGE CREDIT.—The Government of Bombay have approved of the starting of three land mortgage societies in the Presidency at Pachora, Broach and Dharwar. This organization is looked upon as being still in the experimental stage and until some experience is gained of the working of these three institutions, Government seem disinclined to permit more societies of this type being registered. Government have called upon the Provincial Bank to function as the central bank for providing finance to these societies, and have agreed to purchase five lakhs out of the unissued debentures of the Bank. It was decided that the money thus raised approximately at 5 per cent. should be passed on to the societies at 7 per cent., the margin of 2 per cent. being utilized for the expenses of the land mortgage department of the Bank and as provision for a separate reserve to be held in trust for the central land mortgage bank proposed for the Presidency. The local societies were advised to fix their scale of expenditure at the lowest figure possible and not to charge any additional margin to cover expenses or to provide for bad debts. The little local expenditure that was necessary should, it was decided between the Board and the Registrar, be met out of interest on the investment of the share capital of the local societies supplemented, if necessary, by small grants from the funds accumulated out of the margin available at the Provincial Bank.

The local societies have raised capital by means of shares, which capital is invested either as a fixed deposit with the local central bank or with the Provincial Bank or in Government securities, and is not to be used for the business of the societies.

The societies are not to raise any further capital by means of deposits or loans. The share capital subscribed by individuals is 1/20th of the loans issued to them, and in addition an entrance fee of Rs. 5 is charged from all the members. Membership is open only to holders of agricultural land in the area of operations who wish to borrow from the societies. Loan applications are received by the societies and filled in by the secretary in the form enclosed. These applications are then placed before the local directors who select applicants possessing sufficient assets and forward their applications to the land valuation officer whose services have been placed at their disposal by Government for a period of one year, the Government bearing all the expenses. The valuation of the lands is done by the land valuation officer, a local pleader examines the title, while a sub-committee of the society verifies the genuineness of the debts and estimates the repaying capacity after scrutinizing the income and expenditure of the parties. A form of the report which is submitted to the sub-committee of the land mortgage societies is attached. The sub-committee then scrutinize the applications, make further inquiries into the details of the debts with the *sowcars* and the credit-worthiness of the applicants, and forward such applications, as they approve of, to the Provincial Bank with their recommendations. No loans are to be advanced until they are sanctioned both by the Registrar and the Provincial Bank. The Bank has opened a separate land mortgage department and placed it in charge of a senior officer who examines the papers and verifies the information, if necessary by personal visits. The loans when sanctioned by the Board and the Registrar are advanced to the societies at 7 per cent., the societies passing them on at the same rate to the borrowers. The margin of 2 per cent. is utilized, as noted above, for meeting the expenditure on the land mortgage department for grants to local societies and for building up a reserve for bad debts. After loans are sanctioned, the committee of the local society arrange for the settlement of the *sowcar's* debt and only the amount of final debt as determined by them is advanced to the applicants. The payment is made by means of cheques in favour of the *sowcars* after the lands are taken in mortgage with possession. The general practice is to make advances only to the extent of one-third of the value of the lands offered as security, but the bye-laws authorize the grant of advances to the extent of half the value. Under these arrangements, loans have been distributed in the last six months according to the statement attached herewith (as per Statement A). Until further experience is gained of difficulties likely to be encountered in the work of recovery, the Board are of opinion that it might seem a hasty step to demand special measures for the simplification of the process of foreclosure and sale of land by the mortgage societies in the event of non-payment.

The main change in the present system of working which the Board suggest is the creation of a separate central land mortgage bank to be registered under the Co-operative Societies Act, to the share capital of which Government should contribute something at the start. The model bye-laws of the existing local land mortgage societies provide for the starting of such a central agency and empower the local societies to invest their share capital in the shares of such an institution. But no central land mortgage bank can be brought into being unless Government agree to the starting of local societies in other parts of the Presidency instead of looking upon the land mortgage organization as an experiment. The provincial and central banks will also contribute towards the share capital of the central land mortgage bank when it comes into existence. The finance should be provided out of debentures to be raised by the central land mortgage bank on the specific security of the mortgage of lands against which advances are made by the local societies. Such debentures should carry a guarantee from Government in respect of interest, and Government should themselves subscribe to these debentures in

the initial stages. Government may safeguard their interest by having representation both on the board of trustees and, if necessary, even on the directorate of the proposed bank also. A margin of 2 to 3 per cent. is essential for the expenses of both the agencies and for provision against possible bad debts. But all efforts should be made to keep down, as much as possible, the rate of interest for the ultimate borrower.

Two other suggestions merit consideration. All the expenses of land valuation officers should continue to be borne by Government for a period of five years from the date of commencement of the working of those societies. Some subsidies should also be given to the societies for their preliminary expenses. The other point is that as these societies are not permitted to raise local capital by means of debentures or otherwise and as their decisions in respect of grant of loans are not final there is no special advantage in keeping the area of operations very wide to secure a wider field of selection for their directorates. On the other hand, it would be an advantage if the societies were organized for one single *taluka* or a smaller area, as is the case both in the Punjab and Madras. This will ensure intimate touch among borrowers and promote closer mutual control. The personnel of the local directorate may be strengthened by the nomination of representatives of the Co-operative Department, the financing agency and the debenture holders, if any, who are resident in that area.

QUESTION 5.—LONG-TERM CREDIT.—In view of the intention of Government not to permit the extension of the system of land mortgage credit until further experience has been gained, it has become necessary for the co-operative organization in areas not served by such banks to provide for the long-term requirements of the members of co-operative societies. Hitherto, it was the practice to insist on societies preparing schemes for gradual liquidation of the debts of all their solvent members, collecting information about the indebtedness of as many members as possible before they could be considered eligible for the grant of long-term loans for debt redemption. Under this procedure, the work of liquidation of old debts tended to be extremely dilatory, and hence out of the large sums at the disposal of the central and Provincial banks only an insignificant proportion came to be invested in long-term advances. Recently, the policy in this respect has been changed and societies are being permitted to send up their applications of even those few of their members whose demands are imperative, without waiting for information being collected about all the members. The provincial Bank has been advised by the Registrar to entertain such applications and to undertake the gradual redemption of good members of well-managed societies on lines laid down in the accompanying memorandum. Within limits and for the smaller demands of members this system deserves to be encouraged, for it does away with the difficulty of having two financing agencies, one for short-term and the other for long-term, the interests of which may, if their working is not co-ordinated, come into conflict. A statement of the advances made under this scheme and of the applications under consideration is also attached. (As per Statement B.) This also gives the purposes for which the debts were incurred, the security for and period of debt and other particulars.

QUESTION 6A.—SMALL INDUSTRIES.—The Bank has given credits to half a dozen weavers' societies, to some of them on the security of their finished products deposited with the branches of this Bank. A few of them have been assisted in disposing of their goods by arranging to stock these goods at various branches where they are likely to find customers amongst the local population or amongst the members of affiliated co-operative societies. For a few societies, arrangements have also been made to supply

yarn and other materials required from time to time. From the little experience that the bank has had of this work, the Board are of opinion that these arrangements are capable of being extended, but before any systematic expansion of business takes place it will be necessary to strengthen the technical staff of the Co-operative Department working under the Inspector of the Weavers' Societies. The grant of subsidies by Government to small depots or emporiums established for the sale of finished articles is also necessary.

QUESTION 7.—CO-OPERATIVE MOVEMENT.—The future of banking in India is mainly dependent on the extent to which co-operative credit is developed in rural areas. Apart from other advantages, to which reference would be made later, co-operative banks have this advantage over the Imperial Bank of India that the men in charge are from and of the people, speaking the same language and able to enter more readily into the minds and needs of customers in rural and small urban areas. The agency employed is also much less costly. Hence, one of the most effective methods of familiarizing the people with banking in its modern sense will be to encourage the growth of co-operative banks. The Imperial Bank with its one hundred branches can provide banking facilities only in important *mofussil* centres of commerce and industry and can hardly expand its programme so as to bring in minor trading centres of commerce and industry and small *bazar* towns within the sphere of its activities. Joint stock banks are able to do much less in this direction and have only a few branches at important local centres of industry and commerce. It is, moreover, difficult for them to undertake expenditure on the work of developing new areas, as their organization is costlier than that of co-operative banks. Here the Board would like to refer to the results of an investigation undertaken some five years ago in England into the problem of agricultural credit. It has been found that the position in England in regard to the financing of agriculture is unsatisfactory, which would lead to the conclusion that the ordinary type of modern banking organization is not suitable to the needs of an agricultural country and it might be a waste of effort to attempt to develop banking institutions on the English model in this country which is pre-eminently agricultural. The Board would further wish to point out that 92 per cent. of the population are illiterate and the percentage of persons ignorant of English is still higher. Nearly three-fourths of the population live directly or indirectly on the land. Conditions such as these require the development of banking in a form where personal contact and personal negotiations between the banker and his customer are possible. In dealing with a joint stock bank, the unlettered agriculturists labour under certain handicaps. They must observe fixed hours of business, and if the signatures are in vernacular they have to get them verified and possibly incur some expenses for the purpose. The Board are, therefore, clearly of opinion that no development of banking through the Imperial Bank of India or joint stock banks will be of much use in getting the bulk of the population to place their savings in these banks and carry on business through them. There is again another difference in methods. Advances cannot be expected to be liquidated from day by day as in ordinary commercial banking, and following the indigenous practice, the banker may have to act not only as financier but also as a trader and an agent for his clients. The indigenous banker performs functions which are of the utmost importance to a community mainly dependent on agriculture, but which are outside the scope of the activities of a joint stock bank. He buys the produce of his clients and sells to him the ordinary necessaries of life. He grants credit for purchase of necessaries of life on condition of repayment of harvest. These needs will, necessarily, have to be met by the development of indigenous private banking or by establishing co-operative banks, both rural and urban. Co-operative

banks can, if a little elasticity in their working machinery is permitted and their business offices are established in the heart of the rural population, perform several of the services hitherto performed by the country banker. While, therefore, the Board would favour the grant of all reasonable facilities through the Imperial Bank of India from co-operative banks to private banking firms to develop their business, they are strongly of opinion that the future of banking in India lies with the Co-operative Movement. Their grounds are these. Apart from the value which the Board attach to the influence of the co-operative method in promoting economic uplift on the basis of self-help and mutual aid, the Directors feel that in modern times when for all economic activities human beings have to join forces and organize themselves, the individual indigenous banker isolated and working each in his own sphere for himself alone is sure to lose ground. These bankers will either be absorbed in and assimilated to the capitalist banking system which, however, has made little headway in upcountry centres, or they may have their own local organizations formed on a co-operative basis which can be linked up easily with the existing co-operative banking machinery already functioning in rural centres. But co-operative banks can develop only if they get assistance from the State in the various directions mentioned in this note and join their forces for effective concerted action and for the laying down and working out of a well-considered policy of development. The system of credits for primary societies should be made even less rigid than it is to-day by the delegation of certain powers to responsible local co-operative organizations, so that finance can be both prompt and adequate. They will attract the savings of the small men for profitable employment locally, and not to be drained away for investment outside. The control of these banks will be in local hands, and the profits in the business will either be distributed among local constituents or be used in local works of public utility. That is the aim which the Bank has had in view for nearly ten years past, and it is the realization of the importance of remedying this badly felt need in the banking system that has led the Bank to open during the period nearly twenty-five branches almost all of them located at petty centres of local trade. For the provision of prompt and adequate finance and the development of local banking facilities on modern lines but still on an inexpensive basis, a branch at the headquarters of every *taluka* in the area served by it has been the Bank's goal, which goal it has also placed before its affiliated district central banks several of whom have met with an equal measure of success in giving effect to the policy. A bank at the *taluka* headquarters, besides the services it renders to affiliated co-operative societies and its individual customers, becomes the co-ordinating agency for various co-operative activities in the *taluka*, educational and economic. Reference has been made above to the need for an agricultural banking organization in India to interest itself in the development of co-operative marketing and the organization of co-operative supply of agricultural requisites. This view has always influenced the Bank's system of working, but had there been no links established with the rural areas through *taluka* branches no part of this valuable programme could have been undertaken. In fact, it is on the initial efforts of these *taluka* banks and the financial facilities afforded through them that the successful organization of co-operative effort in the sphere of agricultural marketing and supply is mainly dependent.

The Provincial Bank and several central and urban banks in the Presidency have accounts and even overdraft arrangements with joint stock banks and the Imperial Bank of India. A number of them also keep short-term deposits with such

banks including exchange banks. It may be noted, however, that exchange banks do not allow inter-bank call money to the Provincial Bank—as presumably to other Indian banks—without asking for security, although between themselves they lend without security, as the Indian joint stock banks and provincial banks do among themselves. The Imperial Bank of India has recently stopped the cash credit which since 1917 it was allowing to the Provincial Bank on the security of the demand promissory notes of societies and is also unwilling to give advances on the security of Government paper. This has been done on the ground that the Provincial Bank has created a floating charge on its general assets in favour of the holders of its debentures, in view of which first charge the Imperial Bank's position would not be secure. The Imperial Bank is also unwilling now to allow, freely, cash credits against Government securities at its local branches to district banks on the ground that the district banks do not operate on the cash credit accounts, but treat them as fluid resources. The Imperial Bank also looks with disfavour on the business of internal remittance conducted by co-operative banks at centres where the Imperial Bank has got its branches, even if co-operative banks give an undertaking that no such business will be transacted at the cost of any concessions granted to them by Government.

When this business was being transacted by the Provincial Bank freely, it enjoyed some kind of contact with local indigenous bankers who appreciated the service rendered by it in facilitating transfer of funds on cheap terms. A certain number of local indigenous bankers have also taken advantage of the system of granting advances against agricultural produce recently initiated by the Provincial Bank, while a few of them had good business relations with the Provincial Bank on account of the purchase and sale work previously transacted by it. The relations of co-operative societies with local *sowcars* are often complicated because they resent the growth of this new competitive element in the sphere of banking and particularly so when trading functions are undertaken. While the transactions of societies are accorded due publicity and *sowcars* can easily check their customers' dealings with societies and remain on the watch at harvest time to secure the produce, societies have no means of securing information about the past or present relations of their members with *sowcars* and as a consequence they often find at harvest time that the crop which they had financed has gone to meet other liabilities of which they had no cognizance. The Board would, therefore, suggest some arrangement for the disclosure of *sowcars*' debts on the lines recommended by the Maclagan Committee in paragraph 36 of their Report. Information regarding the transactions of societies would be available from the pass-books issued to members extracts from which could be supplied to *sowcars*. If there is some legislation for the registration of bankers, a system of chattel mortgage might be created in favour of co-operative societies and other recognized bankers on lines similar to those adopted under the English and Irish Agricultural Credit Acts with such modifications as are called for by the conditions of rural finance in this country.

The defects of the present system of co-operative finance have been referred to in reply to Question 1. The fixing of an absolute limit beyond which an individual member could not borrow from his society was a great drawback which has recently been partially remedied by the raising of this limit on the basis of normal credit statements and the sanction of the special limits for members with larger requirements. With still better education in the importance of normal credit statements, the development of local control and the raising of the standard of management, the grounds for complaint should disappear and this process will be furthered if there is delegation to local

co-operative bodies of the powers now exercised by the Registrar in these respects. Even then it is not always convenient for the larger holder to be in the same society as a number of small holders. It may be that he hesitates to assume unlimited liability and pledge his large assets for a number of persons of small means, some of whom are, in his opinion, indifferent cultivators and might turn out defaulters particularly when, as occasionally happens in Gujarat, he can himself secure finance on terms nearly as favourable as those offered by societies. On the other hand, the small men have to pledge their unlimited liability which may mean all their means of livelihood for an individual with very large requirements both for current and other needs which are considerably in excess of the requirements of all of them put together. They stand to lose if the individual through mischance, mismanagement or spendthrift habits turns out a defaulter. Then, again, it often happens that while the bulk of the members require small loans for current needs and for repayment of their petty debts, the larger landholders want large sums for land improvement or liquidation of their debts for which they can give as security the mortgage of their lands in return for which security they expect a lower rate of interest than that ordinarily charged by societies. Where agriculture is conducted partially on a capitalist basis, as in some tracts of the Konkan and in the canal areas of the Deccan, the Board think that these few large landholders might be financed through co-operative societies of their own, each of these covering the whole of a homogeneous tract, based on limited liability catering both for the short and long term requirements of the members and run by full-time qualified officers responsible to the local management. If such organizations are started it may be possible for them, in the absence of local urban co-operative banks, to provide financial facilities to such approved indigenous bankers.

The difficulties of finance become accentuated after a year of scarcity and there should be a general understanding that following a bad year, the usual level of limits should, consistent with safety, be permitted to be raised so as to cover the old outstandings and provide room for fresh finance. In societies which are indifferently managed, selected members should be financed, provided there is a fair prospect of the society commanding the requisite personnel for their managing committees and provided prompt action is taken against defaulters. In the famine zone of the Deccan and in areas which have passed through an agricultural crisis, like the Deccan Canal tracts, it is necessary to devise some arrangements for the recovery of old outstandings to be spread over a number of years. Insistence on full recovery at the next season will only result in driving the borrowers back to the money-lenders or accumulating the load of arrears to an extent which will affect adversely the credit of the societies concerned. For the Provincial Bank, with its investments spread over various districts with diverse conditions, it may be easier than for banks operating in one district alone, to grant this relief and base the system of finance on the agricultural cycle. But even then, a system of intermediate credit at rates of interest which will not bear too heavily on production is a great desideratum. It is only if the incidence of interest charges is reduced that agriculturists in these areas will be able to carry on agricultural operations from year to year and, what is more, go in for schemes of land improvement such as will protect them from the ravages, from famines, or enable them to tide over agricultural crisis and in course of time become more efficient units in rural economic structure.

In the note on the Bank's working, some figures are given showing the growth of the surplus funds of the Bank. In another note, the problem of the surplus funds is treated at greater length and an attempt is made to indicate the lines on which these

can be absorbed within the Movement. At present, however, it is not possible to make much progress in having these funds used up because of the hesitation felt by the Co-operative Department in registering new societies. In some areas, this hesitation is due to the non-success of the existing societies, but there are parts of the Presidency where, although there is a local spontaneous demand and on the whole there is a congenial field for the development of co-operative credit, the Co-operative Department hesitate to allow new societies to be registered because of the insufficiency of the personnel required to audit an increasing number of societies and the inadequacy of the office staff for the other administrative duties entrusted to the Registrar under the Act. The auditing and office staff of the Co-operative Department, therefore, need to be strengthened, if co-operative credit is to be extended in areas found suitable for the expansion of the Movement. If this administrative assistance is secured, co-operative banks will be able to use up their present surpluses, and so well-established is the credit of most of them that they will, even in competition with other banks, be in a position to secure larger funds for the finance of the Movement.

It would be an advantage both to Government and the community, and it would enhance status of co-operative banks and of the Co-operative Movement in general, if Government were to entrust the management of sub-treasuries at selected centres to branches of the Presidency. Government may secure their position by such safeguards as they deem necessary, but the Board suggest that the terms offered to co-operative banks should not be less favourable than those under which the Imperial Bank was offered the management of agency work under the Reserve Bank of India Bill. In case Government are not prepared to consider this suggestion or at centres where the management of treasuries is not entrusted to co-operative banks, the drafts of co-operative banks on the apex bank should, within limits, be honoured by the local sub-treasuries under arrangements to be settled in advance laying down terms on which this business would be done and the safeguards to be imposed by Government. As co-operative banks have now commenced the business of granting advances on the security of agricultural produce, instead of transfering the surplus balances in sub-treasuries to the district or provincial towns for the finance of trade at such centres, some portion of these funds may be made available, on easy terms, to approved co-operative banks for short-dated advances, preferably of a self-liquidating nature, made on the security of agricultural produce pledged to such banks.

It is curious that, while co-operative banks are called upon to invest a certain portion of their funds in Government securities for purposes of fluid resource, the interest on such investment is taxed at the source and treated as if it was income derived from business that lay outside the legitimate operations of co-operative banks. Similarly, it is an anomaly that super-tax, which is defined as an additional duty of income-tax, is levied from co-operative banks which are exempt from payment of the original income-tax duty.

Lastly, attention is invited to the recommendation made in regard to the appointment of land valuers, at Government cost, for land mortgage societies, the guarantee by Government of interest on the debentures of the central land mortgage bank and the subscription by Government to its share capital as well as purchase of its debentures.

In some areas, where the Bank has its branches and where financial arrangements have been systematised, a large proportion of the members of co-operative societies are in a position to meet all their normal and legitimate demands from co-operative societies. To quote one example, the Indian Central Cotton Committee's general report on investigations into the finance and marketing of cultivators' cotton shows that in the West

Khandesh district 66 per cent. of the total finance was drawn by cotton growers from co-operative societies. But the part played by the Co-operative Movement in financing the cultivators varies greatly according to the efficiency of the management of societies and the economic and agricultural conditions of different tracts. No pains have been spared by the Bank to educate members of societies in the system of co-operative finance, but it is to be admitted that until the general level of education rises, these teachings will not have the effect that is intended. The first need, therefore, is diffusion of general education, and then more systematic co-operative education through the agency of supervising unions.

What the co-operative Credit Movement has so far achieved, notwithstanding those drawbacks, is generally to effect a saving by the reduction of interest charges and thus, in a sense, to lower the cost of production. It has also had the effect indirectly of bringing down the local lending rates in areas where co-operative finance is provided on some systematic basis. Lastly, it has stimulated the desire for economic organization and promoted, even to a small extent, a keenness for business efficiency and education in economic matters.

SECTION III.

QUESTION 2.—The Board would like to emphasise that, in their opinion, it is not desirable to continue utilizing the whole of the resources derived from the savings of persons of small means collected in postal savings banks or invested in postal cash certificates, for meeting the requirements of the Central Government. Those deposits do not at all represent hoards brought out for investment. A large sum is deposited by bankers and others at considerable injury to the indigenous credit system in rural areas by the draining away from it of such large amounts of funds. The Board understand that, both in Holland and Belgium, the State permits the funds of the postal savings banks to be placed at the disposal of co-operative banks operating in rural areas, while in Germany, Australia, Italy and the United States of America, savings banks have the free disposal of their funds within certain limits laid down by the law. Provided Government agree to set apart a certain portion—if not the whole—of the resources, derived from postal savings banks and cash certificates, to be invested through co-operative banks and societies in short-term agricultural loans on specially favourable terms, the Board see no objection in Government adopting any reasonable methods—such as the introduction of vernacular forms and pass books—to induce people to keep their surplus funds with them. But Government should not compete with private banking organizations and indigenous bankers, and in order to avoid this, the rate of interest on postal cash certificates should, the Board suggest, be reduced immediately so as to stop the diversion of local savings hitherto available for local investment. While postal cash certificates have succeeded to a certain extent in attracting the small investors' money into the coffers of the State, the Board feel that a Government organization is not the most suitable medium for developing habits of thrift and savings among the rural population. The backward agriculturist, petty trader and artisan prefer to deal with an agency which they know and which knows them and which can dispense with seemingly needless formalities when money is to be withdrawn nor be governed by inelastic rules regarding their payment or transfer of funds on death. Government cannot perhaps relax these rules; and now that the pioneering work has been done by Government, they should assist in popularizing the savings

and deposits schemes started by co-operative societies and banks which are in touch with the rural population.

The postal savings banks will, however, continue to operate even in outlying centres served by co-operative societies, but if they are to be made servicable to the people, their methods of working must undergo some modification. The following are some of the improvements suggested :—

(1) Accounts may be allowed to be opened in the joint names of two or more persons. At present this is not allowed. Accounts payable to either or survivor should be permitted. Similarly, depositors should be permitted to designate thier nominees who would receive their deposits after death.

(2) The placing of deposits by means of cheques should be permitted. A savings bank depositor in India cannot deposit cheques for the credit of his account. (This is the case even in several joint stock banks). Government should encourage the use of cheque currency and this disability should be removed.

(3) The limit on deposit of Rs. 750 in a year should be removed or at least raised.

(4) The limit in total balance to the credit of one account may also be removed. For minors' accounts the limit is Rs. 1,000 which is too low.

(5) Home savings safes may be issued on payment of small cost to induce people to collect small savings at home.

(6) Deposits in British post office savings banks are not liable to attachment. Though it may not be desirable to create a wilful method of defrauding one's creditor, still some little way be prescribed which could not be attached to enable people to make emergency financial arrangements for their families.

(7) As there are many villages which have no savings banks within a distance of about 15 miles, some arrangement (by issue of duplicate receipts and withdrawal forms) may be made to receive and pay deposits through the village postmen or teachers.

QUESTION 4.—CHEQUES.—The use of cheque currency has greatly increased since the abolition of one anna stamp and with the acceptance of vernacular script in banking it is sure to be further developed, as is found by experience by co-operative urban banks and branches of this bank. The payment of Government servants and bank employees by cheques will not do much to promote the cheque habit, what is required is the facility to get such small cheques cleared through a bank and to make small payments by means of cheques. This means that banks must entertain small accounts and allow their customers to operate upon their accounts by means of small cheques. At present, banks do not open account for less than Rs. 300 to 500 and require a minimum balance to be maintained. This would not, therefore, encourage Government servants and bank employees to bank their salaries. The banks may, therefore, open such small accounts, but may not pay interest. As big joint stock banks are not interested in small business, this can only be done by co-operative banks whose main object is to help persons of small means. The Board would like to refer here to the arrangement made by the bank years ago in the Nira Canal area for the payment of the irrigation fees of members of societies by means of cheques. This led later on to the issue of orders by Government for the acceptance of payments in respect of Government dues by means of cheques, but the facility was restricted to centres served by the branches of the Imperial Bank of India. Such centres are very few in number and the places being not very accessible to the bulk of agriculturists not much use has been

made of this method of payment. The Board areof opinion that, at least in some areas served by branches of the Provincial Bank, agriculturists who are members of societies are in a position to and would prefer to make payments of their dues to Government by means of cheques, provided such cheques are accepted at the local sub-treasuries. Government were moved in the matter some time ago and the Board trust that the proposal would be supported by this Committee as a method of encouraging the use of cheque currency in rural areas.

Cheque forms are issued by co-operative banks in the vernacular with much success and no inconvenience, and there is a great advantage in this practice being made universal. Following the lead set by the Bombay Provincial Co-operative Bank, other co-operative banks in this Presidency allow the signatures of the drawers and the endorsements to be made in the different vernaculars and the cheques themselves are made out in the vernaculars. Although the Provincial Bank accepts at its Head Office cheques drawn in Marathi, Gujarati and Kanarese, besides English, no practical difficulty has so far been experienced, although the daily turnover is, on an average, four lakhs and the number of cheques presented daily is nearly three hundred. From this experience of the Bank and the large use made at the Bank's branches of vernacular *hundi* forms in preference to the demand draft forms, the Board are confident that the use of vernacular cheque forms will popularize banking business of all types. The Board would like to add here that at branches of the Bank, hours of work are often altered to suit the convenience of local customers and transactions are carried on, in response to their demands, on Sundays, some other day in the week being fixed as a holiday. The accompanying statement (as per Statement C) gives information about the growth of the cheque habit at various branches of the Bank in Satara and West Khandesh districts.

QUESTION 5.—The Board have observed above that the co-operative agency possesses great advantages over joint stock banks and the Imperial Bank as also over private bankers for carrying on the work of developing banking methods, provided certain facilities are granted. The most important of these facilities is the issue of remittance transfer receipts free of charge direct on sub-treasuries and *vice versa*, and the use of the surplus balances of local sub-treasuries by approved co-operative banks or the branches of the Provincial Bank under conditions to be settled between Government and such banks. Co-operative banks, urban or central, will develop the use of modern credit instruments by opening current accounts in small upcountry towns, while important village societies, situated in proximity to central banks and branches of the Provincial Bank, can accept freely savings deposits from their agricultural members. Such rural societies will have their current or overdraft accounts with the central or branch banks on which they can draw on demand or at very short notice to meet withdrawals by members. It is the extension of facilities for the withdrawal of funds at short notice which will induce agriculurists to entrust their savings to their local credit societies.

The main item of expenditure in any bank opening current accounts at its branches is loss of interest on cash balances. Heavy balances have to be maintained owing to defective arrangements for remittances and even if facilities are available through the treasuries the receipt of money by telegraphic transfer occupies a day. It will be a stimulus to the development of deposit banking and the opening of branches of banks in small *bazar* towns and trading centres—where otherwise no banking facilities on

modern lines will be developed—if, with due safeguards and against requisite security, Government approve of co-operative banks or their branches making the use of treasury funds within limits to be settled in advance. It may be prescribed that the co-operative bank or its branch should give, in exchange, drafts on the Apex Bank at the provincial headquarters to enable Government to reimburse the temporary withdrawals of money from the local sub-treasuries.

A Note on the Constitution and Working of the Bombay Provincial Co-operative Bank, Ltd.

The Bombay Provincial Co-operative Bank, Ltd., which is the Apex Bank for the Bombay Presidency, was started on 11th October 1911, its name at the time of registration being the " Bombay Central Co-operative Bank." When this Bank was started in 1911, there were not in existence in the Bombay Presidency any central banks started for the specific purpose of making advances to co-operative societies and acting as their balancing centre. The area of operations of the Bombay Central Co-operative Bank, therefore, extended all over the Presidency. It was only after the year 1916 that systematic attempts were made in the Bombay Presidency to start central banks in the districts; but until 1920, this process of development was not well organized. It was after 1920 that the formation of central banks for the various districts was decided upon as an integral feature of the financial policy. When this policy was enunciated, it was also arranged that the Bombay Central Co-operative Bank should change its name into the Bombay Provincial Co-operative Bank, so that in areas where district banks came to be started it should cease to function as a central bank and assume the role of an Apex Bank for these district banks. Accordingly, the name of the Bank was changed in 1923, but the Bombay Provincial Co-operative Bank still continues to have dealings direct with primary societies, although its areas of operations are already defined and delimited, and there is neither any over-lapping nor competition between two financing agencies in the same area. Some further information on the subject and a detailed description of the system may be found useful and interesting. As noted above, when the Bombay Central Co-operative Bank was started in the year 1911, there were no district central banks then in existence intended for the financing of co-operative societies, though there were some urban banks which, along with the business of financing individuals, lent their surplus funds to agricultural primary societies. For this reason, the constitution and system of working of the Bank, and hence its subsequent development have been on lines entirely different from the evolution of the central financing system in other Indian provinces, where the provincial banks were brought into existence as apical federations of central banks already in existence. This special position was recognized by the Committee on Co-operation.

Two or three years after the starting of the Bank and with the publication of the Report of the Maclagan Committee, the Co-operative Department decided to start central banks for various districts, and some of the urban banks agreed to convert themselves into district central banks. But, as mentioned above, until the year 1920-21, the arrangements for the financing of societies even in the districts served by such banks were not well-defined. This was especially the case in districts where guaranteeing unions were started. These guaranteeing unions were intended to provide a direct link between primary societies and the Provincial Bank as they undertook the work of supervision and assessment of credit, and, in virtue of the guarantee they provided, societies affiliated to these unions expected more adequate finance than isolated societies. For these reasons, it was thought that in a sense they provided a substitute for local

central banks and on this ground as well as with the idea of avoiding the interposition of two agencies between the bank at the apex and the village society, almost all the unions were affiliated to the Bombay Provincial Bank, and not to district central banks. In the early days of their existence, it was also difficult for the district central banks to command sufficient resources to be in a position to provide adequate and prompt finance to societies under unions and grant them credits instead of fixed loans. Gradually, as the organization and resources of the central banks began to develop, they arranged to take over from the Provincial Bank groups of societies and unions previously financed by the Provincial Bank.

The present position is that out of 26 districts in the Presidency, one in Sind has neither a branch of the Provincial Bank nor a district bank, 18 districts have each a local central bank (one of these has two banks) and seven districts are still within the area of operations of the Provincial Bank. Out of these seven districts, four are districts which are economically and educationally very backward. In three of these, Kolaba, Ratnagiri and Thana agrarian conditions do not appear to favour the rapid spread of co-operative credit, while the fourth is mainly peopled by the *bhils*, an aboriginal tribe. One district, Ahmednagar, contains the worst famine zone in the Presidency, and only two of the districts served by the Provincial Bank can be said to be normal. The total number of branches in these districts is 18. In addition, the Provincial Bank has eight branches in districts served by central banks for areas definitely excluded from the jurisdiction of existing local central banks, which they are unwilling to take over owing to heavy arrears and other financial complications, or are unable to finance owing to paucity of resources even when supplemented by finance from the Apex Bank. It may be further explained that new branches of the Provincial bank are now being started only in areas already under the jurisdiction of the Bank, some of which were hitherto being served direct by the office in Bombay and others by branches which sub-divide their jurisdiction for greater convenience of the societies concerned. No branch is started in an area already covered by a district bank. The main idea in starting the branches and incurring further expenditure on such development is to provide banking facilities in rural areas as near to the doors of agriculturists as possible. At the Provincial Co-operative Conference of 1919, a resolution was adopted calling upon all financing agencies in the Presidency to establish intimate contact with borrowing societies so as to be in a position to organize systematic arrangements for the provision of prompt and adequate finance to agriculturists. With its larger resources, it has naturally been much easier for the Apex Bank than for isolated central banks to progress quicker towards the attainment of this ideal.

The total number of branches is 26 distributed over nine districts. These branches are placed in charge of agents and at all the branches, except those for Baramati, Nira and Tasgaon, where Advisory Committees consisting of 7 to 9 members are associated with the working and they meet periodically for transaction of business. One or two members of the Advisory Committees are nominated by the Bank, the rest are elected by societies connected with the different branches. General meetings of member societies under the different branches are convened regularly every year, some distinguished co-operator is invited to preside, and advantage is taken of these gatherings to discuss questions of general interest. The Advisory Committee at Islampur has adopted, with the approval of the Board, a revised constitution for its working, which defines its relations with the Bank and with the constituent societies. This constitution was recommended to the other branch committees and has, with suitable modifications,

been adopted by them. Powers to sanction loans, similar to these enjoyed by the Manager and Managing Director, have recently been delegated by the Board of Directors to some of the Committees.

A statement is attached showing the deposits raised at various branches and the amounts of advances made through them. [Statement (A) .]

The membership of the Provincial Bank is open both to individual and co-operative societies including central banks. The membership at the end of 1928-29 consisted of 738 individuals and 1,375 co-operative societies. (Each member has one vote irrespective of the number of shares held.) The respective figures of share-holding are Rs. 8,25,600 and Rs. 4,48,750; included in the latter figure were Rs. 1,65,200 held by central banks and Rs. 1,44,000 by urban banks. When the Bank was started, there was only one society among its original members; but from the second year of its starting, arrangements were made to procure for societies dealing with the Bank shares from individual shareholders. This was necessary as the share capital of the Bank was fully subscribed when it commenced its operations. When the share capital was increased in 1924 and 1926, the bulk of it was reserved for primary societies and central banks. All primary societies dealing with the Bank, when allowed loans or credits, are being called upon, as a condition of such finance, to become members of the Bank by purchasing at least one share. Out of the new issue of shares, a portion of which was reserved for affiliating societies, 284 shares are still available for being taken up by societies which may borrow from the Bank in future.

The management of the Bank is vested in a Board of Directors consisting of not less than 5 and not more than 15 members. The Board of Directors, subject to the proviso referred to below, is elected annually at the general meeting of the Bank, but retiring directors are eligible for re-election. Originally, there was no provision made for the election of directors representing member societies and central banks. But since 1920 the convention was introduced of having 4 directors representing central banks from the 4 linguistic divisions of the Presidency. In 1925, it was decided to incorporate this arrangement in the bye-laws and a special electorate was created giving representation to central banks on the basis mentioned above, provided they subscribed to the share capital of the Bank in the proportion of one-tenth of their own paid-up share capital. A similar electorate was also created for urban banks with a working capital of Rs. 50,000 and over, which were entitled to elect one director to the Board. Two seats were reserved for directors to represent primary societies dealing with the Bank. But no separate electorate was constituted, and the elections of these two directors are at present conducted at the general meeting on the basis of the recommendations received from the Advisory Committees of the various branches. The present strength of the Board of Directors is 14, 7 Directors representing societies and banks as noted above and 7 representing individual shareholders, including, by convention, the head of the Bombay Provincial Co-operative Institute. The Chairman is elected by the Board itself. The Board of Directors usually meets once a month; and for the disposal of ordinary business, a sub-committee is appointed which meets very frequently.

Debentures.—Under its original agreement with the Secretary of State for India in Council, the Bank is authorized to issue debentures upto a maximum amount of Rs. 20 lakhs provided that the amount of issued debentures at no time exceeds thrice the paid up share capital. The debentures are all of the denomination of Rs. 1,000 and are issued in the form of bearer bonds with interest coupons attached. The rate of interest is 4 per cent. payable half-yearly and this is guaranteed by the Secretary of State

until the debentures are redeemed. The maximum period of redemption is 42 years, although the Bank is entitled to redeem the debentures after 28 years from the date of issue.

A sinking fund is created before the profits are arrived at, the contribution varying from 1 to 2 per cent. of the amount of debentures outstanding, on the basis of the average rate of interest charged by the Bank on its lendings. The debentures are secured by a floating charge on the general assets of the Bank and a Board of Trustees is appointed consisting of one representative of the Bank, the Accountant General and the Solicitor to Government. The Bank has issued four series of debentures which all rank *pari passu* and the total amount of debentures subscribed is Rs. 9,80,000. The sinking fund for the redemption of the debentures, which is invested separately in securities, amounts to Rs. 3,39,125. The fourth series of 500 debentures specifically earmarked for the purpose of making advances to co-operative land mortgage institutions has been issued very recently and Government have taken up Rs. 2,00,000 worth of debentures of this series at 12 per cent. discount and have further agreed to take up the remaining 3 lakhs at rates to be settled when money is actually paid.

DEPOSITS.—The classified figures of deposits held by the Bank (including the branches) are as under :—

	Individuals.	Societies.	Total.
	Rs.	Rs.	Rs.
Fixed Deposits	35,48,788	69,66,996	1,05,15,784
Current accounts ..	8,74,626	20,37,389	29,12,015
Saving Bank account ..	9,54,643	1,70,179	11,24,822
			1,45,52,621

ARRANGEMENTS WITH THE IMPERIAL BANK OF INDIA.—The Bank had, at one time, a cash credit of 8 lakhs with the Imperial Bank of India, one of 4 lakhs at Bank rate and another for a like amount at a fixed rate of 6 per cent. The credits were allowed on the security of the demand promissory notes of primary societies financed by the Bank, interest being charged only on the actual drawings. As these credits were not being utilized the former arrangement was discontinued in 1927 ; and the latter too was stopped in 1929 as the Imperial Bank of India felt that owing to the floating charge of the debenture-holders over the general assets of the Bank, they were insufficiently secured.

LOANS TO PRIMARY SOCIETIES.—As mentioned above, the Bank deals with primary societies and banks. The number of primary societies financed is 1,200 and all except 127 of these societies transact their business with the Bank through its various branches. The credits of the affiliated societies are fixed at the beginning of the agricultural season on the basis of the statements of normal credits of members prepared by them ; and within the limits of the maximum credits thus allowed societies are entitled to draw according to their demand through the branches. The rate of interest is 7½ per cent. for A or B class societies and 8 per cent. for other societies. Interest is received once a year during the agricultural season. The periods of loans are fixed according to the purpose for which they are drawn, but the bulk of the advances being for agricultural purposes are repaid within short periods. Out of the total advances of 58½ lakhs shown in the balance sheet Rs. 50 lakhs represent outstandings with the primary societies.

ADVANCES TO CENTRAL AND URBAN BANKS.—Out of the 20 central banks in the Presidency 6 started in Sind deal with the Central Bank in Karachi as their Apex Bank and of the remaining banks only 3 have permanent arrangements for credit with the Provincial Bank. Small cash credits varying from Rs. 10,000 to Rs. 50,000 are sanctioned

to the banks to be drawn upon at call and larger limits are sanctioned according to demands to be drawn upon at short notice. In addition to their own promissory notes the central banks pass on the promissory notes or bonds of their affiliated societies. Only one central bank now borrows regularly from the Provincial Bank every year. The remaining central banks are plus banks practically throughout the year, the amount of their deposits with the Bank being Rs. 57,16,614. All of them, however, have arrangements for cash credit or overdrafts on the security of their deposits in the Provincial Bank or of Government securities held by them. Cash credits against Government securities are allowed at 1 per cent. more than the Bank rate and fixed loans at Bank rate, while overdrafts against deposits are granted at 1 per cent. over the deposit rate. Advances on the security of the societies' promissory notes are made at a fixed rate of 7 per cent. payable annually. For short-dated fixed drawings special credits are allowed at rates varying from 6 to 7 per cent. Cash credits and overdrafts have also been granted to urban banks and trading societies on the pledge of goods or against their investments in securities or deposits. Fourteen urban banks obtained cash credits against their general assets to serve as fluid resource or to facilitate exchange business; the total limits sanctioned and the balances drawn at the end of the year amounted to Rs. 2,06,000 and Rs. 61,484 respectively. Advances made to two banks on the security of agricultural produce amounted to Rs. 1,75,071 and those made to two banks on the security of short-dated bills of members to Rs. 34,845. Special facilities were allowed to the urban banks at two branch centres, namely, Dhulia and Kalol, and a grant of Rs. 100 was sanctioned to the Supervising Union for urban banks in Gujerat. Pursuant to the recommendation of the committee appointed at the Central Banks' Conference of 1927-28, two detailed circulars were issued to all urban and central banks suggesting the lines on which the business of providing finance on the security of marketable goods could be extended, explaining the safeguards to be observed and proposing a draft form of agreement to be taken from borrowers.

Land Improvement Loans.—The Provincial Bank acts as the intermediary for the grant of loans under the Land Improvement Loans Act to members of co-operative societies according to Rules issued by Government in 1922. Such members can get these advances through their societies and the allotment sanctioned by the Legislative Council is placed every year at the disposal of the Provincial Bank to which applications are referred. For drawings made out of this allotment, the Provincial Bank pays interest at 5½ per cent. to Government, and it charges 5¾ per cent. on advances made to central banks for their affiliated societies and 6 per cent. for advances made to primary societies dealing with it direct. The rate of interest for individuals is 6¾ per cent., the same as for ordinary borrowings through the Revenue authorities. The total amount of loans outstanding on 31st March 1929 under this arrangement was Rs. 4,82,834. The accompanying statement (B) is of the loans advanced in various years since the commencement of the scheme.

Long-term Loan.—The total amount outstanding by way of long-term loans was Rs. 3,59,053. The system of considering schemes for societies as a whole was, after discussion with the Bank, slightly modified by the Registrar during the year and further instructions were issued regarding the scrutiny of applications. The accompanying statement (C) is of the loans for debt redemption advanced in the last five years, as also of amounts sanctioned during the first nine months of the current year.

Surplus Funds.—On 30th September 1929 the Bank had nearly a crore invested in Government securities and in deposit with joint stock and exchange banks approved for the purpose by the Government of Bombay. The result of the growth of the credit

of the Bank without a corresponding development of the capacity of the Movement to absorb the increased resources at its command was an enormous rise in the Apex Bank's investments outside the Movement. This position will be clear from the following table :—

	Deposits with Bank	Investments in Securities	Total
	Rs.	Rs.	Rs.
1927	4,42,000	41,12,651	45,54,651
1928	34,58,000	44,68,185	79,26,185
1929	49,97,000	49,08,468	99,05,468

In addition to any investments that district or urban banks may themselves have made in Government securities or deposits with approved banks, the investments of the Provincial Bank itself outside the Movement have risen by over half a crore in the last three years.

The deposits with approved banks included the following items :—

	Rs.
(1) The Bengal Provincial Co-operative Bank, Ltd.	3,00,000
(2) The Madras Central Urban Bank, Ltd.	5,00,000
(3) The Bihar and Orissa Provincial Co-operative Bank, Ltd. ..	1,00,000
(4) Shree Laxmi Co-operative Bank, Ltd., Phaltan	72,000

Division of Profits.—Since the commencement of its working the bank has distributed dividends to shareholders at a rate not less than 6 per cent. This rate was gradually raised to 6½, 7 and 7½, and dividends have been allowed at 8 per cent. since 1926. According to a clause in its agreement with the Government, after dividends have been paid to the shareholders at the rate of 6 per cent. the remaining profits are to be shared equally between the shareholders and the borrowing societies, the allotments to the shareholders including any addition made to the Reserve Fund. Under this arrangement, a rebate fund is built up to be distributed triennially to the borrowing societies in proportion to the amount of interest paid by them to the bank, and the effect of this distribution during the last triennial period has been to reduce the lending rate of the bank by ½ per cent. In view of the provision made for a sinking fund, the bank has been exempted from the section of the law making it obligatory for 25 per cent. of the annual profits to be allotted to the Reserve Fund every year. But small contributions are made to the Reserve Fund from time to time and also to a special reserve for doubtful debts. The total of the reserve and other funds is Rs. 5,92,370.

Inspection and Development.—In the earliest days of the working of the bank, the Co-operative Department engaged two or three officers designated as special *mamlatdars* to inquire into applications for loans from the bank, to value the assets of societies, and, when required, to conduct special inquiries into the working of societies financed by the bank. General inspection was expected to be conducted by the staff of the Department and by Honorary Organizers. Later on, with the starting of guaranteeing unions the work of supervision and inspection came to be transferred to these bodies and the Co-operative Department held that there was no need for a financing agency to possess its own inspecting staff. In 1920-21, however, this policy underwent a change. The Co-operative Department agreed to the bank having its own field staff and the first appointments to this regular staff were thus made by the bank in 1921.

The Provincial Co-operative Bank, Bombay.

The total number of societies now financed by this bank both through the Head Office and branches is 1,182 and the staff of inspectors engaged by the bank is 30, of whom 9 are part-time inspectors. This figure is inclusive of the special *mamlatdar* at Dohad and his two assistants. For the purposes of the work of inspection and development, the area served by the bank is divided into six zones as under :—Satara, Poona, Sholapur, Nagar, Nasik (exclusive of Igatpuri), Khandesh (including Parola in East Khandesh), Gujerat (exclusive of the *bhil* societies under the control of the special *mamlatdar*) and the Konkan (including Igatpuri *taluka* in Nasik). All the zones are placed in charge of Senior Inspectors, all of whom, with the exception of the Senior Inspector for the Konkan, are full-time touring officers. Each senior inspector has under him a staff of inspectors and assistant inspectors, who arrange their programme more or less in consultation with their senior inspectors and submit their bills and diaries through these officers. At all centres, along with the work of recovery, steps are taken to improve the management of societies visited. The services of inspectors are made freely available for the work of delivering lectures to training classes for secretaries or members of managing committees. The revival of stagnant societies also engages the attention of the inspectors.

PURCHASE AND SALE.—The Bank's activities in this field may be classified as under—

(1) Purchase and sale through branches.

(2) Purchase and sale through separate shops attached to branches.

(3) Assistance, financial and administrative, to purchase and sale unions brought into existence through the efforts of the Bank.

(4) Financial and other assistance, including propaganda, for independent bodies.

It may be observed that the bye-laws of the Bank provide for the Bank's undertaking the business of purchase and sale of agricultural implements, manures and other agricultural requirements, of sale on commission on behalf of agriculturists of agricultural produce and of the grant of advances on the security of agricultural requisites or produce to be handled by the Bank.

(1) PURCHASE AND SALE THROUGH BRANCHES.—This was being done at various centres where there were no separate shops or independent non-credit societies or unions. It was the success of this pioneering work that led to the starting of a Purchase and Sale Union for the West Khandesh district and is likely to lead to the formation of a sale organization for the Kalol and Halol *talukas* of the Panch Mahals district.

(2) JOINT SHOPS FOR PURCHASE AND SALE.—These were first started in the Nira Canal area on a profit-sharing basis, but the business has now been transferred to a separately registered Purchase and Sale Union. A similar shop at Kolhapur for the Varna Valley tract was also transferred to the control of a separate Purchase and Sale Union. Three shops on the old basis are, however, still being run at Kopergaon, Belapur and Akluj dealing mainly in jaggery, oil-manures and fertilizers. The constituent societies are responsible for the profit or loss on the business.

(3) PURCHASE AND SALE UNIONS.—Through the Bank's efforts purchase and sale unions have now been started at Baramati, Kolhapur (for the Varna Valley tract), Kurduwadi, Dhulia and Malegaon. To all of these including Kurduwadi, which has now been transferred to the Sholapur District Bank, the Bank lent the services of members of its staff and it is associated fairly intimately with their working.

(4) HELP TO OTHER NON-CREDIT ORGANIZATIONS.—Assistance for propaganda and even in respect of business transactions—for instance sale of ginned cotton in Bombay—has been given by the Bank to the independent sale organizations in the Karnatak and Gujerat and for the sale societies in Sind when these were first started in 1926.

STATEMENT A.

No.	Branches	District	As at 31st March 1929		As at September 1929	
			Deposits	Loans	Deposits	Loans
1	Akluj	Sholapur ..	Rs. 27,468	Rs. 2,09,880	Rs. 20,025	Rs. 1,80,217
2	Baramati	Poona ..	2,40,367	9,30,770	2,28,663	8,67,670
3	Nira	Do. ..	24,973	4,17,906	9,407	3,74,264
			2,65,340	13,48,676	2,38,070	12,41,934
4	Belapur	Ahmednagar ..	26,756	4,41,386	35,765	4,24,478
5	Kopergaon	Do. ..	96,908	3,93,629	1,17,941	3,37,932
6	Shevgaon	Do. ..	10,968	1,34,837	12,577	2,04,819
			1,34,632	9,69,852	1,66,283	9,67,229
7	Dhulia	W. Khandesh ..	4,75,397	2,97,548	5,10,627	5,48,775
8	Dondaicha	Do. ..	30,175	1,83,442	19,535	3,83,093
9	Nandurbar	Do. ..	89,111	78,583	99,721	1,14,237
10	Sakri	Do. ..	17,697	55,359	15,730	1,20,854
11	Shahada	Do. ..	85,502	1,62,059	73,748	2,18,673
12	Shirpur	Do. ..	1,36,172	1,09,127	86,477	3,36,686
			8,34,054	8,86,298	8,05,838	17,22,318
13	Dohad	Panch Mahals ..	1,50,923	70,381	1,77,040	92,268
14	Kalol	Do. ..	61,868	1,15,152	95,683	1,47,205
			2,12,791	1,85,533	2,72,723	2,39,473
15	Parola	E. Khandesh ..	1,25,685	1,86,645	58,300	3,19,184
16	Islampur	Satara ..	4,49,598	3,51,459	4,41,078	4,26,974
17	Karad	Do. ..	1,69,641	1,42,342	1,30,256	1,22,767
18	Kirloskerwadi	Do. ..	..	..	1,48,358	85,647
19	Koregaon	Do. ..	50,579	1,17,368	58,734	1,47,145
20	Tasgaon	Do. ..	78,144	1,10,102	2,00,809	1,20,058
			7,47,962	7,21,271	9,79,235	9,02,591
21	Malegaon	Nasik ..	1,43,638	2,18,242	1,64,989	3,22,478
22	Satana	Do. ..	55,392	1,62,075	15,730	1,20,855
			1,99,030	3,80,317	1,80,719	4,43,333
23	Bhiwandi	Thana ..	..	37,364	8,692	1,00,500

STATEMENT B.

Land Improvement Loans.

Year	Grant Received	Total advances made	Remarks		
	Rs.	Rs.			
1922-23	3,00,000	1,02,471			
1923-24	3,50,000	94,229			
1924-25	3,50,000	1,66,210			
1925-26	3,50,000	2,09,570	*Purposes.*		Rs.
1926-27	3,50,000	1,14,070	Tals		14,850
			Wells		69,970
			Embankments ..		8,250
			Improvement of lands ..		6,500
			Oil-engine and Installation		12,500
			Sundries		2,000
					1,14,070
1927-28	3,50,000	1,02,270	Tals		3,700
			Wells		62,125
			Embankments ..		4,950
			Improvement of lands ..		6,495
			Oil-engine and Installation.		16,800
			Fencing, purchase and setting up of Rahats ..		8,200
					1,02,270
1928-29	3,50,000	50,097	Tals		1,000
			Wells and Watering channels		21,992
			Embankments ..		1,200
			Improvement and levelling of lands		10,980
			Implements		3,000
			Oil-engine and Installation.		1,500
			Fencing, purchase and setting up of Rahats ..		10,425
					50,097

STATEMENT C.

Long-term loans.

Year	No. of Societies financed	No. of members financed	Amount
			Rs.
1923-24	7	45	49,350 (Advanced).
1924-25	6	29	21,600 (Advanced).
1925-26	12	74	65,175 (Advanced).
1926-27	12	63	95,700 (Advanced).
1927-28	1	7	20,500 (Advanced).
1928-29 ..	2	20	32,050 (Advanced).
1929-30 (for 9 months) ..	15	152	1,23,939 (Sanctioned).

Oral Evidence.

Dewan Bahadur A. U. MALJI and Mr. D. V. GOKHALE, Representatives of the Bombay Provincial Co-operative Bank, Bombay.

13175. *The Chairman :* Dewan Bahadur Malji, you and Mr. Gokhale represent the Bombay Provincial Co-operative Bank ?—Yes.

13176. Before I come to your interesting note, I would like to ask you one or two questions which are not touched upon in the note. While we were in Sind, we received some conflicting evidence on the question of centralization of finance. Some people were of the opinion that there should be one central bank for the whole province of Sind, with district banks to act as branches. Has a question like this been discussed from the point of view of the Presidency proper ?—(*Dewan Bahadur Malji*) : It has not been specifically discussed, but, all the same, the policy of the Provincial Bank seems to be that where there are district banks which properly perform their functions, the bank would rather be glad to have business done with rural societies through such district banks.

13177. Ordinarily you favour decentralization ?—Yes. (*Mr. Gokhale*) : In the note we have stated that the policy of the Provincial Bank is to hand over the business to district banks as far as possible.

13178. As regards the tightness in the general market at certain periods in the year ; as you know, when the market is slack the agriculturist usually wants money and he gets it at a fairly high rate of interest. When the market is tight he returns his money. Has your bank considered the question of trying to get money cheaply in the general market for agricultural purposes during the agricultural season or is it a fact that you have surplus which makes it unnecessary for you to go and borrow ?—(*Dewan Bahadur Malji*) : So far the question has not been considered in this light because the required balances are available, but the question of getting any more funds from the Imperial Bank at the time of necessity must be determined once and for all. Formerly our agricultural papers were being negotiated. They could be pledged with them and money obtained. In other provinces this is the rule but here it seems that this concession has been abruptly withdrawn on a technical ground.

13179. We questioned the Secretary and Treasurer of the Imperial Bank of India yesterday and he said that the objection was merely technical and as soon as it is removed, the Bank would not have any objection to negotiate your papers ?—This technical objection needs to be removed.

13180. Apart from this question, there are months when money is cheap in the general market. Has your bank considered the question of tapping this source and utilizing it for advancing to agriculturists ?—So far they have counted on deposits and for this purpose even the branches exert to obtain deposits at less rates of interest. (*Mr. Gokhale*) : In this part of Deccan, they tap this source at the time when money is cheap through district banks.

13181. Do they get a lower rate of interest ?—Yes.

13182. But do district banks take advantage of the fluctuations ?—Yes, and the branches also. (*Dewan Bahadur Malji*) : While supporting Mr. Ghokhale, in districts it is possible but after the cotton season is over, generally there are short-term deposits of six months and these deposits come in at the nick of time when money is being made available to agriculturists.

13183. Has your bank made any enquiries about the agricultural economics, *i.e.*, have any enquiries been made to see how far the individual members of primary societies that you finance are in a position to make both ends meet and pay back their loans ?—No extensive enquiries have been made. In one or two cases if some enquiries are made, they are not worth mentioning.

13184. Do you think such enquiries would be useful from the financial point of view ?—Yes. (*Mr. Gokhale*) : When we prepare our normal credit statements, there the expenses also are taken into consideration as well as the income. Although it is not a sort of scientific enquiry, it gives you a rough basis of the state of affairs of agriculturists.

13185. Is it the gross income or the net income you calculate ?—The gross income. When the expenditure is put down, we can get the net income.

13186. The net income does not include the cost of maintaining the cultivator and his family ?—Sometimes the maximum credit statement will show what he gets and what he has to spend.

13187. I ask you this question because it has been given in evidence in certain places that it is the people who are economically unsound are most anxious to join co-operative societies ?—(*Dewan Bahadur Malji*) : In any case, with respect to normal credit statements, I would say that they are not complete returns because there would not appear all the requirements of some members.

13188. You say you prepare normal credit statements. Are loans given to actual members usually in one lump or are they drawn by instalments ?—At times they are drawn by instalments.

13189. What is the usual practice ?—In that particular month generally it is expected that they will withdraw the amount.

13190. Supposing a loan of Rs. 500 is sanctioned in the case of A, is it given in instalments of Rs. 100 each or is the whole sum of Rs. 500 drawn at once ?—As I say, if the money is required to be paid in instalments, they are paid accordingly, or if the whole amount that is sanctioned is required to be paid at once, it is paid accordingly. (*Mr. Gokhale*) : Generally the practice is by instalments. (*Dewan Bahadur Malji*) : Not always.

13191. It is obvious that if people draw the amount sanctioned in one lump, there is bound to be a certain amount of wastage. On the other hand, some district banks have said that it is not possible to give in instalments because there are not facilities for drawing them at the proper time. Unless and until some such system is devised by which loans sanctioned can be given in instalments, there is bound to be a certain wastage ?—If it is shown in the normal credit statement that money is required at a particular time, it is paid accordingly. It means it is paid by instalments (*Mr. Gokhale*) : In the statement demands are made saying that so much money is required for seed, so much money is required for such and such a purpose and so on. Suppose an agriculturist asks for money some three months before, he would not be paid. He would be paid at the proper time. This is what I mean by "instalments".

13192. Does the Bank exercise any supervision over the use of loans or is it left to other agencies ?—(*Dewan Bahadur Malji*) : Generally the first business of a society is to do it, but if the inspector or the auditor finds that the money has been misappropriated and not utilized for the purposes mentioned in the form, they are noticed.

13193. We found in some cases that in a society if one-third of the members were defaulters, the whole society was not financed or was very inadequately financed. Have you changed this policy ?—Yes. We do finance those members who are regular.

13194. Do you think that the policy of not financing the society for the defaulting of some members should be changed ?—Yes.

13195. How can you then make the joint responsibility felt ?—It is to be felt at the end when the life is extinct.

13196. But the responsibility must be felt throughout otherwise the society cannot work ?—This is more or less a farce, otherwise you cannot proceed against these people except by arbitration.

13197. It seems that the amount you have spent out of *taccavi* grant at the disposal of the Provincial Co-operative Bank is comparatively small ; and in your note you say practically the whole amount has been returned now ?—(*Mr. Gokhale*) : Yes.

13198. That is to say, no advantage was taken of it ?—(*Dewan Bahadur Malji*) : The full amount was not utilized ; and what has been utilized has been advanced.

13199. Is there no demand for it ?—In fact, the people have not begun to improve their lands and have not yet commenced to realise the benefits of it. In the neighbouring Gaekwar's Territory in Gujerat you will find people taking loans for sinking wells, but this much is not taken advantage of in the British region. This is one of the reasons why villages in the Gaekwar's Territory seem to be prosperous.

13200. This goes to show that there is need for improvement ?—Yes ; and there is not sufficient attention paid by any department to encourage improvements.

13201. Do you think that this work should be undertaken by the Agricultural Department ?—Yes. It cannot be left to us alone.

13202. You want technical advice ?—Yes. Unfortunately, there was only one engineer who looked after small industries. He was also removed. I am referring to Mr. Vaidya in the Agricultural Department.

13203. Do you think that land improvement is a very important thing ?—Yes.

13204. And you believe that when people begin to feel the need for it there should not be much difficulty about finance but that at first it is a question of propaganda and education ?—Yes.

13205. First of all there must be a demand ?—Yes ; and it should be jointly met by financial institutions and a responsible officer of Government. (*Mr. Gokhale*) : In this note we have suggested that there ought to be co-operation from all the four departments *viz.*, the Revenue Department, the Public Works Department, the Agricultural Department and the Co-operative Department. So far as technical advice is concerned, we want advice from the engineers. Then the Co-operative Department and the Agricultural Department should carry on propaganda and convince people that this is the only way of improving agriculture. So far as we are concerned, we cannot go and tell them technical things. They will not be convinced. Unless there is specific co-operation from all the four departments to improve agriculture, it is not possible for us to go on. To avoid delays that occur in the investigation of proposals and their sanctions, we have stated in our note that the Board would like to suggest that some special district staff should be engaged for this work under either the Co-operative Department or the Agricultural Department, and that staff should deem it their duty to go to agriculturists and urge them to undertake schemes of land improvement rather than wait for cultivators to approach the staff for consultation.

13206. About marketing you have described the work that you have been doing. You have been purchasing and selling on a consignment basis ?—Yes.

13207. Are any of the district banks doing the same ?—(*Dewan Bahadur Malji*) : Very little.

13208. What should be the composition of the central wholesale agency you suggest ?—My fear is this that if you start a central co-operative agency, perhaps there would not be enough work for it. This is my fear. In course of time it may be developed, but in the meantime the Provincial Bank might arrange to have a good man who may attend to this and in return charge some commission over the orders they may receive.

13209. But you do not propose to start an organization as you suggest here ?—We have tried once and we have failed. We want to start purchase and sale unions in a particular district.

13210. You do not mean a Provincial Central Agency ?—No.

13211. But you will also have a central agency in Bombay ?—(*Mr. Gokhale*) : This will be afterwards. (*Dewan Bahadur Malji*) : In fact the Bombay agency will be useful only when there is a large order.

13212. As regards warehouses, I believe the Provincial Bank has warehouses of its own in some places ?—An experiment was made in Baramati.

13213. You want Government to give some financial accommodation :—(*Mr. Gokhale*) : Yes. That is by way of some grant.

13214. They must build warehouses and give on rent, is that what you mean ?—Yes.

13215. But it is not a grant ?—If it is not a grant, we will have them on rent.

13216. About remittance facilities you say : "The Government of India have ruled that it is not part of the legitimate operations of co-operative banks to undertake the buying and selling of bills of exchange for profit ". What are your arguments for saying that it is part and parcel of the legitimate operations of co-operative banks ? The question is whether this business for purposes other than transfer of co-operative funds is a legitimate part of the business of co-operative banking ?—(*Dewan Bahadur Malji*) : If it is a part of banking, surely it should be a part of co-operative banking, for there

are people who are not agriculturists and yet they are members of co-operative societies doing banking business. If business is to be run on co-operative lines provided there is a community of interests, I say this is a thing which cannot be ignored. (*Mr. Gokhale*) : This resolution of the Government of India is against the spirit of the Co-operative Movement all over the world. In all countries except India, co-operative banks give all facilities for such business. In France, Belgium, Holland and in all other countries they do give this facility. In fact they consider it their duty even to help sending money outside their country.

13217. That is to say, they do not object to co-operative banks doing this business ?—No.

13218. But here the question is whether the concession you ask for for remittance facilities of co-operative funds is a concession which can legitimately be allowed for this business ?—(*Dewan Bahadur Malji*) : It is only a legitimate concession.

13219. You speak about the desirability of promoting the use of trade bills. You suggest that they should be discounted and rediscounted by the Provincial Bank. There is nothing at present to prevent this business being done by a district bank or by the Provincial Bank. Why has it not developed now ?—(*Dewan Bahadur Malji*) : I do not know if any account rules come in their way.

13220. Is there anything which prevents you from doing this business ?—Unless there is any departmental objection, so far as we are concerned there is none.

13221. It can be developed even under the present rules and regulations ?—Yes.

13222. You say that once "a bearer" should always be "a bearer" in the case of cheques ?—Yes.

13223. You say that it does not affect *hundis* ?—*Hundis* are regulated by customs. Whenever a document is drawn in the country's vernacular, it is not governed by the Negotiable Instruments Act.

13224. Should not this provision apply to *hundis* ?—They are written in vernacular, but it should be made applicable to them also. We have in this connection to consider the question of drafts. A draft on one bank drawn by another or by the principal bank drawn on its branch is always made payable to order and not to bearer. This is prohibited by the Paper Currency Act. In the case of cheques you have section 85 of the Negotiable Instruments Act which gives full protection if the payee has endorsed a cheque. But in the case of a draft it is not looked upon as a cheque for it is not payable to bearer, and the responsibility which is shaken off by virtue of section 85 should be extended to drafts as well which are payable only to order. This sort of bill of exchange is looked upon as a bill, but it is neither a *hundi* nor a cheque. It is between the two.

13225. You have described the present system of land mortgage credit. I want to know whether under this system the committees of the local mortgage banks can feel any responsibility for their recommendations ?—Really speaking they are advisory committees, but still they do feel that they have some responsibility to discharge. In the first place, the title is being examined through a proper agency.

13226. But this is a separate agency ?—No. It is subject to the managing committee.

13227. What is the responsibility they feel ? They do not deal with money and they are mere advisory bodies ?—They are reduced to such by virtue of performance. They are not allowed to feel any responsibility, but the real responsibility is of the Provincial Bank and the Provincial Bank is guided by the managing committee. The final

word rests with the Registrar. A statement of loans is submitted once in a month to the Registrar and he sanctions them ultimately. (*Mr. Gokhale*) : We are making an experiment. So the final authority is in the hands of the directors of the bank. (*Dewan Bahadur Malji*) : They examine the title deeds, do everything and finally recommend to the Board. My idea is that they should be independent. There is one redeeming feature in this that there are three representatives who are more or less independent, *i.e.*, the Registrar's nominee, the bank's nominee and the third gentleman who is to be co-opted, so that these three people bring to bear their influence and view upon the decisions of the committee.

13228. You say that advances are made only to the extent of one-third of the value of the lands offered as security ?—Yes, this is wrong. This practice is bad and is against the Trust Act. I will not encourage it for a moment. Section 20 of the Trust Act says that against first mortgage of immoveable property, *i.e.*, in the case of land, 75 per cent. of the value of the land should be given. We have reduced it to 50 per cent. Why do you reduce it again to 33 per cent. ?

13229. Is it 50 per cent. under the Trust Act in the case of houses ?—Yes. I think in the case of land you should allow the full amount.

13230. But so far as a mortgage bank is concerned, what could it realize in case of necessity, if, as you say, full amount is allowed ?—It will not realize even a little for its expenses in that way, *i.e.*, on a 33 per cent. valuation basis.

13231. Is it not dangerous to allow full amount ?—If that is so, close the shop. (*Mr. Gokhale*) : The Board has passed a resolution that generally one-third should be advanced but the maximum is 50 per cent. (*Dewan Bahadur Malji*) : I think 50 per cent. is a very decent margin.

13232. Does your bank accept long-term deposits ?—Not so much.

13323. Are such deposits available ?—(*Mr. Gokhale*) : We do not accept them in land mortgage societies at least.

13324. You want long-term capital, is it not ?—Yes. (*Dewan Bahadur Malji*) : In obtaining long-term deposits, some concession has to be shown, *i.e.*, for long-term deposits we pay generally some more interest, but our policy is to curtail the interest as far as possible. We do accept deposits upto 3 years.

13325. You say : " Co-operative banks can, if a little elasticity in their working machinery is permitted and their business offices are established in the heart of the rural population, perform several of the services hitherto performed by the country banker." What sort of elasticity is wanted ?—A country banker, you know, deals in so many things, for instance, he not only gives cash, but also he gives all sorts of necessaries in kind, but a bank is not at liberty to do all these things. A part of them is possible. A bank (you know) is governed by the rules of normal credit statements. They are generally prepared once in a year. In the midst of the year if there is any demand, a supplementary statement could be prepared for this purpose. Some more propaganda is necessary in the case of these people so that they need not go to a *bania* and borrow. Also they should be more loyal to the society.

13236. This does not require any elasticity in the rules ?—I mean elasticity in the working.

13237. That is to say, for advancing in kind ?—Yes, it requires to be encouraged.

13238. Do you think that a primary society would be in a position to do this business ?—It should be induced to do it, otherwise the money is misappropriated for some other purpose than what is really put down in the statement. We should educate them and persuade them to adopt this line.

13239. Under the existing rules credit societies cannot purchase ?—If they are allowed, they can do it.

13240. They should trade as well as do credit business ?—Yes, on indent system.

13241. Are all your 25 branches paying their way ?—I am not in a position to say this. (*Mr. Gokhale*) : Except the new branches the old branches pay their way.

13242. After how many years does a branch usually pay its way ?—Branches in ordinary tracts pay after 2 years.

13243. Have you discussed with the Imperial Bank the question of their withdrawal of cash credit ?—Yes. As a matter of fact we discussed with the Managing Governors of the Bank and the matter was discussed with the Finance Member and also discussed in confidence with the Registrar.

13244. Yesterday the Secretary and Treasurer told us that that was purely on a technical objection and as soon as it is removed they would be willing to give you cash credit ?—(*Dewan Bahadur Malji*) : This technical objection is in favour of Government. It may be relaxed to a degree.

13245. Have you moved Government ?—I do not think so.

13246. You do not feel the necessity for it ?—The Committee might suggest it.

13247. Is it pending consideration ?—I am afraid the question was left to be discussed with the Managing Governors of the Imperial Bank of India here when the matter was put before the Finance Member and ultimately nothing has come out of it.

13248. *Mr. V. L. Mehta :* You are referring to their withdrawal of cash credit only ?—Yes. There is not much in it.

13249. *The Chairman :* There may be much in it ?—But the debentures are to last for a long time where as these cash credits are really speaking demand loans.

13250. You suggest separate societies for big landholders. Has this question been considered by the Co-operative Movement as a whole in this Presidency ? As you know, in Sind there are *zemindari* banks. The question is whether it is necessary to have big landholders' societies apart from ordinary credit societies in the Presidency proper, conditions being different here from what they are in Sind ?—(*Mr. Gokhale*) : There are large landholders in the Konkan and in the canal area of the Deccan. They are in need of finance. So if there are bigger societies for these people, they can get adequate finance.

13251. What should be the minimum qualification of a member aspiring to join such a society ?—One who pays an assessment of Rs. 500 and over can alone join such a society. This can be made a qualification.

13252. You suggest that in times of scarcity, instalments should be given. You know that sometimes instalments had to be given for two years in succession ; and if the borrowers are allowed to pay back in instalments, would it not affect the position of the bank so far as its liquid assets are concerned ?—(*Dewan Bahadur Malji*) : I have another scheme to place before you.

13253. Is it your own or the Bank's ?—I am referring to a general scheme. It may or may not be workable, but I have it in mind and it is this that when the borrowing capacity of a society is exhausted, the Bank would not lend because it finds that the money is not returned in time and it thinks it is dangerous to lend more money. Yet lands have to be cultivated and Government *taccavi* will be availed of for current agricultural needs. When this is done, the Bank and the people will be hard hit. The Government *taccavi* will be paid next year. Therefore the Bank's previous arrears are not recovered and they accumulate. On the other hand, if this *taccavi* is converted into auxiliary loans on some grounds that they will be more and more Government-run institutions between a society and the people where the society exists, in villages where there are no societies and yet there are landless cultivators, for them two remedies are open : one is to create chattel mortgages and the second is to give *taccavi* loans out and out but apportioned over a number of years and repayable by a number of instalments and not in the next year otherwise all the movement is troubled and they are not at rest. Firstly revenue recovery is made and it is followed by the *taccavi* recovery.

13254. You want that *taccavi* should be given and made recoverable by instalments ? —Yes.

13255. You are referring to the management of sub-treasuries and you say that you want Government to entrust this work to co-operative banks. Have you considered the question about the rights of the Imperial Bank ?—Where there are no branches of the Imperial Bank, there only we claim it. With their permission, we can do it. It is only a matter of courtesy in this case.

13256. How far have your co-operative banks and societies developed the savings bank idea ?—Wherever there are branches of the Provincial Bank, people used to go there and at other places they go to district banks and Government post offices.

13257. What is your experience about the use of vernacular cheques ?—There is no difficulty about identification of signatures. Vernacular signatures require to be translated into English if they are passed on to a bank such as the Imperial Bank.

13258. So far as acceptance by your Bank is concerned, no difficulty is experienced ?— No, and of late the Imperial Bank has commenced to give this facility.

13259. Do any of the societies now pay Government dues by cheques at all ? Is there any such concession ?—I know in Dohad the societies have undertaken to pay on behalf of the members the Government assessment.

13260. Is it by cheque ?—I do not know that.

13261. Does the *mamlatdar* or the revenue officer accept the cheque ?—I think it was once refused. They can be requested to accept cheques.

13262. *Professor Kale :* You say in this note on the constitution and working of the Bombay Provincial Co-operative Bank : "Accordingly the name of the Bank was changed in 1923, but the Bombay Provincial Co-operative Bank still continues to have dealings direct with primary societies although its areas of operations are already defined and delimited and there is neither any overlapping nor competition between the two financing agencies in the same area." I want to know whether after this change, which took place in 1923, the policy of allowing district banks to be started has been followed up or not by the Provincial Co-operative Bank ?—We have not come in the way of any organization of district banks, but we do make it a condition with the Department not to register a district bank if we are able to serve there at least for a period of five years.

13263. In one of your answers to the Chairman you said that the policy of your Bank is to encourage local effort as far as possible. Therefore I wanted to know when this new policy was started, whether your Bank has made any effort to encourage local enterprise in starting local banks instead of starting your own branches. From your answers it appears that you have not encouraged local enterprise ?—That is because there is no local enterprise coming forward. Generally, to organise a district bank, it is not the business of the Provincial Bank, strictly speaking. Therefore if there is a demand for a district bank and the district bank is given, the efforts of the Provincial Bank could be only to second those efforts.

13264. But when the Provincial Bank goes into a district with all the prestige behind it, it may not be possible for a district bank to come in and assert itself. I want to know whether your Bank has pursued the policy of encouraging local enterprise ?—Wherever a demand has been made we have always responded to it. On the other hand, there have been instances in which district banks have been converted into branches of the Provincial Bank. This is in Thana and Ahmednagar. (*Mr. Gokhale*) : I am of opinion that there should be decentralization. The district banks should be given full facilities for developing their efforts.

13265. How is it that you have so few branches in Gujerat ?—(*Dewan Bahadur Malji*) : In Surat there is a full-fledged district bank. Also there is one in Ahmedabad. Broach and Kaira also claim district banks.

13266. When was the Surat District Bank started ?—(*Mr. Gokhale*) : It was started before the Provincial Bank was started.

13267. And in Broach ? — It is also an old bank.

13268. I find that there are only two or three branches in Gujerat. What is the peculiarity of Gujerat that there should practically be no branches while two dozen of them exist elsewhere. I want to know whether any peculiar economic condition or physical condition is responsible for it ?—(*Dewan Bahadur Malji*) : As the district banks were started on better lines, we felt there was no necessity for starting more banks. (*Mr. Gokhale*) : The Co-operative Movement was strong there.

13269. But does your Bank feel it necessary as time goes on to help the local effort ?—(*Dewan Bahadur Malji*) : Yes. (*Mr. Gokhale*) : The Board has come to the final conclusion that where there are local efforts, they should be given preference. (*Dewan Bahadur Malji*) : In fact it is to the advantage of the Provincial Bank to have district banks for they would have one more resource to fall back upon.

13270. With regard to the surplus you have, you have made certain proposals. You have been saying just now that the deposits you receive are not for very long periods, but is it not a fact that on account of the lowering of prices during the last four years, the demand for advances is naturally bound to reduce ; and is it not possible for you to limit your deposits rather than try to find an outlet for them ?—In some places it has to be done by curtailing the rate of interest. For members' deposits we cannot say 'no.'

13271. Is it a rule that you cannot refuse members' deposits or is it only a mere convenience ?—It is a mere convenience. (*Mr. Gokhale*) : This being the Apex Bank, we cannot refuse deposits from societies otherwise the whole object will be smashed.

13272. Why is it that you have raised your dividend from 6¼ per cent. to 8 per cent. when there is depression all round ? — (*Dewan Bahadur Malji*) : This year we have reduced it by one per cent.

13273. Do you think that 6½ per cent. is not a reasonable dividend ?—We as a matter of fact cannot keep any balance except by way of transferring it to reserve fund, but generally with a view to see that the rural societies join the Provincial Bank we do not care to transfer these extra funds to the reserve fund. This is a sort of inducement to rural societies to join the Provincial Bank.

13274. You know that the position of your Bank is strengthened if you build up your reserve ?—There is no doubt about it.

13275. *The Chairman:* Do you distribute any part of your profits amongst societies ?—Yes, in the form of rebate.

13276. Supposing your dividend is over 6½ per cent. do you not have to divide the extra profits ?—Yes, but not amongst the shareholders. We allow a rebate to societies. (*Mr. Gokhale*) : The extra profits have to be shared with societies.

13277. *Professor Kale :* You complain that super-tax is levied upon the profits of co-operative banks ?—Yes.

13278. Is it not taxed upon large profits ?—May be, but when the Co-operative Act was enacted, there was no idea of super-tax.

13279. In your note you say : "The Board understands that both in Holland and Belgium the State permits the funds of the postal savings bank to be placed at the disposal of co-operative banks operating in rural areas, while in Germany, Australia, Italy and the United States of America savings banks have the free disposal of their funds within certain limits laid down by the law". But you are aware that Government itself is a borrower and wants money for its own purposes. Government is itself in need of money and therefore it borrows. Now can it place this money at your disposal ?—(*Dewan Bahadur Malji*) : Only it should not at least compete.

13280. In what way ?—In the form of postal cash certificates and giving high rate of interest to the public at the expense of societies.

13281. Do you think that the money which Government draws by means of postal cash certificates would have otherwise come to you ?—I think so. In most of the urban societies they would have come in.

13282. I am speaking about the rural areas ?—We make no distinction. (*Mr. Gokhale*) : Government have various ways of borrowing. They need not resort to postal cash certificates as well as to postal savings banks. Their present system is such that they draw away the money from rural areas which otherwise would have been deposited either with *sowcars* or with co-operative societies.

13283. But it has been stated that this money which goes to the Government through postal cash certificates would otherwise not have gone to rural co-operative societies ?—(*Dewan Bahadur Malji*) : Not necessarily. (*Mr. Gokhale*) : I do not think so. If there is a co-operative society or a branch of the co-operative bank, generally the salaried people and others would invest with the co-operative bank, as we know that they prefer co-operative institutions.

13284. One of your suggestions as regards the postal savings banks is that the limit of annual deposit of Rs. 750 in a year should be removed or at least raised. Do you think that the Government post office savings banks, which are intended for very small people, need necessarily make these concessions ? Do you think a man can save more than Rs. 750 a year in rural areas ? Is there so much wealth in rural areas ?—(*Dewan Bahadur Malji*) : Perhaps this refers to urban areas.

13285. *The Chairman :* Would not that also compete with your deposits ?—In a way, the post office savings banks are not utilised very much in areas where there are co-operative societies, because the rate of interest there is rather less. It is only three per cent.

13286. *Professor Kale :* You say that some scheme should be adopted by which it will be possible for co-operative societies to discover to what extent their members are indebted to *sowcars*. Do you think that it would be a reasonable proposition to legislate, for instance, to compel *sowcars* to disclose what their dealings with members of co-operative societies are ?—(*Mr. Gokhale*) : In the interests of co-operative societies it should be done.

13287. Would the members like it ?—It is a sound business proposition. If we know that a member owes so much to *sowcars* and so much to the society, it would be easy for determining his credit.

13288. You probably are aware that members of co-operative societies have also to borrow from *sowcars*, and if you cut off that source, would it not be a hardship ?—We have not suggested to cut off that source. (*Dewan Bahadur Malji*) : We only suggest that information should be supplied to societies as regards the members' borrowings from *sowcars*. Besides, what harm is there if the society adequately finances them ?

13289. Do you think it is possible to finance them adequately ?—It must do it.

13290. Do you think that the members are not loyal to the *society* ? You cannot manufacture loyalty ?—Loyalty is manufactured even by law, which we have to enforce. (*Mr. Gokhale*) : Will it not be of mutual advantage if we know what members owe to *sowcars* and if the *sowcars* know what co-operative societies have advanced ?

13291. But we find that people do not like to disclose their borrowings ?—(*Dewan Bahadur Malji*) : Rules of reciprocity require that they must make a clean breast of their dealings. (*Mr. Gokhale*) : If the peasant or the agriculturist objects to knowing by others as to his indebtedness, he knows that societies' accounts are open to all members and he does not feel there, then why should he feel in the case of his borrowings from *sowcars* ?

13292. That is because he takes loans from *sowcars* in addition to societies. If the cultivator is entirely financed by societies, it is another matter ?—(*Dewan Bahadur Malji*) : That is our goal, and we should reach it.

13293. You say that the *sowcar* looks to his individual convenience and profit, whereas the co-operative society looks at the question from the communal point of view. But should not the member of the co-operative society or the cultivator look at his borrowings from the business point of view. The *sowcar* is a business man, the cultivator must also be a business man ?—(*Mr. Gokhale*) : Our Movement is not only a business Movement ; it has also a moral side. When we say that the agriculturist should not borrow, we mean that he should not borrow beyond his capacity to repay. We must control his finance. Co-operative finance is controlled finance, whereas there is no control in the case of *sowcars*.

13294. You say that remittance facilities owe their extension to the co-operative organisation. But remittances are being made every day not only by joint stock banks but also by *shroffs*. That work is being done by *shroffs* quite smoothly. They have never asked for any concessions, why should co-operative societies ask for concessions ? Why should co-operative societies be distinguished from *shroffs* and others who are doing the same remittance business ?—(*Dewan Bahadur Malji*) : There are two aspects. One aspect is that the money should not be allowed to remain idle in the Movement.

So it has to be sent out and got back when needed, and to enable this facility of transmission of funds, remittance facilities should be made available.

13295. That should be done just as *shroffs* do ?—Societies cannot do it. Their requirements have to be gauged with reference to the demand. And secondly our whole Movement has tried to reduce the rate. Wherever there is a branch of our co-operative bank or district bank, the rate is controlled there.

13296. *Mr. Desai :* You have just told us the distinction between *sowcars* and co-operative societies, and you said that the moral side of co-operative societies is to control the agriculturists and to give them as little finance as possible. I want to know why at Baramati you had given loans much more in excess of their requirements ?—(*Mr. Gokhale*) : The trouble in Baramati arose out of circumstances beyond our control ; for instance, the price of *gur* went down. The price of *gur* went higher and higher during the war, but afterwards it suddenly went down.

13297. But this is a natural exigency in the trade. One can expect that prices can rise and fall ?—Quite.

13298. And inspite of your control over the finance, you have, I think, lost fourteen lakhs at Baramati ?—I think the arrears are now eleven or twelve lakhs. I think the position at Baramati has been improving since last year.

13299. Still the money is lying in bad debts ?—Not quite that ; we hope to recover every pie of it. The *sowcars* too have suffered much there.

13300. But *sowcars* are doing business for their own personal interests, while you are working in the interests of agriculturists, and inspite of this difference there is a muddle at Baramati ?—(*Dewan Bahadur Malji*) : Much depends upon the nature of the crops and the market. Nature cannot be controlled.

13301. There is no question of control. As you already said it is due to the fall in prices of *gur* ?—(*Mr. Gokhale*) : We mean that the Co-operative Movement is the Movement of agriculturists. It is not a question that we manage or some one else manages ; the agriculturists themselves are the men who manage. While *sowcars* are individuals who do things for their own gain, here we work for mutual gain. That is exactly the difference.

13302. How many agricultural directors are in your Bank ?—Four directors represent the central banks and two directly represent agriculturists.

13303. I think none of your directors are agriculturists in a sense ?—Do you mean to say that those who till lands are only agriculturists ? Take for instance, Raja Saheb. He is an agriculturist.

13304. So the *sowcar* is also an agriculturist because he has lands ?—Two or three directors are directly elected by the agriculturists themselves, for instance, Mr. Garud and Raja Saheb. There are four directors elected by the central banks.

13305. You know a great deal regarding elections also ?—That is everywhere the case.

13306. My point is that as the *sowcars* are managing their affairs in their own interests, so also directors are managing their affairs to some extent in their own interests ?—There is a difference. I want to say definitely that all these directors, who are on the board, have no personal interest whatsoever in the working as the *sowcars* have. They work not for their own benefit but for the benefit of those whom they represent.

13307. I see that you are investing a greater portion of your balances in Government securities, and I want to have a satisfactory explanation that inspite of a great demand from the agriculturists and inspite of paying a very high rate of interest you are investing your money in Government promissory notes ?—(*Dewan Bahadur Malji*) : The chief thing is that we want to make first of all our fluid resources an assured thing. To that extent it is inevitable.

13308. What would be the proportion ?—There is a formula.

13309. What is the formula ?—Generally we take 75 per cent. of current deposits, 50 per cent. of savings deposits and 33 per cent. of fixed deposits.

13310. What is the proportion of your investments in Government securities to your fluid capital ?—The proportion has exceeded ; it is more in investments than what would necessarily be required.

13311. Your total working capital is a hundred and eighty-five lakhs and you have invested forty-nine lakhs in Government securities ?—(*Mr. Gokhale*) : I must say one thing that to some extent the Co-operative Movement itself is not in want of capital. We enjoy more confidence of the people, and so they keep deposits with us. But if you are directing your question to this end that we are investing more in Government securities than in the Co-operative Movement, there you are not right. We wish to invest every pie that we have in the Co-operative Movement, if possible. But we find that the scope for investing our money in the Co-operative Movement is limited. If new societies are started, we should be glad to finance them and not invest in Government securities. But we find that the Co-operative Department would not allow registration of new societies in certain areas, and in certain areas we do not want to start new societies. The result is that the scope for investment in the Co-operative Movement is limited, and we have a balance. We invest the balance in Government securities, because it is a safe investment.

13312. You are here to help the agriculturist and not the Government ?—As I told you we are helpless. If there is scope for investing all our capital in the Co-operative Movement, we should be glad to do it.

13313. *Mr. Kamat :* Mr. Gokhale, you spoke about the normal credit statements and the economic position of the agriculturists. I would like to know what value we can attach to these normal credit statements from the point of view of economic enquiries so far as they would disclose the economic position of the agriculturists ?—From the point of view of a scientific economic enquiry, it would not satisfy the demand. It would be a rough economic enquiry.

13314. *The Chairman :* Would it show a rough estimate about the financial requirements of members ?—Our statements do require them to put down what they need. There are expenses for agriculture for which they desire to borrow, for instance, seeds, manure, payment of water cess, etc.

13315. *Mr. Kamat :* Would they not disclose the total income both from agriculture and from any other subsidiary industries ?—They show income derived from agriculture and also from subsidiary industries.

13316. Are you in favour of having special *zemindari* banks as we have in Sind for bigger *zemindars*, who are not benefited by the primary societies ?—(*Dewan Bahadur Malji*) : They are a necessity ; we are in favour of them.

13317. In the Presidency proper they are a necessity, you think ?—Yes.

13318. You have referred to chattel mortgage; will you develop that?—My idea is that this should be developed only in the case of landless cultivators who have no property to mortgage, and if there is nothing to give as security, then their crops and chattel should be secured as in the case of chattel mortgage, such as is known to the English Agriculturists' Credit Act of 1928. There is one difference. *Bona fide* purchasers for value without notice are protected under section 24 of the Co-operative Societies Act, but under the English Agriculturists' Credit Act of 1928 they cannot claim such protection as registration is there held to be a notice.

13319. Would that involve an amendment of the bye-laws or of the Act itself?—Really speaking, it would involve the amendment of the Act itself. Section 24 of the Co-operative Societies Act, which is restricted to a particular sort of thing, will require to me amplified on the lines of the English Agriculturists' Credit Act.

13320. On this question of utilisation of surplus funds of societies, what is at the present moment the stumbling block? Is it the policy of the Department or is it the want of finance to appoint more staff for inspection sanctioned by the Government of Bombay?—It might be due to various reasons and the policy of the Department is particularly responsible for it; for, we cannot lend out money to any institution which is not affiliated to us. So far as the Provincial Bank is concerned, every loan must be sanctioned by the Registrar. In the case of district banks, whose money comes to us as the last balancing centre, if they are allowed to inter-lend under certain conditions, it would not be a very difficult thing.

13321. It is not only your Bank's surplus, but the problem is much larger. For instance, the Secretary and Treasurer of the Imperial Bank told us that in the slack season the Bank's funds would be available for the co-operative societies, if they find an outlet. Supposing a part of the money realised by the issue of postal cash certificates is not drained away to the Government of India but is given to the Co-operative Movement, here again will it be the same difficulty for utilising the funds?—I think if proper care is taken to see that adequate finance is given to societies' members, there will be no difficulty.

13322. The present policy of the Department is consolidation, that is to say, not to have more societies, on the ground that there is no money for maintaining audit and supervising staff?—That should be found.

13323. Would the Department be prepared to say that it would be in the long run a good policy to spend on the inspecting staff and utilise these funds?—Personally I think it should. If we want to create these institutions, we should certainly see that they are worked on sound lines.

13324. Has your Bank urged that question on the Registrar, or if the Registrar is not to blame, have you urged the point on the Government of Bombay?—I do not think we went to the Government of Bombay; but the matter has been urged on the Registrar to see that more societies may be started or that more limit should be sanctioned or that extra limits should be sanctioned.

13325. The second big problem, which affects probably the general working of the Co-operative Movement, is the problem of land improvement, to which you and the Chairman just referred. Here again, would you like to have a separate agency, a self-contained agency, that is to say, an agency, which would survey estimate and carry out improvement on behalf of the agriculturists and advise them on technical matters, which will have a man with the knowledge of engineering? Would you advocate such an agency?—Yes; it would be better from the efficiency point of view.

13326. Would you advocate it for each district ?—It may be done alternatively ; but a place should be created.

13327. In the meanwhile your surplus fund is held to be up ?—There is not much restriction, but on grounds of expediency I should not like to have it in all districts at a time.

13328. Would you at all events advocate a special self-contained department ?—(*Mr. Gokhale*) : So far as societies are concerned, we would do the work of lending out money and the rest may be left in the hands of technical experts. Where there are no societies, Government should give money for land improvement. We only say that there should be a special staff.

13329. We were given a note sometime ago suggesting a plan of Government annuities through the Government savings banks. That is to say, through the savings bank department of the Imperial Bank or the postal savings banks a man should be allowed by way of thrift to build up his savings, and after twenty years or so he should be in a position to purchase an annuity for life and thus make a provision for his wife and children. I would like to know from you as bankers whether that would be a feasible idea ? And do you think that it would be an advantage to the savings bank department ?—I should think so.

13330. *Mr. Buckley :* Should you like the Government to engage some special district staff in connection with land improvement ? Why does the bank itself not engage the staff ?—(*Dewan Bahadur Malji*) : The land improvement loan is Government loan. It is the Government loan which is advanced to agriculturists through societies. It is Government money, and, therefore, they should take care of their money first. Otherwise the society cannot take up the responsibility for half a per cent. margin. District banks take that responsibility on themselves. Secondly, this is a technical business.

13331. You say that it should be a waste of effort to attempt to develop banking institutions on the English model in this country, which is predominantly agricultural. Do you wish no more English methods in the country ? Is that the intention ?—No ; that is not the meaning. Local conditions differ considerably, so that we have to make them adaptable.

13332. Would you like to have each form of banking working side by side throughout the country ?—Yes.

13333. You suggest that the rate of interest charged to agriculturists by societies might be reduced to advantage. Do you think that that is the solution of the problem ? Do you think that, if they get money cheaper, they will work more efficiently ?—The thing is that they are already deep in debts, and unless they are financed at reduced rates of interest, it would not be possible to make them self-reliant.

13334. Do you not think that they should have more money to waste ?—Not necessarily to waste. We could not in fact advance money for wasting purposes. We should be more careful at the start.

13335. What is the great obstacle in making use of the amount sanctioned annually for land improvement loans ?—People are not made to realise the benefit of such schemes.

13336. So there is scope for more publicity ?—Yes.

13337. *Mr. V. L. Mehta :* Has this difficulty of the Imperial Bank as regards cash credit risen on account of debentures ?—Yes.

13338. Are they old debentures ?—No ; they are new.

13339. Have you any sinking fund ?—Yes.

13340. Is it a substantial amount ?—The liability has considerably been reduced on that account. (*Mr. Gokhale*) : Perhaps they might be under the impression that we might compete with them. (*Dewan Bahadur Malji*) : I have come across a case, which will interest you all. The other day the Broach Bank, which has an account with the Bombay Provincial Bank and to which the overdraft is sanctioned to the tune of two or three lakhs, remitted ten thousand rupees here in part payment of that overdraft. The draft was remitted through the Imperial Bank. Somehow the Agent of the Imperial Bank doubted the honesty of parties and addressed a letter dated 27th January 1930 to the Manager of the Broach Bank—

Dear Sir,

It has come to my notice that you have to-day been issuing drafts on Bombay to the public at $\frac{1}{32}$ per cent. premium. I shall be glad to know if this is correct because, if so, it is contravening the undertaking given by you when applying for drafts to Bombay at par. I have to point out that to-day we issued such a draft to you for Rs. 10,000.

Our Manager replied—

Dear Sir,

In reply to your letter No. 427 of the 27th instant I have to inform you that the undertaking given by me was correct and no part of the sum of Rs. 10,000 remitted to Bombay was utilised in selling drafts on Bombay or elsewhere. The remittance was the repayment of this bank's overdraft with the Bombay Provincial Co-operative Bank, Limited.

2. Inspite of my undertaking, you addressed this letter, which is really regrettable.

3. I may add that this was a banker's undertaking.

13341. With regard to facilities for remittance through the Imperial Bank of India, are you prepared to give an undertaking to the Imperial Bank that once you have given such a certificate you would not use the money for remittance purposes ?—It is not necessary, in my opinion.

13342. Are you prepared to give such an undertaking ?—We do give.

13343. Is it your point that they should accept it ?—Yes. (*Mr. Gokhale*) : We do stand by it.

13344. With regard to your surplus in the slack season, is there any practice for the bank to quote special terms of interest for short-term loans during the slack season ?—They do.

13345. What rate do you go down to ?—Sometimes they quote for one month or two months and sometimes for three months.

13346. I mean rates for loans and not for deposits ?—(*Dewan Bahadur Malji*) : Generally it is uniform.

13347. *Mr. Buckley :* Have you any reason to believe that supposing you get this money during the slack season in the financial centres like Bombay and elsewhere, you would be in a position to repay it before the busy season ?—There will be no difficulty at all.

13348. Did these dividends rise abruptly from 6 to 8 per cent. ?—They rose gradually.

13349. Could you give us figures about the number of instalments in which advances are made to societies ?—We will send you the figures.

13350. Could you also give some figures with regard to normal credit statements ?—Yes.

(The witnesses withdrew.)

Professor H. L. KAJI, M.A., B.Sc., I.E.S.

Note on Urban Co-operative Credit.

In urban areas, the population falls broadly into the following three types, the consumers, the producers and the middlemen, or the intermediaries between these two. Every one is of course a consumer, but usually we mean by this class, the salariat and the proletariat, the salary-earners and the wage-earners. The producers are those engaged in the work of production of wealth and would ordinarily include the factory operatives as well as those who direct and control the factories: but the former being concerned only in earning their wages and not having any share in the directional or responsible work of the factory, are essentially consumers rather than producers, while the latter only would be the producers. These too would be large producers, whose problems of finance are altogether different—the problems of corporation or industrial finance and co-operation, the balm for the weak and the small would have very little scope, if any, indeed. All producers are not however of this class—big producers. In urban areas there are always numerous small producers, the artisans and handicrafts-men, who carry on their arts and crafts on a small scale on more or less the domestic system. The third class of urban population is composed of intermediaries, the middle-men, the carriers and the merchants—big and small. The big merchant, the wholesaler, whether engaged in the hope of the foreign trade and the big carrier, the Railway and the Shipping Company are outside the scope of co-operative credit as much as the large producer. Urban co-operative credit is thus concerned with the small consumer, the small producer and the small trader.

Ordinarily the consumer should need no facilities for credit; he is the final destination of commodities and has to pay cash for commodities required by him for consumption. His expenditure must needs be regulated by his income; he cannot afford to have a deficit budget; if his expenditure be greater than his income, the problem is how to increase his income from supplementary sources or how to reduce his expenditure, without of course lowering the standard of life, by obtaining household requisites at a lower cost, but not of how to borrow and from whom to borrow. Consumers' credit is thus bad finance as a general rule, but borrowing does not necessarily mean insolvency, and if the consumer as a result of past savings or ancestral property has assets to cover the loan, his position is sound and he is a proper person to advance a loan to, if he requires accommodation for special expenditure as on marriages or other social functions and has not enough resources. Besides such purposes, there might be unforeseen contingencies when a consumer might need financial accommodation to tide over a bad period, as for example, during a period of unemployment or long illness in the family. In such cases, if there are no past savings or tangible assets, the question arises as to the security for a loan advanced to him. His assets in such a case are, not savings, but the ability to save, and it is precisely this intangible incommensurable asset which neither the joint

stock bank nor the indigenous banker, the *shroff*, recognises, except in very special cases. The joint stock bank and the *shroff* look askance at the small man; they deal in large operations; small operations, even when backed up by tangible security are unwelcome to these; they prefer to deal with a few men and a few big transactions. The small man is thus left to the tender mercies of the professional money-lender, the *multani* or the *marwari* as he is generally called in Bombay City, who certainly does not recognise such an abstruse thing as the ability to save and who refuses to lend unless some valuable is pledged. The urban co-operative society is thus an absolute necessity in urban areas in the interests of the small consumer. It saves the small salary-earner or the smaller wage-earner from the clutches of the professional money-lender, into whose arms the present system of banking would consign him; it helps the thrifty to invest his savings; it helps the unfortunate to tide over a crisis; it accommodates him financially at a very low rate of interest; it preserves his self-respect. It is true that some of the urban co-operative societies started in Bombay City and elsewhere have been too free with the moneys at their disposal and granted loans to all who asked for them without carefully assessing their ability to save and came into trouble. But then, they courted trouble and they must thank themselves for their difficulties. The greatness or the power to do good of an institution is not to be belighted, however, by its inefficient management and weakness of the executive, and it cannot be denied that in the proper organisation of urban co-operative credit societies lies the only hope of the hapless small salary or wage-earner in urban areas. The joint stock bank and the *shroff* are not going to solve their problems.

The urban co-operative credit societies in Bombay City resolve themselves into three types, from the point of view of the consumer: (*i*) the salary-earners' society; (*ii*) the millhands' society; and (*iii*) the communal society. The salary-earners' societies have been generally organised on the occupational basis, the members being employees in the same firm or Government office. The strength of such a society lies in the absence of communal jealousies and factions, in the higher level of culture and intelligence of the members and the spirit of discipline that prevails in a modern well-conducted office. A great accession of strength accrues to the society from the sympathy of the employer or head of the office, through whom recoveries of instalments of loan repayments could be arranged and the danger of overdues practically eliminated. The two great Railway Societies, the Postal and Police Societies represent great developments of this type. The basis of the society is very good, and the working generally quite sound. Monthly subscriptions inculcate the habit of saving, so essential and useful to the salariat, and the society can well act as a great and useful feeder for the Co-operative Investment Trust, which is the logical development of the Thrift-Cum-Credit Society such as this in essence is.

The millhands' societies are more or less of a similar type, the differences lying chiefly in the illiteracy of the members, in their smaller transactions and in the possibility, though experience hitherto has not converted that into actuality, of the whole organisation being wrecked to pieces when the millhands go on a prolonged strike. Recoveries through their employers and constant supervision by a trained and a reliable superintendent paid by the employers for a group of such societies are very necessary for their safety and success. A few enlightened employers in Bombay have actively encouraged the formation of co-operative credit societies among their employees, as a part of their welfare-work schemes, and among these must be mentioned the great names of the Tatas, the Sassoons and the Currimbhoy Ebrahims. Apart from finance, the

great needs of the factory operative are co-operative stores, for the supply of household requisites and clothing, co-operative housing societies, co-operative service-performing societies and so forth. The Bombay Millowners' Association as representative of the employers of Labour, the Trade Unions as representatives of Labour, and the Provincial Co-operative Institute, Bombay, as expert advisers on matters co-operative should create a representative board, the Textile-workers' Co-operative Board, which should, with assistance, chiefly financial from the employers, chiefly as workers, clients and customers from the employees and chiefly directional from the Institute, with the freedom from suspicion of capitalists or communist leanings, be able to carry on propaganda and develop a system of co-operation for the benefit of the wage-earners of Bombay City that would be sound, sympathetic and safe.

The communal societies as consumers organisations are not indeed quite sound; where sentiment comes in from the door, efficiency and safety fly away through the window; the ability to save is not properly assessed; the nobler, but the unbusinesslike desire to help takes possession; overdues mount high, procrastinations in the matter of recoveries and reference to the Registrar for arbitration creates grave troubles; and ruin appears on the horizon. Indeed the communal tie between members of a co-operative organisation is very undesirable unless in the case of a large community, where cousinship is not almost synonymous with membership of a community. Despite this inherent weakness, however, several societies of a communal type have done remarkably well and have been serving their communities in more ways than one. The Shamrao Vithal Co-operative Bank is a fine example of this type of society, which has become the centre round which have been gathered various co-operative organisations—the Housing Society, the Buying Club and the Educational Society—for the Saraswats.

Turning from the consumers to the small artisans it is obvious that neither the joint stock bank nor the *shroff* is going to be useful to these for the financial accommodation they need in the course of their business. With or without the security offered by the goods they produce, the joint stock bank is not going to lend them any monies, nor is the *shroff* going to do so, the small scale of business not being attractive enough. Under present conditions, it is the wholesale merchant, the large trader, dealing in the kind of goods produced by these people, who comes to the rescue and keeps them in return in sort of perpetual bondage. The common practice in this respect is, as was remarked in connection with the note submitted on the Gold Thread Industry and other industries of Surat, for the merchant to supply either the funds necessary for the purchase of the raw materials or to supply the raw materials themselves. The condition expressed or implied being that the goods produced were to be sold to him. In many cases the artisan becomes thus a sort of a wage-earner executing the behests of his creditor and receiving a small wage and some small loans now and then. These loans are usually not repaid, the merchant making a show of a generous impulse in letting the artisan off while really the amount of the wages is determined by keeping in mind such contingencies. What the *multani* or *marwari* is to the small consumer, the merchant is to the small artisan. The most important and essential step that is thus necessary to rescue the artisan and hand handicraftsmen from exploitation by merchants is to start urban co-operative credit societies. In such a Co-operative Industrial Society, the tie between the members should necessarily be one of common occupation, the handloom weavers in a town having their society, the silk weavers theirs, the goldsmiths theirs, the shoe and leather workers theirs, and so forth. This in a sense means the organisation more or less of co-operative societies

on the communal basis, inasmuch as these castes have an occupational basis. The communal tie thus while being undesirable from the point of view of consumers only becomes almost essential in the case of occupational castes. In Bombay City, there are but very few societies of this type unfortunately and in the Presidency generally also the producers' movement has not been well developed. The Namdev Co-operative Agency is one of the fine examples of the development of this type of society. The chief difficulty in the way of the success of these urban industrial credit societies lies in this that they take up only one of the functions performed by the merchant at present financing the artisans. The artisans are skilful enough in their trade but are ignorant and unable to take care of themselves in the matter of purchase of raw materials and implements as also in the matter of the sale of their finished goods. They need thus not only a credit society but also a supply and sale organisation. The mistake hitherto has lain the starting of more credit societies and in expecting to start a little later purchase and sale unions. A co-operative institution, if it is to render them efficient service, must perform all these functions at the same time, finance them as and when necessary, supply them with raw materials and implements and accept for sale their finished goods, advancing a part of the price to be realised on sale to them immediately. A co-operative industrial bank is thus a necessity in each district town. In order to evolve the correct type of organization, it seems very necessary for the Department of Industries and Co-operation to co-ordinate their efforts, and the sooner this is brought about by the establishment of an Advisory Board attached to the Department of Industries or by the establishment of Boards similar to the Divisional Boards of Agriculture and Co-operation, the better it would be in the interests of the regeneration of the artisans and handicraftsmen. Till, however, such industrial banks come into existence it is for the urban co-operative credit society organized on the occupational communal basis to help the artisans as far as possible. At any rate, the problem of financing the small artisan is one not for capitalistic banking, either individual or joint stock, but for co-operative banking.

The third class of urban population is that of the merchants and traders. For these, the banking system that has so far developed is quite well suited in many respects. The exchange banks finance them so far as foreign trade is concerned, while the Imperial Bank of India with its branches and the Indian joint stock banks with their branches finance the home trade of the country, and the part that the *shroffs* play in this direction cannot be belittled. That the exchange banks are non-Indian is to be regretted, inasmuch as national banks play a very important part in the development on right lines of the foreign trade of a country, but that need not concern us here. From the point of view of the small trader, it is co-operative banking that is obviously wanted, and the recognition of the importance of the indigenous banker in this connection naturally leads one to inquire how far and in what ways these two agencies for the financing of the small trader can be co-ordinated to the advantage of all concerned. There is a volume of opinion that cries out against the indigenous banker, roundly declares itself against him and advocates the growth of urban co-operative banks regardless of what happens to the *shroff* who has been serving the country for ages, of course in his own way and doubtless serving himself at the same time. It is obvious, the joint stock banks are out of the field in this matter ; they are not in a position to multiply their branches so as to provide a banking institution at the headquarters of each *taluka*, theirs are expensive methods ; large scale operations only can justify them in opening branches ; dealing with small men does not suit them. The only two agencies concerned in the financing of the small trader are the co-operative bank and the indigenous banker.

There is no doubt that the *shroff* is more elastic in his methods; he works at convenient hours and is prepared to accommodate his clients, in emergencies, in all possible ways; he represents indeed a personal system with all its advantages and disadvantages; he may or may not be usurious; his efficiency often dies with him, and the reputation of the firm or *pedhi* hardly outlives the founder; the insecurity to the depositor is greater. The bank, co-operative as well as any other, is an institution and being impersonal becomes all the more stable with age; personalities count far less; the depositor feels safer. In a way, it seems as if the bank is much the better of the two for the depositor, the *shroff* much the better of the two for the borrower. Though the bank transactions are as much confidential as dealings with the *shroff*, the borrower ever desiring secrecy and hating publicity, though one does not understand what shame there can be in borrowing for productive purposes, such as trade and business developments obviously are, feels his secret safer when entrusted to the keeping of one man, the *shroff*, than when it has to be entrusted to many persons as in a bank, where the papers have to pass through the Manager and the Managing Director, the Directors and the clerks and accountants also. The fear of publicity in dealings with banks makes small borrowers quite willing to pay, if need be, a higher rate of interest to the *shroffs*. Apart from publicity, borrowers feel annoyance, if not resentment, when particulars of this and of that are asked for by the bank and are discussed by so many persons, Directors and others; his self-respect, may be his false pride, is wounded. The *shroff* thinks and decides whether to grant a loan or not; the powers that be at the bank talk and discuss his solvency and decide; and the borrower feels that these are things which had better be thought out but not spoken. The impersonal system, the rigidity or the comparative inelasticity are further features which might act deterrents in the case of a bank. When, however, all is said, there remains the fact that the co-operative bank, unlike the *shroff* and the other banks, is his own institution, he has a voice in its management, he has a share in the profits, not in proportion to the number of shares he has in the bank, but also in proportion to his business with the bank, both as a depositor and a borrower. Both the agencies thus, that of the indigenous banker and that of the co-operative bank, have their good and bad points and the ideal would be to bring about a happy co-ordination of the two and not the elimination of the one or the other. Co-operative commercial banks, for such indeed are the people's banks, after the Italian Luzatti pattern, might well take on their directorate and on their discount committees representatives of the local *shroffs*, so that their experience in banking may be made use of, an approximation to the personal system of the *shroff* may be devised, whereby without much fuss and chance of publicity loans might be sanctioned with greater reliance placed on the Managing Director, who might be vested with special powers to sanction loans up to a certain limit, and arrangements devised, so that the surplus funds of the *shroffs* might be utilised by the bank and *vice versa*. Even if no co-ordination be possible, it appears that the best way would be to allow both the systems to continue side by side, when, in course of time, the inferior system would die a natural death. It is, however, unthinkable how *shroffs* could be recognised as agents or something like it of the Imperial Bank and vested with special privileges. The system of the future is evidently the co-operative system which must take in all the good points of the old system and function as the financing agency for the small traders in urban areas. The co-operative structure in this direction ultimately would be the people's bank at the *taluka* headquarters and of necessity at other market centres, the district people's bank, which would be a sort of a federation of the *taluka* societies, and a provincial people's bank. The provincial co-operative

bank, the district co-operative banks and the primary rural societies have completed the financial structure on the rural side ; and people's banks at the provincial, district and *taluka* headquarters would complete the financial structure of the movement in urban areas so far as small traders are concerned.

In the city of Bombay, we do not have any large number of people's banks. Indeed, with the exception of the Sir Lallubhai Bank, there is none which could be called a people's bank, and even this has begun to function as a bank only very recently. Communal societies and banks, however, serve the purposes to some extent. Though the communal tie between members of an urban co-operative credit organisation is a handicap from the point of view of the consumer, and is certainly not desirable from the point of view of the small trader either, it must be said that several of the communal societies in the city have worked successfully for years and have developed their business sufficiently to call themselves small banks and it is very much to be desired if these communal banks, like the Shamrao Vithal and the Chandraseniya Kayastha Prabhu banks were converted into genuine people's bank extending over their membership to all irrespective of caste and creed.

It is not proposed to discuss here the difficulties that there might be in the working of people's banks in the City and Presidency of Bombay, nor the defects in these banks, inasmuch as, as said before, the deficiencies of individuals does not take away the merits of the system. Those difficulties and defects could be examined and removed, and urban credit organised on co-operative lines would stand out as the potent instrument for good for the small urban people, the salary-earners the wage earners and other consumers, for small artisans and handicraftsmen and for small traders. A rapid development on sound lines of Urban Co-operative Credit is urgently necessary and, to this end, co-ordination between heads of offices and clerks, between the Bombay Mill-owners' Association, the Trade Unions and the Provincial Co-operative Institute, between the Departments of Industries and Co-operation, and between the Indigenous bankers and the Directors of the people's banks is essential.

Typical Salary-Earners' Urban Co-operative Bank in Bombay.

Particulars	G. I. P. Railway Employees Co-operative Credit Society	B. B. & C. I. Railway Employees Co-operative Credit Society	Postal Employees Co-operative Credit Society	Bombay City Police Co-operative Credit Society	Total
Number of Members ..	14,939	22,148	5,874	2,570	45,531
	Rs.	Rs.	Rs.	Rs.	Rs.
Share Capital	7,90,070	4,70,490	1,85,432	2,50,836	16,96,828
Deposits from Members ..	28,27,675	24,25,785	2,15,240	18,035	54,86,735
Reserve Fund	1,97,339	1,44,484	37,085	15,451	3,94,359
Profit for the year 1928-29 ..	94,022	67,520	21,790	17,307	2,00,639
Rate on Deposits	5%	5½%	4%	....	....
Rate on lendings	8%	5%	9¼%	9¼%	....
Cost on management ..	57,923	59,260	13,010	6,618	1,36,811

N.B.—There were no overdue loans in these four societies.

Typical Occupational Communal Urban Co-operative Banks in Bombay City.

Particulars	Namdeo Co-operative Agency, Limited	Bhavsar Kshatriya Co-operative Commission Agency, Limited
Number of Members	333	178
	Rs.	Rs.
Share Capital Paid	89,125	23,150
Loans and Deposits from—		
(*i*) Members	48,948	4,196
(*ii*) Non-Member	49,806	12,382
(*iii*) Societies	14,853	10
(*iv*) Provincial or Central Banks	22,739	17,786
	1,46,346	34,374
Reserve Fund	19,750	5,482
Working Capital	2,55,221	63,006
Loans made during year to—		
(*i*) Individuals	24,35,767	1,24,327
(*ii*) Banks and Societies	5,59,805	....
	29,95,572	1,24,327
Loans and deposits repaid during the year by—		
(*i*) Individuals	24,36,347	1,31,323
(*ii*) Banks and Societies	5,65,693	....
	30,02,040	1,31,323
Loans due by—		
*(*i*) Individuals	2,31,674	71,971
(*ii*) Banks and Societies	21,514	....
	2,53,188	71,971
Loans and Deposits received during the year from—		
(*i*) Individuals	10,33,508	1,33,963
(*ii*) Banks	22,32,535	79,379
	32,66,043	2,13,342
Cost of Management	10,916	3,713
Profits	8,042	3,634

* Out of these loans Rs. 1,14,000 and Rs. 20,657 were overdue.

Professor H. L. Kaji.

Typical Communal Banks in Bombay City.

Particular for 1928-29	Shamrao Vithal Urban Co-operative Bank	Chandraseniya Kayastha Prabhu Co-operative Bank
Number of Members	1,940	1,479
	Rs.	Rs.
Share Capital Paid	80,739	18,195
Loans and Deposits from—		
(*i*) Members	5,78,369	46,368
(*ii*) Non-Members	3,35,938	65,317
(*iii*) Societies	10,309	....
(*iv*) Provincial or Central Banks	....	5,660
Reserve Fund	1,08,750	12,116
Working Capital	11,14,105	1,47,656
Loans made during the year to—		
(*i*) Individuals	9,23,225	87,091
(*ii*) Banks and Societies	1,74,680	....
	10,97,905	87,091
Loans and Deposits repaid during the year by—		
(*i*) Individuals	9,13,323	58,277
(*ii*) Banks and Societies	1,84,056	....
	10,97,379	58,277
Loans due by—		
*(*i*) Individuals	4,66,976	1,11,461
(*ii*) Banks and Societies	1,07,203	....
	5,74,179	1,11,461
Loans and Deposits received during the year from—		
(*i*) Individuals	14,12,249	1,54,420
(*ii*) Banks	42,151	5,660
(*iii*) Societies	1,00,430	....
	15,54,830	1,60,080
Cost of Management	18,812	2,909
Profits	12,905	3,998
Rate of interest on—		
(*i*) Borrowings	4½%	6½%
(*ii*) Lendings	5½% to 12½%	9%

* Out of these loans Rs. 53,554 and Rs. *nil* were overdue respectively.

Oral Evidence.

Professor H. L. KAJI, M.A., B.Sc., I.E.S., Representative of Urban Co-operative Societies, Mr. G. M. S. RANE, Representative of the Port Trust Employees Co-operative Society, and Mr. R. A. LAJMI, Representative of the Shamrao Vithal Urban Co-operative Bank, Bombay.

13351. *The Chairman :* Professor Kaji, is this your own note or is it sent on behalf of the representatives of Urban Societies ?—It is a sort of a representative note.

13352. It is not your personal note ?—No.

13353. You represent the Urban Movement in general ?—Yes.

13354. Mr. Lajmi, you represent the Shamrao Vithal Urban Co-operative Bank, Bombay ?—Yes.

13355. Mr. Rane, you represent the Port Trust Employees Co-operative Society ?—Yes.

13356. We are certainly concerned with salary-earners and wage-earners, but we are equally concerned with trade also. You three represent the Bombay Urban Co-operative societies ?—Yes.

13357. We have been told that there is a great possibility of urban banks helping small trade and petty industries in the cities ?—Yes.

13358. How far do you think this view is correct so far as practical experience of Bombay goes ?—So far as practical experience of Bombay goes, not many societies were organized only from this point of view, but, as I have pointed out, societies do exist largely to help salary-earners and wage-earners. Purely a people's bank, which would do this function, has not been organized properly in the City of Bombay. Outside Bombay, there are many such banks. We have in all 70 urban banks. I have not classified them, but I believe more than half of them are purely for trade purposes.

13359. Is there any special reason why such societies have not been organized in Bombay ?—No, there is no special reason.

13360. Can you say if there are other facilities for trade purposes and, therefore, such societies have not been organized ?—No. On the contrary, so far as my knowledge goes, facilities for such trade purposes do not exist and urban banks or people's banks are wanted in Bombay very urgently. The dealers, and mainly the small traders, do not get any accommodation.

13361. What we have been told, for instance, by the representative of the Hosiery Merchants' Association, was that they do not get sufficient financial facilities.—The grain dealers have also stated that they do not get sufficient financial facilities. The point is ; where could they go for a loan ?—No proper effort has been yet made to develop urban banking and it is now necessary to do so.

13362. Have you any practical experience of this sort of urban banking in the *mofussil* ?—I know fairly well one or two banks like the Surat People's Bank.

13363. Have they been able appreciably to help small traders ?—I should think so. It is not dealing largely with consumers but it is dealing with artisans.

13364. But a bank like this will be helpful in Bombay ?—Yes. I say there are in Bombay many good communal banks like the Shamrao Vithal Urban Co-operative Bank and if they throw their door open and if they could remove the communal idea and make them people's banks, certainly they will be helpful.

13365. You do not think it would be desirable to have separate banks for traders and artisans rather than mix them up with salary-earners' societies ?—I am not talking about salary-earners' societies, but I am talking about the Shamrao Vithal Urban Co-operative Bank, and if they turn it into a people's bank it will be useful for a particular locality. I would wish in Bombay to have big people's banks for each of the important wards, *i.e.*, in places like Girgaum, Kalbadevi and so on, where there are small shopkeepers who have no means of finance.

13366. Have you any idea where the shopkeepers get their finance from for the present ?—They have very largely to depend upon their friends and relatives to start with. This is very precarious. It is awkward for them to go on like this.

13367. In your note you first refer to salary-earners' societies. How far have these salary-earners' societies been successful in encouraging thrift ?—(*Mr. Rane*) : In my society particularly a savings bank account has of late been started. We have fixed deposit system. At the present day the fixed deposit amounts to Rs. 70,000.

13368. From how many people ?—I have not brought the figure.

13369. How many members have you ?—2,500.

13370. Have you any system of monthly fixed deposits or some sort of a provident fund or fixed subscription ?—No.

13371. Are these deposits purely voluntary ?—Yes.

13372. Is the case the same in salary-earners' societies ?—(*Professor Kaji*) : No. In many salary-earners' societies the general rule is that a certain subscription is payable by a member and when the amounts accumulate, a share is purchased out of this sum. In this way, it annually increases. It is a sort of compulsory saving.

13373. Do these societies have the provident fund system ?—Most of the societies have it for their members.

13374. Would it be correct to say that their chief business is lending ?—They have been started with the object of, I must be correct in saying, giving loans. They are not necessarily started from the point of view of thrift. Therefore I wanted to claim that they are started from the point of view of thrift-cum-credit.

13375. Are any loans given by them ?—These societies are essentially for consumers to tide over bad year. It is the safest type of society and it teaches them thrift essentially, because if you look at the condition in the B. B. & C. I. Railway, you will find deposits from members are fairly large. They amounted to Rs. 20,00,000 in the G. I. P. Railway ; 24,00,000 in B. B. & C. I. Railway ; it is Rs. 2,00,000 in the Postal employees Co-operative Credit Society ; and in the Bombay City Police Co-operative Credit Society it has gone far. Only these four I have selected ; but I might point out that the Port Trust Employees' Co-operative Society is much better than the Police Society.

13376. It will be interesting to know how many invest ?—Those who borrow do not invest. In the B. B. & C. I. Railway Society people do voluntarily deposit their money because it gives them a very good interest and far better than the interest they can ever get elsewhere.

13377. In your statement you state that the rate of lending in the B. B. & C. I. Railway Employees' Society is 5 per cent. and the rate on deposit is 5½ per cent.?—The rate on lending is 5 per cent. nominally. It works out at about 7 or 8 per cent.

13378. They are charged the full amount in spite of the instalments paid ?—Yes. I have taken these figures from the Registrar's report so that they are authentic absolutely.

13379. As regards millhands' societies, we were told by one representative, who appeared before us, that they were not able to do very much for the members ?—Yes.

13380. Why is it so ?—Probably because, as I have pointed out, there is no organisation to look after these societies properly. The millhands' societies might be linked up with the societies of those villages from which the millhands come, otherwise there is always the danger of their going away to their villages. Our labour here is not permanent. Apart from finance, as I have pointed out in my note, the great needs of the factory operatives are co-operative stores for the supply of household requisites and clothing, co-operative housing societies, etc. Unless you tackle the millhand as a man, as we say in the case of an agriculturist, and satisfy all his needs by co-operation, he cannot be sound and safe.

13381. We have been told that he either cannot save or is not inclined to save ?—He has got to be taught; intense propaganda is needed.

13382. Why has the co-operative store movement not developed here as it has in the urban areas in Europe ?—The conditions here seem to be really different. Here the *bania* is far more convenient to him than the store could ever possibly be.

13383. I expect the same thing exists in some of the European countries ?—I was reading recently a book on "co-operative stores in England" and I find that they are obliged to give one-third credit. Though they started in the early days on a cash basis, they had to recognise credit, *i.e.* weekly or monthly payments, but not necessarily daily payments and payments on the spot. The real chief thing, in my opinion, is want of effective education.

13384. Speaking about communal societies, you say they are not quite sound ?—Because they are mainly for consumers.

13385. We are told in Sind that the Khudabadi Amil Society was the best urban society there ?—Here the experience is the other way. Where the community is small there is a sort of cousinship, and where the community is larger it does not matter, and is almost synonymous with membership of a community. If it is amongst the *Dasa Lad banias*, for example, it would not be proper, because in that case a clerk would be related to the committee members and influence could be brought to bear upon them.

13386. You suggest the establishment of a co-operative industrial bank in each district ?—Yes.

13387. Is there no co-operative industrial bank now ?—No.

13388. Has any bank been started in this Presidency ?—No.

13389. The main question is about funds for the co-operative industrial banks ?—Yes. Just as ordinary people's banks are floated, in the same way co-operative industrial banks also can be floated, the objects of the two being different.

13390. You may require long-term loans ?—Yes; but the share capital could be easily raised, and there are industries which would require finance. This could be easily done. But, in my opinion, it should not be merely a lending institution, but it should also be a sale organisation which should undertake the sale of the products of the members or societies affiliated to it.

13391. On its own responsibility or on a consignment basis ?—On consignment basis. What I am saying is this that there should be the same institution to do the lending and to purchase and supply articles required and to sell the products.

13392. Would you have a separate institution for each industry ?—Where there is scope for it, you can have a separate institution. I feel, if we want to develop cottage industries, this is the only way, *i.e.*, replacement of modern *sowcars* by these industrial banks, otherwise we would not be able to develop cottage industries,

13393. You suggest co-ordination of co-operative banks with a *shroff* ?—Yes.

13394. Do you want *shroffs* to take shares in a co-operative bank and become its directors ?—They might.

13395. How would you co-ordinate them ?—They might become members of people's banks.

13396. And at the same time carry on their own business ?—They might. Simply because they are members of an urban bank, I would not object to their carrying on their own business.

13397. Do you want them to take part in the management ?—Certainly. I think it would be an advantage, provided you get the right type of men.

13398. You do not think that the two interests will clash ?—I myself do not think so. It is all a question in every case of tactful management on the part of co-operative workers and *shroffs*. Where this is not possible there would be danger of a conflict of interests, otherwise it would be possible to co-ordinate. If it is not possible to co-ordinate the two systems, I would allow the two systems to continue side by side and the better system will prevail in the end and the worse will die out.

13399. You say "It is, however, unthinkable how *shroffs* could be recognised as agents or something like it of the Imperial Bank and vested with special privileges." Why do you think it is unthinkable ?—I honestly confess it is unthinkable to me.

13400. Because they are individuals trading in their own interests ?—Exactly so They are not institutions. They are individuals and individuals to be given special privileges is a thing which I would not personally encourage. In the case of an individual the interest is personal and in the case of a bank there is nothing like that and the institution should go on for ever, whereas in the case of individuals their firms gradually deteriorate and after a generation or two they disappear.

13401. *Professor Kale :* Many banks also fail ?—That is a different thing. They have nothing to do with the personality of one man or the other. I know in one case in Surat where it was a very good *pedhi*, the man died and there was a panic, a run, and the *pedhi* collapsed.

13402. Since 1913 we have had so many bank failures. If you compare the failures of banks carried on by educated people with the failures of *shroffs*, I am afraid, you will not find that the failures amongst *shroffs* are greater than amongst banks ?—I may be pardoned for saying that the *shroffs* disappear whereas the failures of banks are published in the papers and failures of individuals do not appear in papers. If there are statistics, I do not know if there are any, I must change my opinion, but this is my impression. (*Mr. Lajmi*) : If joint stock banks are run in the system in which *shroffs* run their business, they are sure to fail.

13403. You are referring to the defect of organised banking. There are advantages and disadvantages on both sides. And we cannot make sweeping remarks all at

once ?—(*Professor Kaji*) : I have pointed out in the note both the good and bad points of both the systems.

13404. When the Imperial Bank will employ a *shroff* to carry on its work as its agent, naturally it will take the precaution of seeing that the banker is a sound banker and that he carries on his work efficiently ?—May I ask you what is the reason for the Imperial Bank not recognising people's banks running in the same city ?

13405. There is no objection to that ?—Then I have nothing to say.

13406. Because that proposal was placed before us while no urban bank has made a proposal like it. We have this concrete proposal placed before us that where the Imperial Bank has no branch or cannot carry on the work of the branches profitably, there the help of the *shroffs* should be sought to carry on that business which could be done cheaply ?—When the Committee examine their proposal, let the Committee examine whether it might not be possible to extend the same facilities to an institution like the co-operative type rather than to an individual *shroff*. If it is not possible, then you can try with an individual *shroff*.

13407. I was wondering why you stated in the beginning that no effort has been made to organise urban banks in Bombay, when Bombay is the home of the Co-operative Institute and the Provincial Bank ?—In a way I may have wrongly put it. The earlier efforts were directed towards the organisation not of people's banks but of communal credit societies and Bombay did make a beginning and we have today a number of credit societies more or less organised on a communal basis and this was at one time thought to be the best type of societies. Experience later on showed that it would be much profitable to have non-communal people's banks rather than small communal credit societies. Since then we have made no great efforts.

13408. Mr. Lajmi, is this your experience ? I want to know from you whether the communal character of the bank stands in the way of its being run successfully and whether a certain amount of undesirable influence is being brought to bear in the granting of loans, etc. ?—(*Mr. Lajmi*): No, not to my knowledge. One cannot say about the future. The things may go the other way.

13409. Whilst there is the risk of favouritism on the one hand there is the close knowledge of one another possessed by members which will be an advantage on the other hand. There is the advantage which was pointed out by Professor Kaji, *viz.*, that you know one another and in granting loans you are likely to take all the facts into account which are not likely to be known to outsiders. Is this your experience ?—The members of the committee do not hear persons who seek loans through outsiders of the committee. If there is anything to be explained by them we ask them to come and give an interview and then sanction the loan. There is no outside pressure. There may be one or two cases here and there, but as a general rule there is no outside pressure.

13410. You do not agree with Professor Kaji in the view that he takes ?—(*Professor Kaji*): I myself have experience as an arbitrator also. (*Mr. Lajmi*) : There may be a few cases here and there as I said just now, but as a rule there is no outside pressure. No doubt there is a possibility for it.

13411. With regard to the millhands, do you think it will be a practical proposition to connect them with their village societies ? As they come from various places, there may be no village societies there ?—(*Professor Kaji*) : We might make efforts to start societies in these villages.

13412. Suppose the milhands come from 2,000 different villages, would you have societies in all these 2,000 villages ?—We can have convenient groups of villages and in these groups we can have societies.

13413. Has no such attempt been made so far ?—No. There was that idea, but it never fructified.

13414. Do you think that these millhands, whenever they save anything, send it to the members of their families in villages ?—When they save, they do so.

13415. And, therefore, they are not likely to join a society ?—They want to borrow. They are borrowers always. I remember when I was connected with the Sassoon Institute, they wanted to borrow for a short term and each millhand has a sort of a standing arrangement with the *bania* and thus he goes on borrowing two rupees after two rupees. This could only be got rid off if we have a co-operative organisation and not merely a credit society.

13416. And the industrial bank, you propose, will look after different industries in a district ?—Yes.

13417. Do you propose an industrial bank for all industries or only for certain industries ? Take the case of a district town. There will be weavers, shoe-makers, metal manufacturers and so on. So there will be half a dozen industries. Do you propose an industrial bank for all these industries together ?—Yes, I would take all these together unless there is an exception. If one industry is particularly predominant, this industry might have its own society affiliated to such a bank where its interests will be more closely watched, but I would suggest in general one industrial bank.

13418. And it should arrange for the supply of raw material and also sell the finished products ?—Yes, but I do not know in what way.

13419. But have you taken into account the fact that the vested interests are so strong to-day that it will be very difficult for a bank like this to make arrangement for the sale of commodities ?—I do not mean merely sale in the city. I mean a sale organisation in Bombay or in United Provinces or wherever those articles are likely to find a market.

13420. But these merchants have themselves covered those places to-day ?—I understand the difficulty of the situation, but, if we could overcome it, we must start it, otherwise we had better not start at all. Do not start to fail, but start where you can make an arrangement. In Surat, about the gold and silver thread industry I felt it was quite possible to win over one or two merchants and with their assistance we might be able to start it so that it might not be a failure.

13421. *Mr. Kamat :* About your suggestion to expand communal banks like the Shamrao Vithal Urban Co-operative Bank into a people's bank to help shopkeepers and small tradesmen, is this a feasible idea ?—It depends upon the strength of the communal feeling in each individual case, and this feeling will be strongly against the conversion in proportion to the success already achieved by a society.

13422. This success is probably achieved because of the communal tie of members ?—It need not necessarily be always this reason. It is not necessarily the communal tie. On the contrary, the communal tie does provoke quarrels. In several instances it does create quarrels which end in personal animosities. We were talking of favouritism then, but I am talking now of animosities in societies.

13423. Mr. Lajmi, what is your experience ?—(*Mr. Lajmi*) : It is possible, but it is not our experience as we are an educated community. We do not generally quarrel.

13424. There is again another element. When you lend out to a shopkeeper, repayment may depend on the successful character of the man and the way in which he conducts his shop ?—We look to his character as credit.

13425. You will not be able to assess the character of the shopkeeper to whom you have lent in the same way as you would be able to assess the character of one of your own community people ?—In that case we require men of vast knowledge.

13426. But the difficulty is only about the question of want of efficient management ?—Under the existing circumstances we are not in a position to expand ourselves.

13427. For the purpose of management you could look to paid men if you have not got experienced men. But can you recover the money so easily from a shopkeeper as you would do from a salary-earner, whom you know ?—In that case we generally put a condition that he can pay the loans in the smallest possible instalment. We would make it easy for him to make payment.

13428. A shopkeeper generally over-trades and sells on credit. Would it be so easy to recover from him as you suggest ? Why is it that shopkeepers are not obtaining ordinary finance from a *shroff* ? Why should small trades people or shopkeepers, if they want finance, not go to *shroffs* ? There must be some inherent difficulty on the part of *shroffs* in helping shopkeepers. It is not a question of paid management and the difficulty of having paid managers ?—(*Professor Kaji*) : What security could these people offer to *shroffs* ?

13429. What could they offer to you ?—Character. The Co-operative system is that even without security, if a man is of good character, we advance loans to him. (*Mr. Lajmi*) : Ours is a collective surety. I stand surety for these two gentlemen and these two stand surety for me, but the *shroffs* do not accept it.

13430. You do not anticipate any inherent difficulties in the very risky nature of shop-keeping and the manner in which trading is done although the shopkeepers may have good character ?—(*Professor Kaji*) : With good management I anticipate no great trouble if, of course, all proper precautions are taken. I feel there is no inherent difficulty. (*Mr. Lajmi*) : A *shroff* is more exacting than societies. That is why people do not go to him.

13431. How are salary-earners' societies working on the whole ?—Take, for instance, the G. I. P. Railway Employees' Society and the B. B. and C. I. Railway Employees' Society ?—(*Professor Kaji*) : Beautifully well. They are building up resources year after year.

13432. Here the chief feature is not the communal question, but it is the trade union spirit ?—No. It is occupational tie. There is no trade union spirit at all because the employer is in all cases closely associated. He is the chairman of a society, or if he is not the chairman or the president, it is one of the most important officers under the head who is the chairman.

13433. I do not mean trade union spirit in the hostile manner, capital *versus* labour, but I mean that they are held together by the tie of the same occupation ?—Yes.

13434. And this sort of spirit could be utilized to have many more urban banks outside Bombay in the same manner as in Bombay with reference to these railways and other services ?—Yes. Salary-earners' societies are being organized in very many outside places also. There are municipal school teachers' societies and postal societies.

13435. I want to know whether the Movement is well-established ?—Yes, it is being carried on all right, and most of the societies are generally A class societies or B class societies because the management in general is safe and sound.

13436. *Mr. Buckley :* To what extent do you think you could get the capital required for co-operative industrial banks ?—I have not worked out figures. I have not thought of any detailed scheme. I suggest, therefore, in my note that the Department of the Industries and the Co-operative Department may sit together and work a scheme in a well selected area and when the scheme is there, with the help of local gentlemen of influence, they can work out the capital and ascertain what capital could be obtained and how much would be necessary. All these details I have not worked out.

13437. Do you think you could do all this without Government help ?- Government help might be required at the early stages, but, in my scheme, I am not counting on Government help.

13438. *Mr. V. L. Mehta :* In these salary-earners' societies and employees' societies, is there any complaint in respect of borrowing that the small man does not get his due ?—I have not heard of any such thing.

13439. Not even in the bigger societies ?—In bigger societies it is not difficult to obtain loans. There might be the danger of a small man being neglected if there is some mismanagement somewhere, otherwise not.

13440. With regard to these salary-earners' societies, do you not agree with the view put before us by some witnesses in Bombay that they generally encourage borrowing rather than thrift ?—I should straight away differ from this view.

13441. About the textile workers' societies, is not the present arrangement this that you have societies in mill groups and not one society for a mill but you have departmental societies ?—In the Currimbhoy group of mills there are departmental societies and in the Sassoon mills there is a single society for all departments of a mill.

13442. Which is the better system ?—I think the mill-system is the best system. I am not in favour of departmental societies at all.

13443. What is the point in favour of having departmental societies ?—They keep closer togother. In a millhands' society the idea is not closer touch. So long as a millhand is under one particular mill agent, it does not matter whether he is in the bleaching department or in another department. I would not mind this except for its unwieldiness.

13444. Do you want any special committees or local committees for different departments ?—Not necessary. The idea of knowing character and all that would not enter in the case of millhands' societies as in the case of producers' credit societies.

13445. If you have a smaller society for textile workers, the man in charge of it would know how the money is utilized ?—We need not worry about it, but from the point of view of co-operative ideal we should certainly watch him.

13446. With regard to your idea as regards the parallel systems of running co-operative industrial banks, commercial banks and urban banks, do you think you have the resources in men and money for these three different organizations ?—Money will be forthcoming. About resources in men, I do not know. Our co-operative institutions cannot afford to pay as highly as people might expect. This is the greatest rub in the development of co-operative organizations.

13447. Would you put forward this as an ideal or as a practical suggestion ?—I do not merely put it as an ideal to be achieved some day, but I would like that a beginning should be made immediately.

13448. Do you do not expect any conflict of interests ?—No. They could be easily managed.

13449. Do you think they could be worked in co-ordination ?—Yes, with great harmony.

(The witnesses withdrew.)

The Committee then adjourned and reassembled at Dharwar on Monday, the 10th February 1930.

Monday, February 10th, 1930.

DHARWAR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.
Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. J. ABOTT, I.C.S., Collector of Dharwar.

Replies to the Questionnaire.

QUESTION 5.—The burden of debt cannot be estimated by any valuation of land or other security offered for the debt. Landlords are only too ready to advance money to tenants without security, and by skilful manipulation of interest accounts and fresh loans to increase indebtedness until the tenant with a small independent holding has to part with his land.

In the Kolaba district is the system of *khoti* tenure, to be clearly distinguished incidentally from the tenure bearing the same name in the Ratnagiri district as legislation applicable only to the latter district has caused a sharp differentiation in the working of this tenure in these two districts. The object for many a decade of the *khots* has been by piling up the indebtedness of the tenants to deprive them of their rights and add to their own *khoti khasgi* land. Speaking from memory, I think that in the Mahad *taluka* alone some forty thousand acres have in the past few years passed from the tenants into the *khasgi* possession of the *khots*. The files of the Collector's Office, Kolaba, would add corroboration to my remarks.

Another way in which the pressure of debt is employed by landlords, is through fear of closure for debt, to turn permanent tenants into annual tenants and thereby be able to add to rents. This also is a common practice in the Kolaba district.

The *saldari* system of labour in Khandesh which used to be a modified form of slavery, is still, I believe, far from extinct and illustrates yet another motive for allowing tenants to pile up their indebtedness.

I think there is little to be gained by trying to collect statistics illustrating the purposes for which debt is incurred. The purpose declared is frequently not the real purpose at all, and the only rational view is merely to accept the willingness of the ordinary agriculturist to get hold of cash if he can, independent of any consideration of future ability to repay it. If some means could be devised by which landlords could be prevented from lending to their tenants, or if such loans were put as wagers are placed beyond the law, much of the indebtedness of the agriculturist would disappear, for the landlord is practically the only person ready to lend him money without security and the rates of interest charged by professional money-lenders are almost prohibitive.

Oral Evidence.

13450. *The Chairman :* Mr. Abott, you are the Collector of Dharwar ?—Yes.

13451. Have you any figures about indebtedness for any tract or for any village either in Dharwar, Kolaba or any other district ?—I speak more particularly of the Kolaba district as I have not examined closely the relations between landlord and tenant in this district.

13452. You refer in your note to the landlord as being the chief source of credit for tenants ; is that in Kolaba district mainly ?—Yes.

13453. And you say that in that district a large area of land has passed from the hands of tenants into the hands of *khots* ?—That is in the Mahad *taluka*.

13454. Does the land pass to the landlord through the *khots* or without the intervention of *khots* ?—As a matter of fact I have sent for these papers from the Collector of Kolaba, but I have not yet received them. The *khoti* tenure is a complicated system.

13455. Is the *khoti* tenure in Kolaba not the same as in Ratnagiri ?—It is different.

13456. Have you not occupancy tenants as in Ratnagiri ?—The tenants have certain rights, but the occupancy is not as stable as it is in Ratnagiri.

13457. So they have to depend mainly upon landlords for whatever they want ; they cannot get from outside ?—I cannot say they cannot get, but the landlord is only too willing to lend. They get very easily from the landlord on any occasion such as wedding or other ceremonies.

13458. Does he charge a high rate of interest ?—As far as I know he has to pay a high rate of interest.

13459. Does the *khot* himself require finance ?—I did not look into this *khoti* question ; it is a complicated system.

13460. You say that landlords should be prevented from lending to their tenants. If that is done, they would have to go to some other agency for the finance that they require ?—Yes ; but I think there is a difference. If you make it difficult for these tenants to get money, I do not think they would borrow as much as they would do if you make it easy, and it is very easy for them to get money from the landlords. And one of the objects of the Union formed by the Pen agriculturists was to dissuade the tenants from applying to the landlord at any moment for money. It is a movement to stop the tenant from borrowing from the landlord.

13461. But the tenants are not in a position to carry on their agricultural operations without borrowing ?—This money borrowed from the landlord is not for agriculture.

13462. Do they not require any money for agriculture ?—They do not always require for this particular purpose but for many purposes.

13463. Do you think a large number of cultivators in this district, Kolaba district and other districts is indebted ?—Yes.

13464. Can you suggest any way in which they could be redeemed of their debt which, as you know, is borrowed at a very high rate of interest ? Would you favour the formation of an institution like the land mortgage banks ?—That would only redeem what you might call genuine debts, but you will always have spurious debts, debts which are not covered by any security, of which no proper accounts are kept, debts which never come to a man, and these spurious debts are the heaviest burden on the agriculturist.

13465. Would you favour the passing of an act like the Money-lenders' Act in which money-lenders have to keep accounts and give extracts to their borrowers ?—I think an Act like that would be evaded. There would still be debts given which the landlord could not recover by law, but which he would recover by a threat of turning the tenant out. And so long as the tenant's tenure is insecure, so long the landlord can go on piling up the debt. It is not so much in the regulation of accounts. I think that one of the best ways of stopping this spurious indebtedness is to make the tenure of the tenant secure, so that no threat can be held over his tenure.

13466. Is there much amount being given as *taccavi* for land improvement here ?—No ; I do not know the figures.

13467. Could you send us some figures, say, for the last five years, for loans advanced for land improvement as well as for current agricultural needs separately ?—Yes.

13468. Is this *taccavi* not given for land improvement because there is no demand for it, or because Government themselves do not wish to give this kind of finance ?—I think there is very little demand.

13469. From your experience of this district, do you not think that there is room for land improvement, for bunding, or for irrigation, or for fencing ?—Of course, we have given a lot of *taccavi* to bodies like agriculturists for small repairs and small improvements.

13470. If there were more propaganda, could not a larger amount be utilised for this land improvement work ?—Yes, it is possible.

13471. As regards land values in this district, are there any figures available ?—Yes ; I have got them here. In general there is a slight difference between the value in the *mallad* tract and the value in the ordinary dry tracts. In the dry tracts garden land varies between Rs. 500 and Rs. 1,000 per acre and in the *mallad* tract between Rs. 500 and Rs. 700. *Tari* land in the dry tracts varies between Rs. 200 and Rs. 300 and in the *mallad* tract between Rs. 200 and Rs. 250. In the case of dry crop, red soil varies between Rs. 100 and Rs. 150 and black soil between Rs. 200 and Rs. 400.

13472. I expect as Collector you get certain decrees of civil court for execution ?—Yes.

13473. Do you find in sales of land in execution of such decrees that there are sufficient number of bidders, or does it often happen that the land is purchased by the plaintiff ?—It is very often difficult to get buyers.

13474. We have been told in other districts by some non-official witnesses that the Record of Rights is not very much up-to-date. Have you received any such complaint in this district ?—No ; very few.

13475. Other people have suggested that the Record of Rights, which is a record of possession, should be changed into a record of title, so that a man would be able to raise money on the security of that ?—I think that would be dangerous, because the enquiry made even into possession is made summarily, and so there would be a great danger in making the Record of Rights a record of title.

13476. In some countries like Germany the record is a record of title and it enables the man to raise money ?—I think in the former German colonies, as far as I know, it was a record of possession.

13477. *Mr. V. L. Mehta :* Have you a fairly large population of what we might call backward tribes ?—Yes.

13478. Are they holders of agricultural land or merely tenants or labourers ?—No ; the backward tribes here are casual labourers and a good many of them are pilferers.

13479. Do these people not hold any land ?—No ; many of them come under criminal tribes.

13480. Have you some landholders here, who possess fairly large holdings, say, big *inamdars* ?—Yes.

13481. Have you any idea as to whether these larger holders experience any difficulty in getting finance ?—I have one application this week of an *inamdar* to mortgage his own villages to meet the difficulty.

13482. Would he get *taccavi* ?—I had to make a special reference to Government in his case.

13483. Have you under consideration the question of introducing the Cotton Markets Act here ?—Yes.

13484. What is the general feeling ?—The general opinion is against it.

13485. Both at Gadag and Hubli ?—Yes.

13486. What are the general grounds of opposition ? Is it mere sentiment ?—Yes ; I think it is largely sentiment. I can let you have the replies of the Municipality to that.

13487. *Professor Kale :* Speaking of Kolaba, do you think that the question of finance of agriculture there is mainly or very largely a question of the tenancy system there ?—I think it is ; I think it would be very closely correlated.

13488. And the problem of finance cannot be satisfactorily solved unless some permanence is given to the tenant ?—Yes.

13489 Do you think it would be worth while enacting in Kolaba some kind of *khoti* legislation as obtains in Ratnagiri, because I am given to understand that the conditions of *khoti* system in Kolaba are nearly the same as in Ratnagiri ?—That is the mistake which sessions courts or high courts and even Government have frequently made in confusing the two.

13490. The *khots* also say that ?—The *khots* have been trying for some time to get the same legislation. If introduced, it would favour them and not the tenants. Speaking from memory, as far as I remember, the *khoti* system in Kolaba district, as it now stands, is better for the tenant than the *khoti* system as stabilised in Ratnagiri.

13491. In Ratnagiri the special kind of tenant has been recognised by law and certain concessions have been granted to him. In Kolaba probably the occupancy might not be so stable, so that the question of financing the cultivator becomes a very difficult one, because unless he has some security, neither the *sowcar* nor the co-operative society nor Government can afford to advance him money for the purpose of cultivation ?—Yes ; but if he is a tenant, a tenant pure and simple, and has no right in the land, why should he need money for land improvement ?

13492. But the tenant will himself require some finance for improvement, and he will have to borrow ?—Then the landlord will give him money.

13493. But you do not want the landlord to give him money ?—I do not mind him borrowing from the landlord for productive purposes, but I do not want that he should borrow from the landlord for unproductive purposes.

13494. *It is very difficult to draw a line between productive and unproductive loan ?—It would be impossible for the landlord to recover the productive loan above a certain percentage of the value of land ; and with the unproductive loan we have no concern at all. But the productive loan must bear some proportion to the value of land. If the value of land is Rs. 100, why should the landlord advance up to Rs. 500 ?

13495. Do you not think that, as the conditions stand at present, it would be a hardship for the tenant himself if he is precluded from borrowing because most of the borrowing is for marriage and other purposes ?—Yes ; and the agriculturists' Union has been trying to prevent that. Some societies have been formed. In Pen about five thousand agriculturists have joined together to stop that.

13496. So it is a tenants' movement amongst themselves to improve ?—Yes, in the Kolaba district, to get the burden of debt reduced.

13497. Do we conclude that this would be a better way of approaching the problem than by legislation ?—I think possibly legislation might assist. You might make it if you could distinguish between the spurious and productive loans, and make it impossible for the landlord to lend more than a certain proportion of the value of land for productive purposes, and make the spurious loan like a gambling loan, making it impossible to recover.

13498. I think it would be a better method if the tenants themselves were to organise and refuse to take loans ?—That would be the best way, if the tenants refused to borrow from landlords for wedding and other purposes.

13499. With regard to the Record of Rights, is the change in the possession of the land immediately entered by the village officers ?—Yes.

13500. Because we were told in certain places that the village officers do not immediately enter it ; they are not in a position to enter the change ?—No ; as far as I know, it has to be entered at once.

13501. And if it is a private partition, which is not registered, naturally it cannot come in the records ?—I think a private partition would, if there is partition by possession.

13502. That would have to be established in the court of law ?—Possession is not established in court of law ; it is established by a summary enquiry by *mamlatdar*.

13503. *The Chairman :* Have you any information on your files about the size of the holdings in this district, holdings under 5 acres, between 5 and 10 acres, between 10 and 20 acres, and so on ?—I think it is there. I think it will take a little working out. I can get it for you.

(The witness withdrew.)

Mr. FAKIRAPPA L. LAKSHMESHWAR, Member, Divisional Board of Agriculture, Gadag.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The agriculturist in the Dharwar district obtains finance in the following ways :—

(*a*), (*b*) and (*c*).—Co-operative societies, money-lenders and *dalals* ; and in the case of (*b*) Government in the form of *taccavi* loans.

He finances himself thus on the security of his landed properties, on pledge of ornaments, promissory notes and on personal credit and also securities.

The interest of the co-operative societies varies from 9⅜ per cent. to 12½ per cent. and of others from 12 per cent. to 25 per cent. Interest on *taccavi* loans is 6¼ per cent. The Co-operative Central Bank advances loans to credit societies at 8 per cent. interest to grant loans to its members on condition that they should sell the produce of their lands through the co-operative sale societies.

The money-lender, in case he is a merchant, insists that the produce should be sold to him and if he is a *dalal*, then the produce should be sold through him. There are a few joint stock banks in Dharwar doing a very small business in this connection. There are no firms trading in fertilizers, etc., here. The Imperial Bank's operations have not yet reached the rural area.

The total cultivated area is 20,43,605 acres of which 19,77,374 acres is dry land; 63,168 acres is wet land; and 3,063 acres is lift irrigation. The cultivation charges are Rs. 13, Rs. 15 and Rs. 600 respectively per acre, total charges being Rs. 2,84,91,382, out of which Rs. 39.63,992 have been advanced by the credit societies, and it is difficult to ascertain how much of the remaining amount is met by the cultivator from his own resources and how much by loans from other sources.

For the permanent improvement, the credit societies have advanced *taccavi* to the extent of Rs. 77,000 and the Government have advanced about Rs. 1,21,000.

The system of advancing loans in kind is in vogue, but it is difficult to know its extent. But however the rate of interest in kind in this case varies from 18 to 50 per cent. The only remedy for this is to organise co-operative grain and fodder societies.

QUESTION 2.—The principal crops are cotton, wheat, rice, *juar* and groundnuts. These are brought to market on carts either by the agriculturist himself or by the petty merchants. Wheat, rice and *juar* are sold by measures; cotton and groundnuts by weights. Portion of cotton is ginned in the village ginneries, but groundnut is also decorticated in the villages to some extent. The cotton sale societies are doing immense good to the producers by passing receipts for the weight of *dokras* immediately after their arrivals, and by grading, insuring and selling by public auction. These facilities cannot be had from *dalals*. In order to improve the present undesirable state of things the Bombay Cotton Market Act should be brought into force at an early date to the good of the agriculturists. Money is also advanced up to 70 per cent. of the market value of the *dokras*, by the sale societies and *dalals*.

In this connection I must state that there ought to be a number of ginning societies in the rural areas and only lint in pressed-bales should be sold on spinning tests. There ought to be co-operative pressing societies in cotton markets. A co-operative fire insurance society should be organised for sale societies only and warehouses should be built by Government and handed over to the sale societies on reasonable terms. It is absolutely necessary to improve the communications from villages to market places. For wheat and groundnuts sale societies should be organised.

Pooling system seems to be unworkable.

The sale societies have cash credits from co-operative banks while *dalals* have the same from the Imperial Bank or they borrow from indigenous bankers or money-lenders.

Mr. Fakirapya L. Lakshmeshwar.

QUESTION 3.—There are three tracts in this district: Malnad, Gadinad and Belval. The value of land in Malnad is from Rs. 100—300, in Gadinad Rs. 300—600, in Belval Rs. 100—400 per acre. In case of garden-soil the value ranges from 1,000 to 1,200 per acre.

The value of land in (*a*) is less than in (*b*) since the land is confiscated for the non-payment of the assessment which itself shows that the land is too poor. In the case of the decree holder cares for his decretal amount which is generally higher than that of (*a*). If anybody does not come forth to bid, the decree holder himself bids. The value of land in (*c*) will be higher than those of (*a*) and (*b*); as the buyer and the seller are both interested a reasonable value is paid.

There is legal impediment to *watan* land only. The Land Mortgage Bank is recently established and it has just begun its operations. There are no other joint stock banks.

(*a*) The sub-registrar should be required to inform the village officers of the deeds of land with no loss of time. As soon as the information is received from the sub-registrar, the village officers should record the same in the Record of Rights.

The Civil Courts should also inform the Village Officers attachments and charge of decree on lands to make entries in Record of Rights in a special column.

(*b*) As to the question of foreclosure and sale of mortgaged lands the land mortgage bank should have a full power and a free hand, but as the aims and objects of the mortgage bank are to protect from selling their lands, it should generally take possession of the lands and rent them out till the land is redeemed.

QUESTION 4.—The working capital of the land mortgage bank should be derived from (*a*) deposits, (*b*) funds from central institutions and (*c*) debenture bonds. The Government should guarantee debenture bonds for principal and interest both.

Deposits should be accepted on long terms.

Share capital and reserve funds should be deposited in central institutions or in Government securities which would ensure the first three heads of finance.

The Government should advance subsidies on low rate of interest.

Taccavi loans should be advanced directly through land mortgage banks only.

Loans to the extent of half the value of lands should be advanced and the rate of interest should be 6¼ per cent. and the repayment should be 40 annual instalments. Interest on deposits, etc., should never be higher than 5 per cent. Land assessment should not be enhanced till the loan of the land mortgage bank is repaid.

QUESTION 5.—I have made an economical survey of the village Harti in Gadag taluka. This village lies to the south of Gadag at a distance of seven miles on the provincial road. It is by the side of a hill. The climate is dry, and the soil is black and reddish black. There are two wells for drinking and other purposes and a tank for the use of the cattle. The population of the village is 1,324, divided into 294 families. 157 of which have lands. 12 families keep grocery shops and 7 of which have lands. The carpenters, blacksmiths, goldsmiths, barbers, washermen, Korwars, Waddars and depressed classes people together make up 22 families of which 7 have lands. *Juar*, wheat and cotton are largely grown. There are some vegetable, sugarcane and betel-vine gardens. There are two primary schools attended by 128 boys and 63 girls. It has a co-operative society with a working capital of Rs. 59,876, a co-operative seed and implement society, a fodder storage and a reading-room. There is also a Grain Bank

and a Mysore Premium Bull. The cotton of the whole village is sent to the Cotton Sale Societies, Gadag, for sale. They sow cotton seeds evolved by the Agricultural Department. The total area under cultivation is 5,782 acres out of which 3,181 acres are owned by the village of Harti, and the rest by the outsiders. Two hundred and eighty-two acres are pasture lands which include the hill. The total assessment of land sowned by villagers is Rs. 4,806. Ninety-eight families out of 157 are in debts amounting to Rs. 1,06,225—

(*a*) Rs. 55,769 is on registered mortgages of lands (801 acres) mortgaged to money-lenders and credit societies.

(*b*) Rs. 6,225 is enhanced amount by the money-lenders.

(*c*) Rs. 4,000 on the mortgage of houses and ornaments.

(*d*) Rs. 39,231 on society's ordinary bonds and promissory notes, etc. The debt has been incurred for the following purposes :—

(*a*) Rs. 43,199 to repay old debts. (*b*) Rs. 5,855 for mortgages. (*c*) and (*d*) Rs. 28,135 for famine and payment of assessment and household expenses.

(*i*) Rs. 950 to sink and repair wells. (*j*) Rs. 1,892 for construction and purchase of houses. I have not taken into consideration the houses, grains and cattle, etc., as the agriculturists want them for the next year.

The debts amount to Rs. 31 per acre which means 21 times the assessment on the total land owned by the villagers. During the last year 1,320 acres of land was cultivated on lease for Rs. 17,170 on an average of 13 rupees per acre. 8 families have sold 57 acres of land for Rs. 14,400 to the people of the same village and 3 families sold 26 acres to outsiders for Rs. 8,900.

Forty-five persons, mostly women, trade in butter of whom 20 belong to landed families. The Korwars prepare baskets and mattresses from toddy tree leaves. There are no other subsidiary industries followed by the agriculturists.

The village is of the typical villages in the district. The people are peacelovers and are united. They have forbidden beggary by common consent. Only disabled and old people are allowed as exceptions. Owing to a selfless band of workers, these improvements are effected. Among them Basangowda Fakirgowda Patil is the leader. The village has greatly improved in the last decade. No disputes are taken to Courts of Law but are settled by arbitration among themselves. The leaders of the village are even invited to settle the disputes of neighbouring villages. The co-operative movement has made very good progress on sound lines and the village has good many natural advantages. In spite of all these there is so much indebtedness in the village. This, in my opinion, is due to partly scanty and unequal rains and partly to rack-renting.

The rate of interest charged by the co-operative society is 9¾ per cent. while that of the money-lenders ranges from 12 to 25 per cent. Money-lenders calculate interest according to Hindu calendar and thus they save eleven days in a year, and they usually calculate at compound interest.

The money-lender resorts generally to law courts even when the *ryots* have not been able to discharge the debts owing to failure of crops and he gets a decree against him to be satisfied by instalments, generally 5 or 6. If the *ryots* is not in a position to pay off the instalments regularly the money-lender sets execution proceedings in motion. The Court forwards the said proceedings to the Collector for action. The Collector leases the land by auction and this secures fresh victims to the money-lender, because the tenant

together with his sureties suffer the same fate in turn, to meet the demand of the money-lender by sacrificing their own estates; if nobody comes forward to bid in auction for the lease then the land is sold by auction and in case no one comes forward to bid the money-lender is free to bid himself for any price he likes. In this way the small holders are fast losing their lands and are either turned into tenants or into agricultural labourers or they migrate to industrial centres as labourers.

The Land Revenue Code is generally favourable to the landlord and not to the tenant. The petty landholders as they are obliged to go in for lease of additional lands in order to earn enough to maintain themselves are victimised by big landlords who in many cases are money-lenders also. Furthermore, the agriculturists are heavily taxed by the existing Stamp Act, Court Fees Act and Pleaders' Fees, etc.

Thus money-lending and rack-renting and heavy taxation by Government systems, as they are going on unabated, are taking away from the *ryot* the interest and incentive to produce efficiently. This state of affairs prevails more or less in all the three tracts.

QUESTION 6.—Regarding subsidiary industries, the introduction of machines in rice milling, cotton ginning, spinning and weaving has deprived the agricultural class their most common subsidiary industries. These are now captured by the capitalists. *Gur* making is going on on scientific basis introduced by the Agricultural Department. There are no facilities for dairy farming. It is only possible by co-operative organisations with a free grant of grazing lands by Government. There is no scope for individual enterprise.

Owing to insufficient rains most of the garden wells in dry tracts are dry, and garden produce is fast decreasing. For instance, in the village of Sortur in Gadag *taluka* there were more than 100 betel-vine and sugarcane gardens some 10 years ago; they were all in good condition. Now there are barely 10 gardens and they are in poor condition.

Shepherds have their own industries mainly rearing sheep and weaving *kamblis*. But agriculturists as such have no big industries at present. They can develop *gudar* weaving and spinning and rope-making if properly encouraged. This is almost the duty of the social workers, of course supported by Government.

Weaving which was one of the main industries of industrial classes of urban and rural areas is also very seriously affected by the introduction of machinery. In order to protect cottage industries it is absolutely necessary to inculcate the habit of self-reliance in the people and so weaving and spinning should be compulsorily taught in primary and middle schools.

Central banks should dispose of loan applications promptly and in case of special limits for current purposes and long-term loans the sanctioning authority should be the Assistant Registrar to avoid delay.

To facilitate adequate finance, the village credit societies should hold economic survey of the members of their villages, for the loans advanced by the co-operative credit societies are misapplied.

Taluka co-operative banks should be organised which will attract local deposits and thus bring forth additional resources. These should be affiliated to the District Bank. There should be one representative from each *taluka* Bank on the Board of Directors of the district banks. 1 to represent limited societies, and 3 to represent individual share-holders and thus 15 Directors should be elected from their own constituencies.

The total amount of old debt on lands amounts to roughly 6 crores of rupees and debt due to annual agricultural expenses amounts to roughly 2 crores. The credit societies and Government together have advanced about 60 lakhs which is only 7½ per cent. of the whole amount.

8. The Dekkhan Agriculturists' Relief Act has done more harm than good to the agriculturist. The money-lenders have resorted to unfair dealings to safeguard themselves to the ruin of the *ryots*. The repeal of the Act will not easily remove the evils as they are deep-rooted already. Therefore the Dekkhan Agriculturists' Relief Act should be modified embodying the following principles :—

(1) The restriction of the transferability of land to non-agriculturist and *watandars* though they are agriculturists.

(2) Any kind of debt simple or encumbered contracted by an agriculturist should forthwith be registered in the Record of Rights so that his financial position be easily ascertainable.

(3) The Dekkhan Agriculturists' Relief Act should be modified so as to enable the Courts to grant a large number of instalments, say 20 or 30 according to circumstances, and it should be made compulsory in the matter of grant of instalments—(no discretion should be vested in Courts) and further in case of failure to pay any instalment, the creditor should be made to take over the land on usufructuary mortgage for a number of years according to circumstances and after that period the land should be declared as free from debt.

To redeem the old debt of agriculturists, the best way would be for the Government to float a specific loan at interest 4½ to 5 per cent. and lend the same to *ryots* at rate not more than 6¼ per cent. and to recover the same in easy instalments spread over a long period and collect the same along with the land revenue.

Oral Evidence.

I am a landlord myself ; I pay nearly Rs. 600 assessment. I am also a member of the Divisional Board of Agriculture. I cultivate half of my land, and I lease out the other half.

As regards the cost of cultivation, for a man of my position it would be Rs. 15 per acre for cotton, wheat and *juar*, and for an actual cultivator, who cultivates himself, it would be about Rs. 10 per acre. There is not much of *bagayat* cultivation in my land.

The rate of interest charged to cultivators when they pledge ornaments varies from 6 to 10 per cent.; in some cases it is 12 per cent. also in villages.

There are three joint stock banks in Dharwar, which advance money against agricultural produce. I think the Reddi Co-operative Bank also advances money against agricultural produce.

In my *taluka* there are eight or twelve co-operative fodder societies and two co-operative grain societies. They are working well. They are very useful in times of famine. It would be useful if more of such societies are started.

As regards marketing of groundnut, it is taken to the market and sold to the merchants through *dalals*. As soon as the bargain is struck, the bags of groundnut are weighed and delivery is taken. The *dalals* charge *dalali*, *hamali* and *dharmada*. The *dalal* pays cash immediately to the agriculturist, but the purchaser pays the *dalal* after ten days. The *dalal* makes up the loss of interest in *dalali*.

Mr. Fakirappa L. Lakshmeshwar,

In the case of cotton, when it is sold by the agriculturist direct or through the *dalal* it is weighed after sale. When it is sold through a sale society, it is weighed immediately on its arrival. The cotton is weighed in the presence of the agriculturist in the case of sale society, but in the case of sale through *dalals*, it is not weighed in the presence of the agriculturist. When buyers come in, some sample is taken out of *dokras* and after the buyer sees it, the sample lot is not put back in the *dokras* but is removed to the *dalal's* house. Thus the agriculturist loses when he sells through *dalals*.

There is one co-operative ginning society in Gadag. There should be a number of such ginning societies. There are many ginning factories here, and all are working well. There is room for more ginning factories.

Pooling system seems to be unworkable here, because people at present sell separately. They sell cotton of the same grade together, but they are not prepared to distribute the price for the whole season.

The sub-registrar should be required to inform the village officers of the deeds of land immediately. At present the information is given after a month. The civil courts also should do the same. The village officers should record the entries in the Record of Rights immediately.

I have made an economic survey of the village Harti in Gadag *taluka* in October 1929. I made individual enquiries with the help of the villagers. The rents charged in the village are very high, and the profit from agriculture is not sufficient to pay the rent. People go in for lands in spite of high rents as there is no other industry for them. In pre-war days also the position of the tenants was not good. During the war the price of cotton went high, and the agriculturists began to purchase land at abnormal prices and afterwards lost heavily. These tenants are mostly annual.

I am in favour of having independent *taluka* banks. I think there will be sufficient amount of money coming forth as deposits, and efficient management will also be available.

In my opinion the Dekkhan Agriculturists' Relief Act should be amended restricting the transferability of land to non-agriculturists and *watandars* as the land of the latter is not alienable. I want that even a simple debt should be registered, as it will be a warning to the money-lender.

It is a fact that in the case of primary societies the money that is lent to members does not all go into the hands of members, but there is some leakage. It was a common complaint formerly, but now it has improved.

In the economic enquiry that I have made in the village Harti in Gadag *taluka* the old debts amount to Rs. 43,199. It does not necessarily mean ancestral debt; it may be eight or ten years old. Rs. 950 were spent in sinking wells. There is not much debt contracted for marriage and other ceremonies on account of propaganda carried on by selfless band of workers.

The Land Revenue Code is generally favourable to the landlord and not to the tenant. Other creditors have to go to the court to recover their loans, but, under sections 87 and 88 of the land revenue code, the landlord has the summary powers to recover the debt. Moreover, one-fourth fine is levied on default as if it were land revenue.

I suggest that the land should not be transferred to non-agriculturists from the point of view of agricultural industry as a whole, because when the land passes into the hands of non-agriculturists, they do not care for the land, and naturally the agricultural production is affected, and the small peasant proprietor, who is the cultivator, suffers. The

idea is that somehow or other the peasant proprietor should not be expropriated. I would restrict this to those who are peasant proprietors and cultivate the land themselves.

To redeem the old debt of agriculturists, Government should float a specific loan at 4½ to 5 per cent. and lend money to *ryots* at the rate not exceeding 6¼ per cent. and recover the same in easy instalments and collect it along with the land revenue. The *ryots* should be debarred from borrowing loans from any other source except with the consent of the first creditor. This may be done where there are no land mortgage banks, otherwise this work may be done through the land mortgage bank.

For the permanent improvement, the co-operative credit societies have advanced *taccavi* to the extent of Rs. 77,000 only. The rate of interest charged by them is 7½ per cent. If the people borrow direct from the Revenue authorities, they would get it at 6¼ per cent. I suggest that it should be given through the credit societies and not through the bank.

(The witness withdrew.)

T. T. MUDIRADDI, Esq., Dharwar.

Replies to the Questionnaire.

SECTION I.

Agriculturists in the Dharwar district take loans from *sowcars* for short periods during cultivation season, promising to return after harvest. They pass bonds, promissory notes or make entries in the *khata* of the *sowcar*.

It is not easy to tell definitely what amount is required by agriculturists in the Dharwar district. Agriculturists sell their agricultural produce now-a-days after holding it for favourable prices.

System of licensed warehouses as adopted abroad will be helpful if followed in this country. In the Dharwar district prices vary from Rs. 200 for ordinary soil to Rs. 400 for good soil per acre. Factors which affect are as under :—

1. Satisfactory rain.
2. Handicrafts.
3. Nearness to market.
4. Good road to it.
5. Variety of crops.
6. Presence of banks nearby for finance.
7. Availability of information regarding marketing.

No marked difference is visible in any case.

There is no hindrance to mortgage lands. Co-operative societies, urban banks and the district bank supply finance. They raise capital by shares, deposits and loans.

Land mortgage bank is not working in this district still. A mortgage bank for the district should be allowed to collect money from the co-operative institutions in the district and from *sowcars* willing to deposit and wait for long periods.

Record of Rights is maintained by the village officers. This has given rise to a number of troubles. A committee of five may be appointed. Where societies exist, three influential people from the committee and three other men may be appointed.

If land mortgage banks cannot raise enough capital, the Government should help in issuing debentures, which should be guaranteed by Government. In the case of non-payment of loan, the sale of land cannot be very helpful. The bank should have authority to dispose of it as needful and convenient.

Weaving is an important industry of Dharwar district. Rice and oil mills are also run. But these should be run on co-operative lines. Government should help these industries for a few years at least. Agriculturists have enough work in the fields. Still, when they are unavoidably idle, they may benefit by subsidiary industry.

In Dharwar district, there is good relation between co-operative and other banks. The Imperial Bank branch, however, can compete with them due to Government help. At places where the District Co-operative Bank exists or has a branch, a branch of the Imperial Bank should not be started. Co-operative bodies can command needful finance. Due to other influence, the rate of interest has gone down. Rural societies have increased their reserve funds.

The Dekkhan Agriculturists' Relief Act has done ill-service both to the *sowcar* and the agriculturist. But in the shape of stamps Government has gained and *vakils* have likewise profited. It is better to do away with than to amend this Act.

SECTION II.

There are many people who do banking in the ordinary way, *i.e.*, giving loans and issuing *hundis*. They do business on personal capital. They give loans on promissory notes or against mortgage of ornaments, houses, etc. Rate of interest varies between 7 to 18 per cent. Due to insecurity of landed property as a result of diminishing rain, their business is going down. They do not risk their money now in loans to agriculturists, but deposit their money in co-operative societies.

In the Dharwar district, there are enough number of banks to induce habit of investment. They do not compete with each other. But depositors think it unwise to invest all money in one bank, and hence distribute their money in different banks. There is an impression that agriculturists like to hoard in the shape of ornaments. But it is very unlikely. Agriculturists try to meet their need, keep a small amount at hand and then try to provide for unforeseen occasions. Over and above this, they can spare little to spend on ornaments.

Oral Evidence.

13504. *The Chairman :* Mr. Mudiraddi, you are a landholder and a banker ?—Yes.

13505. How much assessment do you pay ?—I pay Rs. 1,100 for land assessment and Rs. 400 income-tax.

13506. Do you cultivate your own lands to any extent ?—No. I give most of my lands on lease.

13507. Is your bank a partnership bank or a joint stock bank ?—It is my own bank and there are no partners. It is not registered.

13508. Do you do the same kind of business as a joint stock bank does ?—No. Practically I do not take any deposits.

13509. You work on your own capital ?—Yes.

13510. Is there any special reason why you do not accept deposits ?—I have surplus money which I cannot fully utilize. So I do not take deposits. I practically lend money

on the security of ornaments. Formerly I used to give money on promissory notes and on properties. I have stopped doing so because the money is not coming back. Therefore I have confined myself to only lending money on ornaments.

13511. Do you advance agriculturists at all ?—I advance money to all classes.

13512. Why did you give up loans on promissory notes ?—I gave it up because I practically did not get it back on account of the scarcity of rain, etc.

13513. You did not get back money even from urban classes ?—No.

13514. Do you advance money on the security of produce ?—No.

13515. Do you do any *hundi* business ?—No.

13516. Your bank merely advances loans on the security of gold and silver ornaments ?—Yes.

13517. And does no other business ?—To some of my acquaintance who are well-to-do people and who have good character, I give loans on promissory notes.

13518. Are there many indigenous bankers here, *i.e.*, people who do receive deposits and do *hundi* business ?—Except joint stock banks, no other people receive deposits.

13519. Do not individual bankers receive deposits ?—No ; not so far as I know.

13520. Is this the case in the whole district or only in Dharwar ? For instance, in places where there are big landholders, do they not go to indigenous bankers and deposit their money ?—I do not think that indigenous bankers receive any deposits.

13521. Supposing a big landholder sells his cotton and gets Rs. 10,000 and he does not want it at once, would he not keep it with some *sowcar* or banker ?—If he were to get Rs. 10,000 he would himself do banking business.

13522. We have been told that the money-lenders here are not the same as in the Deccan but they are usually *watandars* and *patils* ?—There are some *marwaris* who do money-lending business ; and it is these people who lend money to such people like us.

13523. To people who do banking business like you ?—Yes. At the time of cotton business people like us take money from the *marwaris* and lend to *dalals*. People from places like Hubli and Gadag used to get money from *marwaris*.

13524. Are these *marwaris* confined to places like Hubli and Gadag or are they to be found in smaller places also ?—We can find them in places like Hebsur, Annigiri and Navalgund. First of all they start business as cloth merchants and afterwards they do money-lending business.

13525. When a village *sowcar* wants money during the cotton season, does he go to somebody in the big town and borrow money or does he always borrow from a *marwari* money-lender ?—There are also others besides *marwaris* from whom he will borrow.

13526. The *marwaris* are in big towns but do village *sowcars* always deal with their own capital or do they take deposits from outside ?—I do not think that they take deposits from outside. If a *marwari* wants money, he goes to his brother-*marwari*.

13527. Do you have any dealings or do other bankers have any dealings with joint stock banks or the Imperial Bank ?—Some *sowcars* have credit with the Imperial Bank. A man like myself also can get money from them on the pledge of ornaments.

13528. Do you get money from the Imperial Bank on the pledge of ornaments ?—Yes.

13529. How many joint stock banks are here ?—There are three joint stock banks—the Ankalgi Bank, the Dharwar Bank and the Industrial Bank.

13530. Is the last mentioned bank a new bank ?—No ; it is an old bank.

13531. Are they all based on share capital system ?—Yes. They take deposits also.

13532. Does the Industrial Bank finance industries largely ?—I do not know much about it, but its name is the " Industrial Bank ".

13533. Who does *hundi* business in this part ?—The *marwaris*, the Central Co-operative Bank and some urban banks do *hundi* business.

13534. Do other bankers who are not *marwaris* also do *hundi* business ?—They might be doing it on a small scale.

13535. Do you, as a banker, think that there is need for more capital in this district ?—I do not think so.

13536. Are not the rates of interest very high ?—They are from 7 to 18 per cent. or even 20 per cent. The smaller the sum is the larger is the rate of interest.

13537. Is this rate to agriculturists or to traders ?—To all.

13538. What do bankers do with their surplus money during the slack season ?—They deposit it in co-operative societies for 3 or 4 months.

13539. Do you know if the Imperial Bank sufficiently finances all traders here ?—In Hubli, they are financing on the pledge of goods to some approved customers.

13540. Do they not do this kind of business much here or in places like Gadag ?—Only very few people pledge their goods and this too only if they find it profitable to them.

13541. How many years have elapsed since the Imperial Bank here has commenced giving loans on the security of ornaments ?—Only one year and a half has elapsed since it has commenced giving loans on the security of ornaments.

13542. Has this kind of business affected the business of people like you ?—No, not here. Perhaps it would have affected the business of people in Hubli.

13543. You say in your note : " It is not easy to tell definitely what amount is required by agriculturists in the Dharwar district ". As a landholder yourself, can you tell us how much amount is required for cultivating an acre of land on an average ? You need not assume that you cultivate the land yourself. How much money do you have to spend for cultivating lands every year ?—I have not got accounts.

13544. Suppose you have to cultivate 12 acres of land, how much amount you have to spend in cash ?—I cannot exactly say this. Sometimes we have to buy the manure and at the time of sowing we have to buy seeds. In this way for the whole 6 or 7 months we have to spend money. I cannot say in the absence of any accounts exactly how much money will be expended for an acre of cultivation.

13545. You further say " Agriculturists sell their produce now-a-days after holding it for favourable prices." Do smaller agriculturists also hold up their crops ?—They cannot afford to hold up their crops.

13546. You say you are in favour of a land mortgage bank ?—Yes.

13547. Do you expect ordinary co-operative institutions to deposit their money in the land mortgage bank because you know it will require long-term capital ?—The bigger *sowcars* who have money can deposit the same in the land mortgage bank.

13548. What about co-operative institutions ?—The reserve fund with them might be utilized here.

13549. Are you satisfied with the way in which the Record of Rights is kept in this district ?—No.

13550. Why not ? What is the difficulty you find there ?—From the Record of Rights many disputes arise. Suppose I am against one particular man and if I write something about him it will go against him very much. Suppose I am not in possession of a particular land, the *kulkarni* or the *patil* may write in the Record of Rights that I am in possession of the very land, as a result of which the real owner is deprived of his ownership.

13551. It is for everybody to see that the Record of Rights is maintained in a correct way ?—But nobody is seeing it. There is a rule that each man can get his own register, but a man like me cannot get it. There is difficulty of getting it. I have suggested, therefore, one committee to be appointed consisting of five persons.

13552. What will this committee do ?—At least two or three persons are far better than one having power.

13553. What power do you want to be given to this committee ?—Suppose one man dies, there might be disputes as to the rightful heir. If it is properly entered in the Record of Rights, there might not be such disputes. The committee can guarantee to the village people that entries have been properly made in the register.

13554. Are you interested in some of the secondary industries ?—Yes, I am interested in *gudar* industry which is a secondary industry.

13555. Has it devloped here ?—It is doing very well.

13556. Is this industry restricted to only one village ?—Yes.

13557. Can it be spread elsewhere ?—I do not think so because the people must know how to weave. But these agriculturists who are taking to this subsidiary industry are doing this business for a very long time.

13558. Do they take to *gudar* weaving in addition to agriculture ?—Yes. At the time of the agricultural season, they leave this business and when the agricultural season is over, they take to this business again.

13559. Do you think that other people from other villages could be trained to do this work ?—Yes.

13560. Have any attempts been made ?—No. In Hebsur the society has taken this business.

13561. Have any attempts been made to train people ?—I know in some villages schools have been opened for weaving, but I do not know much about them.

13562. You say that at places where district co-operative banks exist, there the Imperial Bank should not open their branches. Why do you say so ?—If Government entrust the business to a district co-operative bank, it can do their business.

13563. Why do you want that the Imperial Bank should not open its branch at a place where there is a central co-operative bank ?—It comes in our way in the matter of *hundi* business. Secondly they have now commenced to advance on gold and silver ornaments. If they do this kind of business any longer, they will naturally come in the way of co-operative banks.

13564. About indigenous banking you say: "There are many people who do banking in the ordinary way, *i.e.*, giving loans and issuing *hundis* ". I thought you have said in the beginning that there were not many indigenous bankers here ?—In Dharwar there are not many, but in the Dharwar district there are many indigenous bankers, and some are merchants.

13565. *Professor Kale.*—Do you want the Dekkhan Agriculturists' Relief Act to be entirely done away with ?—Yes.

13566. Would you not like to amend it ?—No.

13567. It has been stated to us by many witnesses that this Act, if it remains on the statute book as at present, would still further destroy the credit of the cultivator. What is your view ?—This Act has made both of them dishonest and not only dishonest but also the credit of agriculturists has been more harmful.

13568. Do you not think that some steps will be necessary to protect the cultivator after this Act has been repealed ?—Protection is wanted for both of them. If you do not protect money-lenders, there will be none of them. Protection is wanted for both of them.

13569. Do you think it an evil that land should pass from the hands of a cultivator to the hands of a non-cultivator ?—It is again going into the hands of a third man.

13570. But the landholders do not like the idea of lands going out of their hands into the hands of money-lenders or of the non-agricultural classes. Do you think therefore that there should be some restriction in this matter ?—If you put such restrictions, the value of the land would go down. They must be free to purchase the land and at the same time there must be a check on them.

13571. Do you think the rate of interest charged by money-lenders should be restricted by law ?—Suppose we pass a law that he should not charge more than 9 per cent. interest, in the case of a needy borrower what would happen is this: The money-lender will say that according to the law he is not to charge him more than 9 per cent. and that therefore if he wanted money from him, he must pay him two or three years' interest in advance.

13572. Do you think the law will be evaded ?—Yes. There are also good people both amongst *sowcars* and debtors. In their case this law will be helpful and in others' case it will be evaded.

13573. It has been suggested to us that money-lenders should be compelled to keep their accounts in a particular form. Are you in favour of such a proposal ?—Yes; and they should give receipts.

13574. And the debtor must know what his position is, what he has repaid and what he owes ?—Yes.

13575. Do you issue pass books in your bank ?—Yes, and receipts also; but they refuse to take the receipts.

13576. You say at the close of your note, " Agriculturists try to meet their need, keep a small amount at hand and then try to provide for unforeseen occasions ". Do you think that ordinary cultivators make provision for unforeseen occasions ?—They keep in the form of ornaments.

13577. But not with money-lenders or *sowcars* or with banks ?—No.

13578. Is there a tendency amongst people who are members of co-operative societies to deposit their money with societies ?—Yes. And non-members also deposit their money with societies. This tendency is growing.

13579. You suggest that a committee of five persons may be appointed in connection with the Record of Rights. What is the committee expected to do ?—Whatever he writes they are to see in consultation with him.

13580. Do you want that the committee should guarantee or certify that the information put in the Record is correct ?—Yes.

13581. *Mr. V. L. Mehta :* You say that it is the practice here for agriculturists to sell their agricultural produce after holding it up for favourable prices. Suppose an agriculturist wants to hold up his produce, is there any facility for storing it ?—Yes. There are no difficulties about godown accommodation. They get advances also on it.

13582. You say : " Weaving is an important industry of Dharwar district. Rice and oil mills are also run. But these should be run on co-operative lines. Government should help these industries for a few years at least ". Do you refer to Government assistance to rice and oil mills or to the weaving industry ?—I refer Government help to the weaving industry. Suppose in Mallad they want to put up a rice factory, Government help is necessary because the surrounding big villages can avoid bringing their produce here.

13583. In what form should Government help ?—They should help for the purchase of machinery.

13584. At the close of your note you say that it is not the general practice for agriculturists to hoard in the shape of ornaments, but they might buy ornaments for their own use. Is that common ?—Yes. An illiterate man, if he gets money, will not hoard it.

13585. When agriculturists in this district get surplus money, is it not the practice for them to purchase lands more and more ?—Yes they do so, but in that case they part with their ornaments.

13586. Suppose I am a small agriculturist, I have Rs. 1,000 and I like to buy a few acres more for which I have borrowed something, do you think that this kind of purchase of land is advisable and can be encouraged ?—If the truth is to be told, practically for buying the land, a good many people have lost their lands also, because there is no harvest.

13587. Probably this tendency was very common when cotton was selling very high ?—Yes.

13588. Have you experience of co-operative societies ?—Yes.

13589. Would you like to suggest any changes in the working of co-operative societies ?—No.

13590. With regard to the introduction of the Cotton Markets Act which you suggest, we have been told that there is some opposition to the idea ?—Because it is a vested interest, people are coming in their way.

13591. Is there any opposition on the part of agriculturists ?—No. They are in favour of this Act, but the *dalals* and merchants are against this Act.

13592. *Mr. Buckley :* You make a remark about the Imperial Bank of India that it should not open a branch where a district co-operative bank exists. Is the branch at Hubli one of the new branches which was opened by the Imperial Bank recently ?—I think it was started five or six years ago.

13593. Are they going to open more branches where there are district co-operative anks already working ?—They have not opened their branches in district places.

13594. Do you say that weaving is an important industry in this district ?—Yes.

13595. How does it compare now and five years back ?—It is going down now.

13596. To what would you attribute this ?—Because it cannot compete with mill-made cloth.

13597. Have you any mills in this part ?—In Hubli we have one weaving mill.

13598. *Mr. Kamat :* If weaving cannot compete with mill-made cloth, you suggest that it should be run on co-operative lines ; do you think that it can stand the competition merely because it is done on co-operative lines ?—If an individual cannot stand the competition, do I take it that a co-operative society would be able to stand the competition ? In turning cotton into thread, they cannot stand the competition of mills, but in turning yarn into cloth, they can compete with mills.

13599. You mean that spinning does not pay, but weaving may stand the competition ?—Yes.

13600. *The Chairman :* In what cases can weavers stand competition ?—In rough blankets, *gudars, chaddars ;* and in some silk things which the mills cannot do.

13601. *Mr. Kamat :* There is a hope only if we depend upon such designs which mills do not manufacture at present and where there is no competition by the mills ?—Yes.

13602. Could you tell us what should be the longest period for long-term deposits ?—In famine-stricken areas, it should be for not less than 10 years and not more than 25 or 40 years.

13603. Suppose you wish to take long-term deposits, what would be the longest period ?—10 or 15 years.

13604. In this part of the country can you expect people to give you ten years' deposits ?—They have given for five or six years and renew it again.

13605. Its long-term is really five or six years ?—Yes.

13606. Dharwar is supposed to be a very progressive district for *khaddar* and as such has not the Movement helped the weaving industry ?—For an outsider everything looks so. Everything, on the contrary, is going down.

13607. Is the *Khaddar* Movement not making any progress ?—No. It has become only a fashion to wear *khaddar* now.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Tuesday, the 11th February 1930.

Tuesday, February 11th, 1930.

DHARWAR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.
Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Rao Saheb C. S. SHIRAHATTI, Managing Director, Co-operative Cotton Sale Society, Limited, Hubli.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—(*a*) The agriculturist in this district obtains finance for expenses during the cultivation from the following sources :—

(*i*) Village *sowcars*.
(*ii*) *Dalals*.
(*iii*) Agricultural co-operative credit societies.

(*b*) The village *sowcar* gives loan on condition that the cultivator should sell all his produce to him and that too at concession rate, *e.g.*, Rs. 5 to Rs. 10 less per *nag* in the case of cotton. Similar concession is claimed for other produce also. In addition to this the *sowcar* charges interest at 1 to 2 per cent. per mensem. The period of loan is 6 to 9 months. The security is generally his standing crop.

(*c*) The *dalal* also gives loans on condition that all his produce should be sold through him only. He charges commission for selling the produce and in addition to commission he charges interest at 1 to 2 per cent. per mensem. The period of loan and security are the same as above.

(*d*) In case of agricultural co-operative societies, there is a fixed limit to the amount of loan granted. This is generally fixed on the credit of the borrower and it often happens that the cultivator does not get his demand fully satisfied, also the rate of interest is very high, *i.e.*, 11 per cent. per annum. The cultivator, therefore, goes to the *dalal* or the *sowcar* for more financial help.

Except granting *taccavi* loans on long-terms for permanent improvement such as sinking wells, field embankments, removal of *hariyali*, etc., Government do not play any other part in the agricultural finance required by the cultivator for cultivation of crops.

The Imperial Bank, joint stock bank and other agencies do not play any such part in agricultural finance.

Loan in kind is given for a period of four months on condition that one-fourth of the quantity taken should be given in addition as interest. This loan consists only of grain.

generally taken for eating. The practice is predominant in Mallad and Belwal; it is rare in Gadinad where crops are more or less sure.

There is no co-ordination among the various credit agencies except between the Government and co-operative credit societies in respect of advancing *taccavi* loans.

2. Defects and Remedies.—The greatest defect in all the above financing agencies is the high rate of interest which the cultivator cannot in the least afford to give. Interest alone amounts to as much as one-fourth of the capital in one year. Besides, the cultivator incurs the loss in selling his produce to or through the money-lender and he also has to pay the stamp duty of the loan document.

In the case of co-operative credit societies, the interest charged is also very high. The machinery is rather elaborate which the illiterate cultivator does not understand. The cultivator does not get the money as he wants. When he is given the loan in one lump sum he is tempted to spend it away for non-agricultural purposes.

It is common knowledge that no *dalal*, trader or the village money-lender can lend money at cheaper rate of interest than the Co-operative Central Bank and credit societies do. Why then should the *ryots* be forced to have recourse to the *dalal*, trader or the village money-lender? The answer to this question is that the *ryot* does not get loan money at the time when he needs it most. It is the general practice of the Bank and the credit societies to advance money in the months of June and July. The budget estimate, *viz.*, the Normal Credit Statement is generally prepared in the months of March and April. Though this credit statement contains many many heads under which the cultivator may be enabled to state his needs, the statement is not acted up to loyally both by the Committee Members as well by the borrower. Loans sanctioned for different purposes are generally advanced by the society at one and the same time to the cultivator who is tempted to spend the whole amount for his other unforeseen needs; and thus in a way he is made to go beyond the rules of thrift, to inculcate which the Co-operative Movement is brought into being. The cultivator needs money to pay off his lease amount to his landlord in December and January and again to pay off his Government land assessment in the months of January and March, and in some places in the months of February and April. During these months the crops in the fields are not ready for the market. Full loans having been already advanced in the months of June and July, the Bank and the credit societies have naturally to close their doors on the *ryots* at this time. The *dalal*, trader and the village money-lender advance money at this time when the cultivator needs it most for paying off his lease amount and Government assessment. They are fully successful only because they feed the hungry mouths, whereas the co-operative feasts in the months of June and July when the *ryot* has no inclination for such a treat, are long forgotten.

I would, therefore, urge that the financing time may be changed to the months December and January and to the months when the Government assessments fall due. True it is that arrangement exists to advance loans month by month, but the rule is hardly followed in any credit society; because the members are illiterate and the honorary workers cannot be expected to work throughout the year at the cost of their own private business.

The cultivator should be properly educated so that he realises the principles of co-operation and follows the ways of thrift; and also should be taught to adopt improved methods of farming so as to increase his production.

Within a radius of five to six miles in a tract there are about 20 villages. These villages should be grouped together. There should be a credit society for each village and to manage this group an agricultural graduate paid by the Government and working under the Registrar, Co-operative Societies, B. P., Poona, should be oppointed. This graduate should be responsible for carrying on all the operations, agricultural and co-operative, in his group. He should work day and night for the uplift of the villagers in his charge. He should advise the cultivators to adopt improved agricultural methods, such as sowing good seed, use of manures, improved implements, field embankments and co-operative marketing. He should also see that the cultivators get adequate and timely finance from the societies and inspect their account books. He must freely consult the two Departments concerned and must freely mix with the cultivators with a feeling of brotherhood. The district local boards should introduce free and compulsory education in every village. For every group of 20 villages there should be one agricultural bias school. The graduate should also be responsible for introducing cattle breeding and small bye-industries wherever possible and report in time on the crop and cattle diseases to authorities concerned. In short the graduate should act like a missionary of that tract and endeavour for the rural reconstruction of the tract.

QUESTION 2.—PRESENT METHOD OF MARKETING PRINCIPAL CROPS.—The existing market facilities and the existing system of marketing and the distribution are not satisfactory. So I wish to deal with mainly cotton marketing and as such before making any suggestions in existing market facilities I wish, in the first instance, to state in brief the present system and customs of the market of Hubli and Gadag which are the largest market places of the Bombay Karnatak commanding about two-thirds of the cotton produce of the Kumpta and Dharwar-American area.

(1) GENERAL.—Cotton stands pre-eminent among farm crops in the Southern Maratha Country in the ease and cheapness of its production and is the chief money crop of the cultivator. It forms the chief rotation in our part for *juar* and wheat, the staple food of the cultivator. In the Dharwar-American tract almost no rotation is followed in some places. Cotton after cotton is grown for many years. The following statement gives an idea of the average annual area under cotton and the average production :—

Name of district	Average area of cotton	Average production in bales of 400 lbs. each	Remarks
Dharwar	5,95,220	1,19,100	
Belgaum	2,05,900	43,540	Average of last 12 years.
Bijapur	5,08,050	95,170	
Native States*	2,03,610	29,040	
Total ..	15,12,780	2,86,850	

* Native States of Jamakhandi, Sangli, Miraj, Ramadurg and Kolhapur are included.

On an average the area under Dharwar-American is about 2½ lakhs of acres—20 per cent. in the Dharwar district and 20 per cent. in the Bijapur district. The following statement gives an idea of production and area in the Southern Maratha Country :—

Variety of cotton	Average area	Average production in bales of 400 lbs. each	
Kumpta	12,62,780	2,26,850	75 lbs., average yield per acre.
Dharwar-American	2,50,000	60,000	
Total ..	15,12,780	2,86,850	

From the above statement it will be seen that the total cotton production of the Southern Maratha Country is about 2¾ lakhs of bales grown on about 15 lakhs of acres. Out of this 16 per cent. is grown under Dharwar-American type of cotton.

There are in all 11 cotton market places in the Southern Maratha Country where exporters and local buyers buy their requirements through their representatives or *dalals*. The following statement gives the details of arrivals of bales in each of the market places with approximate value :—

Name of the market place	Cotton arrivals in bales of 400 lbs. each	Approximate value at Rs. 350 per Khandi of 784 lbs.
Hubli	1,00,000	1,75,00,000
Gadag	60,000	1,05,00,000
Dharwar	3,000	5,25,000
Savanur	10,000	17,50,000
Bijapur	25,000	43,75,000
Bagalkot	30,000	52,50,000
Bailhongal	15,000	26,25,000
Athani	10,000	17,50,000
Miraj	10,000	17,50,000
Sangli	5,000	8,75,000
Kudachi, Jamakhandi Mudhol and Davangere ..	18,000	31,50,000
Total ..	2,86,000	5,00,50,000

(2) MARKETING OF PRODUCE.—In the Southern Maratha Country *kapas* as well as cotton (lint) is packed in a gunny which holds about 350 lbs. of *kapas* and about 150 lbs. of lint. Each filled gunny is commercially called a *dokra*.

(3) HOW THE COTTON CROP IS DISPOSED OF.—Some *ryots* who are in need of money or who think that they will get better prices for standing crop sell it before it is picked. This practice is in vogue and is carried on to an extent of 5 per cent. Such fields are generally bought in the villages by the village petty merchants who speculate the price of cotton in the coming season and deduct all charges included from picking up to disposing of the crop from the estimated yield and buy the fields. In this kind of transaction both parties try to deceive each other. Some small *ryots* to an extent of about 20 per cent. pick their *kapas* and sell it in their villages to petty merchants or street buyers. Similarly, labourers who get *kapas* as their wages dispose it also in villages. These country merchants deceive the ignorant people in weights, scales, etc. There is also a custom to sell the *kapas* in their store-room without actually weighing and any one of the parties undergoes loss as this is a sort of gambling. The remaining *ryots*, about 75 per cent. bring their seed cotton in *dokras* each weighing about 12 maunds on an average to the cotton markets near their villages and well-to-do *ryots* to big markets where they will naturally get higher prices for their *kapas*. It is to be noted that only a few well-to-do *ryots* get their Dharwar-American or Upland cotton ginned in the ginning factories near their places and keep seeds for cattle feeding and bring the lint in loose *dokras* for sale to big markets. This is to an extent of 5 per cent.

The two big important cotton markets in the Dharwar district mentioned above are Hubli and Gadag. These markets were started about 50 years back and since then they have been well established. In Hubli there are about 70 commission agents who are doing this business since the establishment of the market. These people advance money from time to time to *ryots* on standing crops at the high rate of interest varying from 12 to 24 per cent. on condition to bring their cotton for sale to them. The *ryots* bring their *kapas dokras* to the godowns of these middlemen in the cotton markets. These middlemen write their (cultivators') names on the *dokras* and stock them in their godowns but do not weigh the *dokras* before they are sold. The farmers will have to wait there for a few days until the *dokras* are sold and until they get money. The middlemen take only brokerage or commission for having sold their *kapas* and interest on the amount advanced and capital. Sometimes, if the market is dull, the *ryots* will go back to their villages and will come again when they are intimated of the sale of the *kapas*.

(4) There is also another system of selling in the market which may be described as follows :—

Suppose, there is a certain lot of *dokras* of *kapas* for sale. What is generally done by the seller in this case is that to the face of the lot he keeps *kapas dokras* of good colour, high outturn and good staple in order to show any buyer that the lot consists of superior *kapas*. The buyer goes there, sees the sample of a few *dokras* on the face of the lot and offers satisfactorily rates on the understanding that the *kapas* would be of good quality, *i.e.*, equal to the sample shown. After the bargain is struck, the buyer goes away and comes back with one clerk and two *hamals* to take delivery of *dokras* equal to the samples. Then, they inspect sample of each *dokra* very carefully before it is put into pan and if any *kapas dokra* is not found equal to the sample shown, they either reject the *dokra* or ask for allowance which varies from 2 to 14 lbs. At times, even the lot is rejected if it

contains many *dokras* of inferior *kapas*. The buyers are quite justified in making a strict selection. While taking out samples from *dokras* much *kapas* falls on the ground. So, owners of good *kapas* are put to loss in this case. The same system also holds good in the case of ready ginned cotton.

(5) CUSTOMS OF THE COTTON MARKETS AT HUBLI AND GADAG—KAPAS.—METHOD OF BUYING.—Bargains are settled on the basis of samples shown to the buyer by the *dalal*. Merchants buy at big cotton markets. The villagers bring the *kapas* in *dokras* and each *dokra* of *kapas* generally weighs 12 to 13 maunds.

BASIS OF WEIGHTS.—One *nag* of 48 maunds of 1,344 lbs. each. (One maund equal to 28 lbs.) weight is done by a big beam scale and the tare is deducted at the time of weighing the *dokras* of *kapas* as follows :—

The *bardan* or tare weight in dry weather is 14 lbs. for dry *dokras*. In addition, a stone weighing one lb. is added. The tare differs in different markets and in the same market in different seasons. In rainy season, the tare is about 20 to 21 lbs. or more. For *dokras* wet by rains while in transit or on account of any other reason, buyers take advantage in settling the bargain. If a *dokra* weighs 13 Mds., 2 lbs. more are deducted Similarly, 2 lbs. are deducted for every maund of increase over 13 Mds. Besides this, the buyers bring forth some other complaints and claim 1 to 3 lbs. allowance per *dokra*. The actual *bardan* weight is about 8 to 10 lbs. only. If all these items are considered in detail, the aggregate loss of the *ryot* in weight will be considerable. The excess weight in *bardan* is due to foreign matter such as dust and rubbish matter of various description being deposited on *dokra* inside and outside godown, in transit, etc. This is a long standing custom. The buyer takes this extra weight into consideration while offering rates. While settling the accounts of the buyers, 2 lbs. of sample per *dokra* are deducted out of its net weight and given to buyers according to the market custom.

BASIS OF PRICE.—Prices are based per *nag* of 1344 lbs. of *kapas*.

ALLOWANCES FOR INFERIORITY OF QUALITY AND ADMIXTURE.—While taking delivery, if the stuff is found inferior, the buyer can reject the bargain or claim the allowance proportionately.

TERMS OF PAYMENT.—Payment is made within three days after the sale is effected and weighments are made.

TIME OF CLOSING AND OPENING MARKET.—Market opens at 9 a.m. and closes at noon ; and reopens at 2 p.m. and closes again at 6 p.m.

GINNED COTTON (LINT) :—

METHOD OF BUYING.—Bargains are settled after examining the stuff through the *dalal*.

The chief buyers in big markets like Hubli and Gadag are representatives of mills in Bombay, exporters and supply merchants. Some *dalals* carry on the purchase and sale business. They purchase the *kapas* when the market is low, and they sell it locally to mill representatives and at times send pressed bales to Bombay for sale in the 'Bull' market if found profitable. The representatives buy *kapas* through *dalals* and get it ginned and pressed in the local ginning and pressing factories and send pressed bales to their mills. They employ brokers for their business, one of those *dalals* to help them in buying, weighing, making payments, etc. from whom *kapas* is bought and for which they receive certain commission. Some of the supply merchants (small buyers) also own ginning and pressing factories where they get their bought *kapas* ginned and pressed and send

bales to Bombay to the parties concerned. Besides this, they gin the *kapas* of other buyers on usual charges. In the interior places where there are ginning and pressing factories, the owners or the agents present generally buy *kapas* get it ginned and pressed and then despatch bales to Bombay direct. In places where there are only ginning factories the seed cotton is bought and ginned and lint sent to places, like Hubli and Gadag where it is sold and pressed and then the bales are despatched to Bombay. Thus the mills in Bombay buy freely from their representatives in big markets on their description. The mills give their agent limits of price on which to buy and take all the cotton he can give them at the figures named, provided the type is upto the description and the price is within the limits named. Other buyers in big markets send bales to the *Jethas* concerned in Bombay who will dispose them off in Bombay to mills or exporters.

FINANCE.—It must be understood that cotton is a cash crop and all cotton is paid for in cash on the spot. Therefore the buyers require a great deal of money which transaction is carried on by *hundis* and cheques. Recently, a branch of the Imperial Bank of India at Hubli has taken up this work and is doing its business on a small percentage of discount.

The defects in the existing system of marketing are summarised as under :—

(*a*) In most cases the *dokras* are weighed after sales are effected ; receipt as regards their weight and rate is passed when delivery is made.

(*b*) In most cases the bargain is struck in the presence of the *ryot*. The rates are not declared openly but settled privately between the buyer and the *dalal*. Then the rate is intimated to the grower.

(*c*) The tare weight is ever changing.

(*d*) Some allowance is granted to buyers in case of selling lots containing *dokras* of inferior, superior *kapas*, false packing, etc.

(*e*) Superior and inferior *kapas* are mixed together ; hence the *ryot* is put to loss in point of rates.

(*f*) High rate of interest is charged on the amount advanced.

(*g*) Standing crops are sold by *ryots*—a sort of speculation.

(*h*) *Kapas* is sold to village petty merchants or street buyers.

(*i*) Want of knowledge about the importance of improved seeds and clean picking.

(*j*) Mixture of *kapas* of different pickings due to want of knowledge of the fact that the quality of the *kapas* varies in proportion to the different pickings.

(*k*) Sale of *kapas* in the store room without actually weighing —a sort of speculation or gambling.

(*l*) Want of understanding about the importance of pure seeds and sowing mixed seeds of Dharwar-American and Kumpta cottons.

(*m*) Intentional mixing of Dharwar-American with Kumpta in ginneries and presses.

(*n*) *Kapas* is not insured against loss by fire.

So I prefer the marketing of agricultural produce, especially cotton, on co-operative lines to the present local system described above.

The process of marketing cotton passes through certain well recognised phases. It may be described as a progress from the grower to the small dealer, then to large dealer, thence to manufacturers, back through another set of wholesale dealers to the retailers

and so to the consumers. It is perfectly possible for the original grower of cotton and ultimate consumer of cotton goods to be one and the same person. In fact it is not an uncommon sight to us to find the farmer or his wife on any *bazar* day in the cotton season buying household cotton goods and paying for them the money which he or she has just received for his or her *kapas*.

Thus we see in the present system too many middlemen between producers and consumers; and to eliminate all unnecessary middlemen, the co-operative marketing is quite essential. In villages, co-operative credit societies are necessary from which the *ryots* will get money to fulfil their needs. Then to sell their produce at adequate prices and minimise the losses undergone by the *ryots* if sold through middlemen, co-operative sale societies are a great need in big market places. The object of these organisations is two-fold : first to facilitate the improvement of agricultural methods and results and the spread of new discoveries, and second to benefit the farmer by obtaining for him a larger return for his work. Both these objects are for the benefit of the community at large as well as the benefit of *ryots*. For, the production of large staple crops is to the great advantage of the country because they will be provided with ample food and clothing. On the other hand, it is of value to have the *ryot* well paid for labour because only thus, can he be for long induced to raise large crops and because this buying power is of great assistance in bringing about a demand for all manufactured articles which will enable the industrial population to be fully employed at good wages. Therefore the associations of *ryots* such as co-operative credit societies and cotton sale societies are quite welcome and are of urgent necessity for the financial and economic uplift of our country.

(*a*) Place of a farmer in the co-operative marketing is worthy of attention.

(*b*) Principal aims of co-operation are to help the farmer.

(*c*) Co-operative sale societies should chiefly compose of farmers.

(*d*) Only growers of farm products should join.

(*e*) Co-operative sale societies should be controlled by farmers.

It is very much interesting to know what role the farmer should play in solving the problems of marketing his farm products. The time has arrived when we must advance by careful study and clear thinking under the guidance of good leadership. We must profit by past experience. We must study co-operative marketing a great deal more and it is worth all the study and effort we can give it.

(6) Aim of Co-operative Marketing.—Let us first see in what way the farmer is connected with co-operative marketing and perhaps we can better determine his responsibilities. The aim of co-operative marketing of farm products is principally to benefit the farmers. It is with the farmer in mind that co-operative sale societies come into being. Other groups share in the benefits, to be sure, but it is principally the farmer we have in mind when we talk about co-operative marketing of farm products. When the benefits of co-operative marketing are enumerated, it is usually the benefits accruing to the farmers about which we are talking. If it were not for the fact that the farmer is the principal recipient of all the things accomplished by co-operative marketing less interest would be taken in the Movement to-day. Our economic society is so inter-dependent that one group cannot prosper without that prosperity being reflected to greater or less degrees to other groups. It is a case where the farmer can best serve others by serving himself. Co-operative sale societies are principally organisations for farmers. It is with the hope of improving the condition of the farmer that they are specially organised.

Then another very important fact about the co-operative sale societies is that they should chiefly consist of farmers; at least it is intended that they have farmer-members.

Co-operative organisation is instituted and operated not for any one person or class of persons but is of the people, by the people and for the people.

Co-operation of the farmer and business man whose interests are one and indivisible will make the farmer salesman a familiar figure in the marts and markets of the world and bring to the farmer much needed economic independence.

The only man who can help the farmer is the farmer himself. He has all the power. He has all the need. He should not do anything except to get off his knees. He should not lean on anybody but himself. It is an admitted fact that if he stands with his fellow growers he can build an organisation that will solve his problem and do his work. Co-operation is here. It is his remedy. It is his weapon. It will achieve commercial independence.

Better farm products are produced when the selling is done through co-operative sale societies on the basis of grade and quality. Under the old system of selling there is an indifference to the matter of quality of crops whereas under the new plan the growers feel and show a greater interest in the quality of crops they grow for market, and are continually striving to improve their methods of production.

The farmer is not getting his share of the value of the product of the farm under the old system of marketing. Orderly co-operative marketing means that the farmer's share will go to the farmer.

It is true there are possibilities for the members of the co-operative sale societies—possibilities of better price than they have been receiving under the old system. One of these possibilities lies with the elimination of the profit usually made by cotton merchants—men or firms—who buy cotton legitimately from the farmers and sell it legitimately to the consumer. These men or firms are entitled to a legitimate profit, but the co-operative sale societies being non-profit organisations will save to the members of the societies that margin of profit ordinarily earned by the cotton merchant under the old method of selling. Another possible method of increased price to the members of cotton sale societies is found in the saving of a certain amount of money on *kapas* on account of more careful grading and classing. It is not a reflection on the cotton buyer to suggest that he is not an expert in the matter of grading or classing. Every farmer knows the method followed by the ordinary cotton buyer. He takes sample from the *dokra* of *kapas* and gives it more or less casual examination. He does not measure the staple, but determines in his mind as best he can the grade and the staple of cotton and offers a price for it which naturally covers the element of chance which he takes in the matter of grading. On the other hand, when the cotton is delivered to the sale society by the members it is graded and classed by experts and the experience of the past years has demonstrated that the grading and classing are of actual financial benefit to the members and that their grades are higher than they would ordinarily receive under the old method.

Co-operation in marketing will make the farmer a better citizen. Through participation with his neighbours in selling his crops, the farmer will gain a better understanding of his duties as a citizen with respect to local, State and national affairs.

The primary purpose of the co-operative marketing is the establishing of the cotton industry from the farmer to the ultimate consumer and to secure the fullest return for the farmer.

Rao Saheb C. S. Shirahatti.

A co-operative farmers' business organisation must adhere to sound business principles if it is to succeed.

The local unit or group is the heart of any organisation with a large membership. When the locals cease to function, the organisation will be on its way to the grave.

The main business of the co-operative cotton sale societies should be (1) to sell cotton of its members and non-members for adequate price by auction method, (2) to sell other farm products of members and non-members at satisfactory prices, (3) to supply them pure cotton seeds, gunnies and *bardans* (4) and to disseminate information regarding agriculture and trade amongst the *ryots* and buyers. The first thing to be done is that the *dokras* of the *ryots* should be weighed in their presence as soon as they are received in the compound and a receipt is passed to that effect. Then if the *ryot* wants any amount for his immediate expenses he may be paid 60 per cent. of the current value of his *kapas*. If the stuff is to be sold by private sale, then too the *dokras* should be weighed in their presence and a receipt passed as usual. Weighment in their presence naturally creates their confidence in the societies' dealings. *Dokras* should be sold by auction as well as by private sale, should be kept separately and the *dokras* of different varieties of *kapas* should be stocked in different lots. *Kapas* for auction sale should be graded and classified by an expert grader, due consideration being given to colour, cleanliness, purity, staple and ginning percentages. Then *kapas dokras* should be heaped separately according to the classes. A statement showing the number of *dokras* in each class and the ginning percentage of the stuff in each class should be sent to all buyers along with the sample of each cotton. Then the buyers send such samples to their millowners for inspection and get special limits of prices to purchase. The date of auction sale should be notified to all buyers who will attend the auction and offer competitive rates for the stuff as there will arise a keen competition among them. Thus the *ryots* will realise adequate prices for their stuff. Even in the case of the *kapas* to be sold by private treaty the inferior and superior stuff should be kept separately and attempts should be made to secure adequate prices accordingly. In the case of auction sale, strict and careful grading forms the important factor to secure satisfactory rates for the stuff.

The *ryots* should become members of such sale societies, who will get bonus on the quantity of stuff sold and the dividend and the share amount. The auction sale system will eliminate middlemen to some extent and bring the *ryots* in touch with the buyers.

The present drawbacks for the progress of the co-operative sale movement are:—(1) want of adequate and timely finance, (2) want of branches to canvass business and to sell other agricultural produce, (3) want of systematic and vigorous propaganda, (4) want of larger area of operation, (5) absence of co-operative ginning factories in the interior within a radius 5 to 6 miles for a group of about 20 villages under the ownership and management of co-operative cotton sale society in the central place, and (6) absence of suitable godowns attached to the cotton sale society for storing cotton as protection against fire and rain. These six important factors are inter-dependent upon one another to push on satisfactorily this co-operative sale movement.

7. FINANCE.—The question of adequately financing the agriculturists has been already dealt with in reply to question No. I. I have suggested the formation of groups of 20 villages, to be placed in charge of one agricultural graduate for each, who will deal with all matters concerning agriculture, co-operation, village sanitation, finance, education, co-operative marketing and ginning and rural reconstruction of that group. If the

suggestion is acted upon, I am sure that the question of finance, which is of primary importance, will also be solved.

Village credit societies have no doubt come into existence and they are playing their part to some extent. But the number is yet too meagre and the relief gained by the farmer is quite insignificant. Unless concentrated efforts on the lines suggested by me are made, real benefit from co-operation is far to seek. It is high time that overhauling is undertaken and I am glad to know that the present Banking Enquiry Committee is sitting and has this as one of the objects of its deliberations.

So long as the net-work of the co-operative credit societies is not spread over all the area, the sale societies should be allowed to finance on joint bond system their members in areas without credit facilities. This system means that amount should be advanced to a group of 6 or 7 persons on their executing a joint promissory note for the amount and pledging all their standing crops. This joint promissory note not only shows the whole amount granted to such a group but also the details of the amounts paid to each individual requiring loans. Such loans should be granted after carefully inspecting the crops, ascertaining the area under cotton and other crops, the number of acres he owns and also taking into consideration the lowest market rate and also the future tendency of the market. This system throws individual as well as joint responsibility on the group of persons signing the bond, ensures the safe recovery of the amount and also attracts all the produce of the tract.

(8) Branches to Canvass Business and to sell other Agricultural Produce.— Cotton collecting centres (cotton canvassing centres) are a great need for the material progress of the co-operative sale movement. Since, as already stated in my foregoing lines, Hubli and Gadag are the two biggest cotton market places in the Bombay Karnatak, smaller cotton sale societies in *mofussil*, *i.e.* in other places, should be converted into collecting centres as they will find it hard to thrive properly on account of the following disadvantages :—

(*a*) Want of sufficient quantity of cotton of uniform quality.

(*b*) Want of ginning and pressing factories.

(*c*) Want of good residential quarters for buyers.

(*d*) Want of well-to-do commission agents for buyers.

(*e*) Want of healthy competition in sale on account of only a few buyers in these places.

(*f*) Want of bank facilities for buyers.

(*g*) Want of timely supply of waggons in these places, being away from the head-quarters of the Railway authorities.

(*h*) Want of godown to stock goods.

(*i*) Want of covered sheds in the Railway compound for storing goods before despatch ; hence possibility of damage to goods either by fire, rain or weather.

These smaller societies should collect *kapas* which should be graded and sold on sample through bigger societies like Hubli and Gadag possessing all the needed facilities. If these smaller as well as bigger societies work independent of one another without any co-ordination among them, no substantial and beneficial results can be achieved for the welfare of the farmers.

The cotton sale societies should also undertake on co-operative lines the sale of other agricultural produce such as *juar*, wheat, groundnut, etc., in the interest of the

cultivators. This activity should constitute a section of the sale society but should not go into an independent body.

(9) Agricultural Bureau Report.—The exact area under cotton is not determined here early by Government to estimate the yields. Crop estimation only by private bodies is made. But in America, the first cotton producing country in the world, where cotton sowing continues from March 25th to the end of April and in some places even up to 15th May, the Department of Agriculture issues in the first week of July an Official estimate showing the cotton acreage and condition of the crop called "The Agricultural Bureau Report." These are Government figures which are accepted by the trade as the basis to estimate the yield for the ensuing season. In Karnatak cotton sowing commences in the month of August and continues till the end of September and in some years in October also in certain parts. The Government publication of acreage under cotton as well as *kharif* and *rabi* crops is possible to be made here by the end of December. But at present the figures are not obtainable earlier and hence they are no use to the trade. Therefore, it is earnestly suggested that such an early publication of information by the Agricultural Department is a great necessity in the interest of the growers as well as consumers.

(10) Co-operative Ginning Factories in the interior.—At present a large portion of the produce is carted to the central market place and that too mostly in the form of seed cotton. This involves great loss and trouble in carting. It is always more expensive to cart *kapas* than to cart lint. Only four *dokras* of *kapas* can be carted in one cart; while eight *dokras* of lint equal to sixteen *dokras* or four cart loads of *kapas* can be carted in one cart. Then again the seed required for feeding and sowing purposes has to be carried back into the interior. I have already proposed the formation of groups of 20 villages, each such group will be a collecting centre, where the cultivator can easily cart his seed cotton. In each of these groups, there should be co-operative ginning factory started, with suitable godown accommodations. All these *mofussil* ginning factories should be under the ownership and management of the central co-operative cotton sale society. The lint that will be obtained in these factories should be carted to the central place for sale in large lots by auction. If this develops it may be possible to have a co-operative pressing factory in the central place, for pressing the genuine cotton into bales and selling them locally or in Bombay. Another advantage of this system is that the seed will remain in the interior at the door of the cultivator; and there is no chance of mixture, which takes place in the central ginning factories at present. Thus the crop also will remain pure. The central society can make arrangements with the buyers to dispose of the surplus seed. It is estimated that each such co-operative ginning factory to be established in the interior will cost about Rs. 15,000. An amount equal to one-third of the share capital should be collected together from the central sale society and the credit societies in each of such groups, the remaining two-thirds being given as a loan by the Provincial Co-operative Bank at 6 per cent. interest for a period of 15 years.

By establishing the above proposed ginning factories, the central sale society will be brought within the easy reach of the cultivator and would ensure advantages both to the society and the cultivator. This arrangement will naturally give scope for selling the cultivators' cotton by pooling system, which means a real co-operative sale to the full advantage of the grower. Efforts like the above are supremely necessary to be spread in the interior; and I am quite sure of the benefit therefrom. All the surrounding villages will be fully covered by improved cotton seeds and this will greatly enhance the value of the Kumpta and Upland cottons.

The experience gained by this move will lead us on to erect factories throughout the district and Native States as well. Thus it will be seen that my intention is to see that every group of about 20 villages in the district will get a small ginning factory of from 4 to 6 gins. This the Americans do and why not we ? In this way we shall be able to spread a net-work of co-operative ginning factories in the interior of the district which will eventually mean a bumper supply for a pressing factory at Hubli which will have to be brought into being in the near future. A pressing factory with all these feeders will greatly enhance the importance of the society and the pressed bales, if sold by auction or by sending pressed samples to buyer to Bombay, will fetch higher prices to the growers themselves.

(11) WAREHOUSE IN THE CENTRAL PLACE.—It is a characteristic feature of the cotton trade in Karnatak that suitable godowns for storing the cultivator's cotton before it is taken delivery of by the buyers are rarely seen. Cotton *dokras* lie in open space subject to the damage by rain, white ants and also accidental fire. Gadag and Hubli Cotton Sale Societies are no exception to this rule. During the cotton season I pass my sleepless nights under anxiety of this damage. Every year, I am sure that the cultivator is put to a loss of ten to fifteen per cent. When untimely rain damages the cotton, sales cannot be effected. If in the meanwhile the rates go down, the state of the cultivator can better be imagined than described. Karnatak is characterised by untimely rains which invariably fall from March to May when the cotton season is in full swing. During the past season, such untimely rains were more frequent than ever and the cultivator was put to a loss of as much as 20 to 25 per cent. Besides, there is the loss of gunnies by the attack of white ants. I have also found it a rather difficult matter to properly classify the cotton and dispose it off. The buyers are always unwilling to buy damaged *kapas* and they have often expressed to me that unless the society protects the cotton by storing it in suitable godowns, they would not encourage the society. They would even go to the length of saying that the Hubli and Gadag cotton sale societies are no better than ordinary *dalals'* shops in respect of godown facilities. Under the circumstances, I would strongly urge upon Government to make advances to these societies, say at least Rs. 50,000 to Hubli and Rs. 50,000 to Gadag for building of rain and fire proof godowns as long-term loans of 50 years. The interest charged for these loans for the building of godowns ought not to be more than 3 per cent.

When all the above proposed ginning and warehouse facilities are made available, it is then an easy matter to the central sale society to give a guarantee of weighment, safety and the quality of cotton. Subsequently the license system can also be introduced by the central sale Society. The owner of the cotton will get a receipt for his cotton and also a certificate showing the grade in which his cotton has fallen according to the test made by the responsible officer of the Agricultural Department. This certificate can be made use of for obtaining advance on the security of his goods from any co-operative bank or its branches. This will also obviate the necessity of the central sale society dealing in advances on the deposit of goods and it can concentrate its attention more to grading and securing adequate prices and propaganda of improvement of cotton.

In conclusion, therefore, I again strongly urge that all my above suggestions deserve special deliberation of the Committee ; and, if they are developed on the lines suggested by me, I believe that there will be a thorough development of co-operative cotton marketing, by which the producer will come in direct touch with the consumer. As mentioned

above, the ultimate aim is to introduce the system of selling the produce of the grower by pooling system by which only the grower realises manifold advantages of real co-operation and consequently gets real salvation. I have, therefore, placed my above suggestions before the Committee for favour of its kind consideration.

Oral Evidence.

13608. *The Chairman :* Rao Saheb Shirahatti, you are the Managing Director of the Hubli Cotton Sale Society ?—Yes.

13609. Since how long has this society been working ?—Since last twelve years.

13610. Besides selling your cotton, are you also doing other work, such as, introduction of new varieties ?—Yes.

13611. Do you get improved seed from the Agricultural Department ?—Yes ; and we distribute them amongst the members.

13612. Do you think it is desirable to introduce the Bombay Cotton Markets Act in this District, especially in a place like Hubli and Gadag ?—It is desirable.

13613. The Collector, who was examined yesterday, said that there was some opposition. Is that opposition from the agriculturists ?—No.

13614. Is it from *dalals* ?—*Dalals* and factory owners.

13615. Is there any sort of committee now which regulates the market ?—Yes ; in Hubli there is one committee, and in Gadag there is a committee.

13616. Of whom is this committee composed ?—There are only *dalals* and no agriculturists.

13617. Is it the representation of the agriculturists to which the *dalals* are opposed ?—They say we have our own old committee and there are members who are looking after the interests of the cultivators, and it is not necessary to have a new committee. Even the city Municipality is against it.

13618. Why are they opposed to it ?—I do not know.

13619. Does your society finance the cultivator before the crop is actually brought into the market ?—Yes.

13620. How is that system working ?—It is working satisfactorily.

13621. Do you get cotton from these people ?—Yes.

13622. Do you know if these exporting firms finance the cultivators at all ?—No ; we have the firms of Ralli Brothers, Volkart Brothers, Patel Brothers and Japan Cotton company ; they do not advance money.

13623. We were told in Bombay that some of these exporting firms buy produce, say, groundnut, here and sell it in Bombay, and thereby depress the market. Does that happen here ?—Yes.

13624. Does that happen also in the case of cotton ?—Not for cotton, but for groundnut and oil seeds. The *dalals* buy and then sell to the firms.

13625. Do they depress the market by selling in Bombay ?—Only this year we see this happening.

13626. What is the object ? Is it to lower the price ?—Yes.

13627. Is there no competition ?—All these companies have combined.

13628. Do the *dalals* finance the cultivators ?—Yes; they always finance the cultivators at the season time.

13629. Not for cultivation purposes ?—Never.

13630. Is it in order that they may bring the produce to them ?—Yes.

13631. How are the *dalals* themselves financed ?—Some of them have their own capital; some borrow from *shroffs*.

13632. Does the Imperial Bank finance *shroffs* ?—No.

13633. Have you any connection with the Imperial Bank ?—No.

13634. Do you advance on the security of produce and get finance from the central bank ?—Yes.

13635. Do you think you would get finance from the Imperial Bank ?—If the Department allows, we can get.

13636. Do you think you would get at a lower rate ?—Yes.

13637. Have you not moved in the matter ?—No.

13638. Does the Imperial Bank advance money on the pledge of cotton, seeds, etc.?—Yes.

13639. *Professor Kale :* What is the rate of interest ?—6 to 7 per cent.

13640. And what is the rate charged by the co-operative bank ?—8 per cent.

13641. *Mr. V. L. Mehta :* Do you borrow from the urban bank ?—Yes.

13642. *The Chairman :* And do you advance to the people at a higher rate ?—Rs. 9-6-0.

13643. You say that the greatest defect in all the financing agencies is the high rate of interest. Do you refer to the high rate of money-lenders ?—Yes.

13644. Is the rate of interest charged by co-operative societies appreciably less ?—It is less looking to the market rate of interest, but looking to the interests of the cultivators, it should be still less.

13645. How can they advance at lower rates if they cannot borrow at cheap rates ?—Many banks have surplus money and they invest in Government securities; if they can give us the money, we can help the poor agriculturists. Crores of rupees are lying idle.

13646. You say the cultivator needs finance in December-January and again in the months when the Government assessment falls due. Does he require the money before the crop is actually ripe ?—Yes; because the *inamdars* and others, who own lands, collect the lease amount in December and January.

13647. When is the cotton crop ready ?—In March.

13648. So people are forced to borrow ?—Yes.

13649. When are Government dues collected ?—In April and May, and in some *taluka* in March and April.

13650. Is the crop not ready then ?—Yes; but if the market is low, they are compelled to sell; they cannot hold it.

13651. You make an interesting suggestion in your statement about grouping village and having an agricultural graduate. Is it not done in some areas ?—Not so.

13652. Not necessarily an agricultural graduate, but some officer looking after the societies ; is it not done ?—Not so ; we want a technical and scientific man.

13653. Do you want a graduate ?—A graduate from the Agricultural College.

13654. Will it not be expensive ?—I do not think it will be expensive. If the societies are grouped together, they will pay the expenses. Now they have a supervising union.

13655. Instead of having a supervisor, do you want to have an agricultural graduate ?—He is placed at the disposal of the auditor ; he cannot supervise all these thirty or forty villages. The agricultural graduate must look to every question of agricultural economics.

13656. As regards marketing of crops, you say that the agriculturist is compelled to sell cotton, but the Indian Central Cotton Committee made some enquiries and they found that except in Sind the agriculturist is not compelled to sell his cotton at once ?—In this Division, the financial conditions of the agriculturists vary from those of the upcountry. The cultivators do require money to pay the lease amount to the landlords and the Government assessment before harvesting of their crops ; so they are compelled to sell their standing crops to middlemen at the lower price in many villages. No sooner these middlemen bring the *kapas* into market, they compel their *dalals* to sell their *dokras* at spot rates even though there is chance of higher tendency of the market.

13657. Do not a certain number of people still hold up ?—Very few ; they are big agriculturists.

13658. Not small ?—No ; especially in Hubli *taluka* and other *talukas* there are poor agriculturists.

13659. Is that because there are no godown facilities ?—Yes.

13660. Besides, I think, the system here is that when the cotton is placed in the godown, the *dalal* does the rest and the cultivator goes away ?—Yes.

13661. Is that the reason why they do not hold ?—There are co-operative sale societies ; the *dokras* are weighed in their presence, and if they want finance, they are advanced up to fifty or sixty per cent. ; but they say that so much finance is not sufficient.

13662. Even sixty per cent. ?—They say like that.

13663. You say that five per cent. of the *ryot* sell the standing crop and twenty per cent. sell to petty merchants. Do the remaining 75 per cent. bring their cotton to the market themselves ?—There are middlemen also.

13664. What is the percentage of actual *ryots*, who bring it to the market themselves ?—Genuine farmers about 25 to 30 per cent.

13665. Do these cultivators know the prices of cotton in their villages ?—Yes. The *dalals* do intimate them the rates of the market by post which is always delivered once or twice in a week within which interval of time the rates are fluctuated So, the actual rates will be known to them when they come into market.

13666. Supposing they bring cotton to the market and there is some dispute, who settles it ?—The *panch*.

13667. Is that a committee of *dalals* ?—*Dalals* and buyers.

13668. Who represents sellers ?—The *dalals* represent cultivators.

13669. As regards the basis of weight, are you in favour of uniformity ?—Yes.

13670. Do you think the buyers and *dalals* will agree ?—Yes.

13671. You say that the rates are not declared openly but settled privately between the buyer and the *dalal*. Does the seller not know the rates ?—If he is present in the market, he will come to know.

13672. After the sale ?—Yes.

13673. Is he not consulted ?—Usually he is not.

13674. Why ?—Because the market rates are not declared before for different quality of cotton, but when the market opens, the rates are declared at once, and if the cultivator does not want to sell his *kapas*, he will inform the *dalal* not to sell the *kapas* that day.

13675. Do you always get premium for the improved cotton grown from the agricultural farms and from the seed supplied by you ?—Yes.

13676. Do buyers get any premium for cleanliness ?—Yes ; they also get good prices in Bombay.

13677. Does your society sell only cotton ?—Cotton, some groundnut and wheat.

13678. Is your staff occupied throughout the year ?—Yes.

13679. Do you think a sale society like yours should confine itself entirely to cotton and have a separate organisation for each of the other commodities, or should there be one organisation ?—I think there is no harm in including all in one organisation by having separate departments, say, cotton department, seed department and groundnut department. The management will be one under the control of one man and the charges of office establishment will be divided.

13680. In America they go in for one society for each produce separately ?—There they have bigger area and extensive agriculture in each commodity. In our division the conditions are reverse, and, therefore, it is desirable that all commodities should be marketed and sold through one agency.

13681. Not even groundnut ?—Only groundnut ; perhaps next year there will be very small area under groundnut.

13682. Why ?—On account of heavy losses this year.

13683. Is it because of fall in prices ?—Yes.

13684. What is the price now ?—Last year it was Rs. 15 to Rs. 16 ; this year it is Rs. 7 to Rs. 10.

13685. Is it not still a more paying crop than *juar* or wheat ?—Not in my opinion. Even cotton is not more paying than *juar*.

13686. Will cotton also disappear ?—Perhaps its cultivation will be lessened by some thousand acres.

13687. Does your society suffer from want of adequate finance, or is there no difficulty about it ?—As for my business I get adequate finance.

13688. Do cotton growers get adequate finance ?—There are many complaints in villages ; they do not get adequate finance, because their credit is limited.

13689. Have you your own godowns ?—No ; I have no godowns. Since last many years I have been trying.

13690. You suggest that Government should advance Rs. 50,000 for Hubli and Rs. 50,000 for Gadag ?—Yes.

13691. Would you like that to be in the form of a loan ?—Yes.

13692. In how many years is it to be repayable ?—In twenty years. Every year I am paying Rs. 2,700 to Rs. 3,000 for godown rent.

13693. Have you made an attempt to get the loan ?—I have applied to the Registrar through the Assistant Registrar; I have not heard anything since the last six months.

13694. Have *dalals* private godowns ?—Yes. This year I have suffered heavy losses on account of lack of godown facilities, *i.e.*, my business also suffered to a great extent. And the Municipality is not giving me a piece of land. There is no land, and they are thinking of shifting the market to another place, but that is under contemplation since the last ten or fifteen years. The present market is thickly occupied by the *dalals*.

13695. You say that you are proposing to establish co-operative ginning factories in a group of villages; do you find any difficulties ?—No.

13696. Are there not many gins ?—Not in the interior.

13697. Do you think the agriculturists will agree to sell lint instead of *kapas* ?—It is more paying to sell lint; and if they see the benefit, they will agree.

13698. Would there be no opposition on the part of the agriculturists or the buyers ?—Why should the buyers oppose ?

13699. Somebody said that buyers prefer to buy *kapas* because they are sure about the quality ?—I have suggested the services of an agricultural graduate, and he will grade the *kapas*. They will get their own seed, and they will have confidence in our seed, and the cartage will be saved. There is much profit in selling lint. We shall also avoid competition if we have our own pressing and ginning factories. We shall send samples to millowners, and we shall be saved all the pressing and ginning charges.

13700. In Dr. Mann's statement he had given certain figures about your sale society. From that it seems that since 1925-26 the number of *dokras* graded has fallen from 15,000 to 581 and the percentage of graded *dokras* to the total *dokras* is 3·4. Is there any special reason for this ?—Variation of quality and the lower tendency of the future market; all the bad cotton was rejected from the auction. The quality received was not uniform and the rates at the outset of the season were high and profitable to the cultivators. Taking all these into consideration very carefully, my society thought it desirable with a view to profiteering its members and with their consent it tried to dispose of it in one lot without grading at best rate possible.

13701. Was most of the cotton that came to the society bad ?—Yes, on account of early rains, the quality was not uniform and there were stains also in the *kapas*.

13702. *Mr. Kamat :* In this district in addition to the village *sowcar* and the co-operative society you have *dalals* also as the financing agency ?—Yes.

13703. That is to say, there are three financing agencies. Is that good for the district or bad for the district ?—When there are no proper facilities for giving finance at cheap rates, the present three sources are better, because the agriculturists can get money at the time they need.

13704. You say the standing crops are a security to the *sowcars* and they are a security to the *dalals* also. How is that so ?—One *sowcar* takes the security and he distributes money among certain number of cultivators and he takes the money from the *dalal*. He is responsible to the *dalal* to bring all the cotton from certain villages. So the *dalal*

and the village merchant or the village money-lender combine together and do this business. That is the system.

13705. Is it possible in the near future to eliminate the *dalal* as a financing agency ?—Unless the co-operative credit societies reduce their rate of interest to 5 or 6 per cent., it is impossible to eliminate those middlemen from the villages as a financier.

13706. In the suggestions which you have made about marketing, many of the reforms you suggest are concerning marketing organisation and not the question of additional finance. Why cannot the sale society bring into force certain reforms with regard to the customs and usages prevailing here ? It is all a question of improving the present usages. Can you not do that by propaganda or some other methods ?—If the Provincial Bank or the central bank helps me in opening ginning factories I have suggested, I think I shall be able to do much work.

13707. *The Chairman :* Will you be able to do away with the market practice ? —Of course. I shall try my best to introduce scientific marketing.

13708. Will not the buyers combine and give you trouble as they have done in the past ?—If we introduce a scientific market which is in the *bona fide* interest of growers and consumers, I think there will be no opposition.

13709. *Mr. Kamat :* Your suggestions are more ginning factories ?—Yes. Please refer to my written statement about the co-operative ginning factories in the interior.

13710. I do not know why private enterprise is not coming in for opening ginning factories. They are small concerns costing about Rs. 15,000. Is there not sufficient finance with the merchants that they do not open these ginning factories ?—Some individuals have ginning factories.

13711. But you are looking to the Provincial Bank ?—I want that certain area should come into co-operation and that the factory should be controlled by the cotton sale society as a co-operative society.

13712. You are looking to the Bombay Provincial Co-operative Bank for your finance, when probably there are private people here, who can open ginning factories, if they are really paying. But if it is not paying to the private people, how will it be paying to the co-operative bank ?—Here we have members of the society. There are five thousand members in the society. They are all shareholders of the ginning factory. They will bring their cotton to the ginning factory in their own circle, and sufficient and detailed information is already submitted in my written statement.

13713. So you have to show that the thing which is not possible for the private man is possible and profitable to the co-operative bank, otherwise what is the use of asking for finance from the Provincial Bank ?—It depends on the workers. Let the Provincial Bank give me four or five ginning factories, and I shall show that it is a profitable concern, and afterwards they will be ready to give finance. Here there is no competition. Here the shareholders are members of the cotton sale society and the ginning factory as well, and they will bring their cotton to the ginning factory.

13714. Your second suggestion is about Rs. 50,000 loan for warehouses at Hubli and Gadag. Here again, are there no big merchants who can invest Rs. 50,000 for building godowns and charge rents, if that investment is profitable ?—It is profitable. I am

giving Rs. 3,000 rent for godowns every year. But I am not sure whether they will come continuously to me or go to somebody. I want godowns or warehouses solely to give help to the cotton sale society.

13715. As regards this agricultural graduate, apart from other things which you expect from him, I want to know how he will solve the question of finance of twenty villages ? You say that if your suggestion is acted upon, the question of finance will also be solved. Do you mean to say that by merely appointing an agricultural graduate, your difficulties about finance will be overcome ?—I want specially an agricultural graduate to carry out the propaganda work as stated in my written statement and also grade the cotton in the interior ginning factories.

13716. In this leaflet, which you have just placed in our hand, you say there is some difficulty about the recognition of your Kumpta and Upland cotton in Bombay markets. What is exactly the difficulty ?—There are three important contracts in Bombay, *viz.*, Broach, Omra and Southern Hedge contracts. The Southern Hedge contract is not traded in on the Bombay market ; it is practically a dead contract. Now the East India Cotton Association have included our Kumpta and Upland cottons under the Southern Hedge contract, which is for all practical purposes a dead contract. These Kumpta and Upland cottons are far superior in quality, staple and test to most of the cotton now tenderable against Broach Hedge contract, such as, Dholeras, Kalagin, etc.

13717. Are you fighting with the East India Association ?—Yes ; they have a charter from the Government. I have made repeated representations to the East India Cotton Association requesting them to consider the legitimate and longstanding grievances of the growers and traders of these Kumpta and Upland cottons by allowing their cottons to be tendered against Broach. And lately, I am informed that they have appointed a committee to go into the matter and settle the dispute.

13718. *Mr. V. L. Mehta :* You said in reply to the Chairman that at present you get as much money as you want from the urban bank. But the Director of Agriculture wrote to us four or five months ago saying that the Hubli Sale Society could not get enough finance. May we take it that that is past history and the position is now changed ?—Yes.

13719. You have suggested overhauling of the system of finance in villages. Have you any other suggestions to make, besides what you have mentioned, with regard to the overhauling of the system of finance ?—Looking to the condition of the people, I think there should be a close supervision over the use of the loan. I cannot suggest any other thing.

13720. About arrangements for pooling of the cotton throughout the season, you say that if ginning factories are started in the interior it would be better. Do you think people would agree to pool ?—There is no harm. There are three qualities of cotton, *viz.*, Mallad, Gadinad and Belaval. Gadinad quality gives more percentage of lint than Mallad quality, and the Belaval quality gives less percentage of lint than the Gadinad and Mallad quality. But there is no harm if they are mixed up after ginning. Buyers will have full confidence in purchasing our cotton.

13721. What exactly is the arrangement for receiving payment from the buyers. Does it take a very long time ?—In Hubli there is no difficulty.

13722. In Gadag ?—There, I think, they take one week or so.

13723. In the meantime the *dalal* or your society will have to find money ?—Yes

13724. Is it possible to introduce any system of trade bills ?—The Imperial Bank do not allow the co-operative banks to deal in demand drafts. The urban bank had a fight with the Imperial Bank last year.

13725. You have been doing the work of seed distribution and that is intended to facilitate your sale work and to improve the cotton. From another note I find the sale society cannot do much of seed improvement work as there is not enough finance. Is it a fact that you have asked for assistance from the Indian Central Cotton Committee ?—Not in that sense. Everywhere I have been suffering losses of thousands of rupees owing to fluctuations in prices.

13726. What is the form of assistance you required from the Indian Central Cotton Committee ? Is it a sort of a subsidy ?—Yes ; they have given that assistance.

13727. Have you not sufficient finance to buy seed ?—We have to pay 8 per cent. interest, and I want money from the Indian Central Cotton Committee without interest.

13728. What do you think of the scheme which they have adopted in Egypt for financing and marketing of cotton ?—I think, it is not possible here, and that is why I have made an alternative suggestion of starting ginning factories.

13729. *The Chairman :* Why is it not practicable here ?—There they have a new market and a new system and godowns and warehousing facilities ; here we have hereditary *dalals* from hundreds of years ; they have their own clients and they have given them loans and they are under the thumb of *dalals*. So by opening ginning factories we can do something.

13730. *Professor Kale :* How much interest do you charge on advances to cultivators ?—Rs. 9-6.

13731. Is it your experience that holding up of cotton may turn out to be a gamble sometimes ?—Not so always. We must see to the tendency of the market, and if it is advisable to hold up cotton, we must do it. For instance, now the rate of cotton has gone down, and this is the time to hold up.

13732. It may happen that your gains may be set off by losses on account of a fall in prices when you hold ?—When the rates reach the lowest bottom, there is no fear of holding up the cotton.

13733. What is your experience so far ?—There is some point ; now the Kumpta cotton is valued at Rs. 250 ; it cannot go below Rs. 250.

13734. *Mr. Buckley :* Have you the gift of deciding that the rates of cotton will not go below a certain point ?—The market rates have gone to 14 to 15 cents, and many people say that this is the lowest. When the market is considerably low, that is the time for holding.

13735. What has been your experience ? Have you on the whole lost or gained by holding up the cotton ?—Those who have held up cotton in better market expecting further rise in the market have suffered.

13736. What about others ?—Others have gained.

13737. Have you any figures, say, for last five years, to show whether people on the whole have lost or gained by holding ?—I shall give you approximate figures of the market. I shall submit to the Committee whatever information I have.

Rao Saheb C. S. Shirahatti.

13738. You say that in the Dharwar-American tract there is no rotation at all, but the cotton is grown year after year. What is the effect of that ?—No crop and the yield is reduced.

13739. You said that the cultivators in the villages have no information as regards the rise and fall in the market, but in other places we have been told that many of the cultivators now-a-days are able to find it out ?—When they come to the market place on any occasion, they try to find out.

13740. *Professor Kale :* Do they come to the market ?—On many occasions they do come to the market, and the available information is given to cultivators.

13741. *The Chairman :* Is it not published anywhere ?—It is not published by the Market Committees, but some local newspapers collect the information from market and publish in their weekly.

13742. *Professor Kale :* Do they not get it from newspapers ?—Yes, they get, but most of them are illiterate.

13743. They can get the information from others ?—How can they go to others ?

13744. I understand that some adulteration is practised by cultivators with regard to *kapas* ?—Yes.

13745. How can you then blame the *dalal* or the buyer when he insists upon certain allowances ?—In that case I cannot blame the buyer. On the contrary, he is justified in insisting upon certain allowance for inferior cotton.

13746. You say that one of the defects in the existing system of marketing is that *dokras* are weighed after sales are effected. How does it adversely affect the cultivator ?—This is the long-standing market system ; if the *dokras* are weighed correctly, the cultivators are not affected.

13747. If the weighment is correct, how will it affect the cultivator ?—I cannot say anything in this respect.

13748. Does the cultivator suffer from it ?—I cannot say that.

13749. You have said it is a defect ?—The society takes the weighment before the sales are made and the market is weighing after the sales are made. The difference between the market system and the cotton sale society's system is shown. So, I cannot say anything more than this.

13750. The co-operative cotton sale societies, we are told, sell the cotton of non-members also. Why do you sell a non-member's cotton ?—He is a prospective member. In order to attract him into the Movement, we sell the cotton of non-members.

13751. *Mr. Buckley :* In your statement you say that a farmer should not live on anybody but on himself ?—Yes.

13752. Turning to your suggestion about an agricultural graduate working amongst a group of 20 villages, why do you insist on Government paying him ? Would it not be possible to bear the cost of this agricultural graduate amongst these 20 villages ?—For some time Government must pay.

13753. You do not think it would be feasible for these 20 villages to bear the cost from the beginning ?—No. After they are well trained and are shown that there is some profit and they are gainers, we can change it. Up to that time, the Government must bear the cost.

13754. Would you then qualify this Government aid as for a time only ?—Yes.

13755. You make a point here that co-operative sale societies should chiefly consist of farmers. May I take it that at present there are many non-farmers ?—It is not so. It may be 2 to 5 per cent. Formerly when the society was started, at that time some non-agriculturists were taken. After that whatever membership is there, they are all cultivators.

13756. At the present time are there more cultivators than non-cultivating members ?—Yes.

13757. And you want to emphasize that this should remain so ?—Yes.

(The witness withdrew.)

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Reply to the Questionnaire.

SECTION I.

QUESTION 1.—(*a*) The average agriculturist has very little capital of his own and obtains finance for meeting his cultivation expenses from the following lending agencies :—

(*i*) MONEY-LENDERS.—Inspite of the progress made by the Co-operative Credit Movement the money-lender continues to occupy a large portion of the field of agricultural finance. The more elastic financial methods of the *sowcar* who allows credit for any purpose, the legacy of the old indebtedness of the *ryot* who is thus under the control of the money-lender and the limited progress made by the Co-operative Credit Movement so far as compared to the total needs of agricultural finance are some of the factors that account for the predominance of the professional class of money-lenders. While the monopoly of the money-lender has been definitely challenged and his rate of interest has been somewhat lowered, he continues to be the indispensable financier of the peasantry. We would do well to remember this basic fact specially in connection with the legislative policy of the State towards the money-lender.

(*ii*) CO-OPERATIVE CREDIT SOCIETIES.—The co-operative credit society is playing a part of increasing importance in financing agriculture, specially so far as current needs are concerned. Some of its limitations have already been noticed.

(*iii*) DALALS AND ADTYAS.—In some cases middlemen, dealers and merchants advance loans for cultivation expenses so as to ensure the sale of the commercial crops so raised through them on a commission basis. This applies especially to commercial crops like cotton and groundnut that occupy considerable areas in this district.

(*iv*) INDIGENOUS BANKERS.—There are a few indigenous bankers other than the professional money-lenders and dealers who advance money to cultivators. Their dealings are, however, mostly confined to advances to middlemen merchants.

(*v*) GOVERNMENT LOANS.—Government *taccavi* loans are advanced for meeting current needs of cultivation generally in famine areas and backward tracts under the Agriculturists' Loans Act of 1884.

(*b*) FOR CAPITAL AND PERMANENT IMPROVEMENTS.—As the Agricultural Commission point out a contention confirmed by Mr. Darling's enquiry in the Punjab, the Indian

agriculturist very infrequently borrows for permanent and capital improvements such as, bunding, fencing, sinking of wells, reclamation of land from deep weeds, etc. Where they are undertaken at all, the finance is supplied by the following agencies :—(*i*) Money-lenders, (*ii*) Co-operative credit societies :—These generally lend largely for current needs, though sometimes also for the purposes above specified. Irrigation, bunding and fencing societies which are still in their infancy are extending the use of loan funds for such purposes. (*iii*) Land mortgage banks :—These have already been started in some districts of the Presidency including Dharwar. Long-term loans for the improvement of land, etc., are a special feature of the aims and objects of such banks. It is too early to pronounce judgment on this aspect of the work of these banks which have begun to function only recently. (*iv*) Government *taccavi* :—Government *taccavi* loans under the Land Improvement Loans Act of 1883 are advanced for the above purposes, though the total amount so advanced is not at all commensurate with the needs of the agriculturists. This is partly due to the inevitable elasticity of a Government lending agency and partly due to the paucity of ideas regarding land improvement. The former defect is largely remedied by the issue of such loans through the co-operative agency to members of co-operative societies. The utilisation of the agency of the newly started land mortgage banks for the same purpose is also highly desirable.

(*c*) Famine Finance.—Dharwar district does not present the problem of famine finance as acutely as the neighbouring district of Bijapur. As stated above, the machinery of Government *taccavi* for the issue of loans for current needs is of special value in times of famine, and is freely put into operation by Government. It is not easy to say whether and how far the agriculturist borrows specifically for the payment of land revenue. Complaints are still heard that the system of revenue collections in respect of instalments and the time when they fall due and also in respect of the enforcement of the rules regarding suspension and remission of land revenue quite apart from its incidence, is not sufficiently elastic and increases indebtedness. In a few cases an agriculturist may borrow for paying land revenue if he wishes to withhold his produce and to wait for the market to take a favourable turn. This is as it should be.

Rates of interest charged :—

Lending agency	Range of the rate of interest
Co-operative societies ..	9-6 to 12-8 (10-15 is the most common rate).
Government *taccavi* (advanced through co-operative societies) ..	7-13.
Money-lenders ..	12 to 25 according to the security offered.

The rate charged by them on loans against the mortgage of land varies from 12 to 18, while that charged on the loans against the deposit of ornaments is usually about 12. Wherever co-operative societies have been functioning for some years, the rates of interest have been reduced by three to five points. It is common knowledge that exorbitant rates are charged by the Pathan or Kabuli money-lenders who are not altogether absent from the Dharwar district.

Security.—For small loans (under, say, 500) co-operative societies accept personal security of the borrower supplemented by that of two solvent sureties. For larger loans land mortgages are accepted. The money-lender favours the security of land and ornaments but also lends on the personal bond signed by the borrower. Standing crops are also pledged as security especially when advances are made against them by *adtyas* and *dalals* and exporting firms.

CONDITIONS ATTACHING TO SUCH LOANS.—In the last case as well as in the case of loans issued by money-lenders a usual condition, specific or implied, is that the produce when harvested should be sold through the lender. The borrower is thus committed in advance and loses his freedom of action in respect of the marketing of his produce. In fact, there is a very close relation between indebtedness and marketing and the latter cannot well be improved unless the machinery for lending undergoes a corresponding change.

The Imperial Bank of India :—This Bank has a branch at Hubli. But it does not advance any loans directly to cultivators. It gives accommodation only to dealers and merchants against *hundis*, ornaments, promissory notes or hypothecation of goods.

The joint stock banks :—These banks, as a rule, function generally in urban areas and the security of land is not suitable to their commercial banking functions. In urban areas loans are sometimes advanced against the security of ornaments for agricultural purposes. In the case of bigger co-operative financing agencies cash credits are given to them by some of the prominent joint stock banks.

DEFECTS IN THE EXISTING SYSTEM OF AGRICULTURAL FINANCE.—The most glaring defect of the existing system of agricultural finance—and this is also largely true of industrial finance—is the high rates of interest payable on loans. Anything like 10 to 12 per cent. is too high a rate for the agriculture and industry to bear in view of their low productive capacity, much more, rates higher than these. In this respect the money-lender is the worst offender, next come the co-operative societies and lastly Government *taccavi*. The rates charged on *taccavi* loans are on the whole fair, though a further reduction is a desideratum.

The causes of the high rates of interest rates may be found partly in the shortage of supply of capital and partly in the lack of organisation among borrowers. In the case of many of the loans there is a large element of risk and the high rate is largely an insurance against risk. The shortage of capital in relation to the demand for it is partly the result of the small margin of savings in the case of the bulk of the population and of the low national dividend and partly the persistence of the hoarding habit about which more anon.

SPECIAL DEFECTS IN THE DIFFERENT SYSTEMS OF AGRICULTURAL FINANCE.—(*i*) THE PROFESSIONAL MONEY-LENDER.—The defects of his system are well known. Its most serious fault is that it supplies uncontrolled credit devoid of any educational value and thus never offers a fair chance to the borrower to be solvent and to be free from debt. Other defects are that the money-lender is free from any obligation to maintain and supply his accounts to the borrower in prescribed form. Moreover, thanks to the disintegration of the village community and its control over the money-lender and thanks to the increased facilities for recovery of debt through the machinery of civil courts the scales are heavily in favour of the money-lender in his dealings with the isolated, needy and illiterate *ryot*. As will be shown later on the only notable attempt made to regulate these dealings, *viz.*, the Dekkhan Agriculturists' Relief Act of 1879 as amended by subsequent statutes, has by no means solved the problem, nay, it has created new complications of its own. It is by no means my intention to suggest a policy of 'down with the money-lender.' His resources, his thrift and his wide business knowledge are far too valuable to be set aside lightly and a well-devised attempt to utilise them in a comprehensive scheme of rural credit must be made in the interest of rural prosperity.

Professor S. G. Beri.

(*ii*) Co-operative Finance.—In certain respects co-operative finance is superior to that supplied by the money-lender. It supplies controlled credit and posseses high educative value especially in respect of keeping down unproductive expenditure. It also enables the borrowers to organise effectively, to obtain credit on reasonable terms and to remove competition among them. Of course, it is not as elastic and facile as that provided by the money-lender, but this is a merit rather than a defect. Nevertheless, the system of co-operative finance, as it is administered to-day, is not free from several defects. Delay and red-tape in advancing loans, favouritism especially in favour of committee members, inadequate finance, unpunctual repayments, want of proper supervision over the objects for which a loan is ostensibly taken and more serious occasionable lapses are some of the drawbacks of the system. With proper supervision and education of the members in co-operative principles most of the defects are capable of being considerably minimised and most people will agree with the opinion of the Agricultural Commission that " the greatest hope for the salvation of the rural masses from their crushing burden of debt lies in the growth and spread of a well-organised Co-operative Movement " and that " if co-operation fails, there will fail the best hope for rural India ". While it is highly desirable that the control should be from within the Movement and that no efforts should be spared to evolve an efficient non-official agency for the purpose, even the most enthusiastic advocate of non-official control must submit himself to the painful necessity of increasing for some time the official staff in the interest of the stability and health of the Co-operative Movement. An even greater need is, however, in respect of education, general and co-operative, and the Movement will rest on the foundations of sand if this need is not properly attended to.

(*iii*) Government Taccavi Loans.—Loans under the Taccavi Acts have never proved themselves to be popular and whatever may be done to improve the system of advancing loans through the direct agency of the State they can hardly be expected to supply satisfactory rural credit. They are undoubtedly useful for meeting an emergency like famine or floods and also in backward tracts peopled by tribes like the *bhils*. There are, however, two ways in which especially loans for the permanent improvement of land can be used to greater advantage, *viz.*, the use of the co-operative agency and particularly the newly started land mortgage banks for the issue of such loans and an intensive propaganda for land improvement. It is proposed later that suitable financial help to the agriculturists can be given by Government by making a part of its surplus cash available for short periods and by the purchase by Government of the debentures of the land mortgage banks. To conclude, the system of Government loans directly administered by the Revenue Department can hardly be relied upon for the satisfaction of the normal needs of the agriculturists and it will always contain some element of red-tape and lack in educative influence quite apart from the possibility of grave financial risk to the Government in case the policy of relaxation of precautions and restrictions is carried beyond certain limits.

Co-ordination among the various Credit Agencies.—No systematic plan has been devised in the past for effecting a proper co-ordination among the various credit agencies. In this connection the following suggestions may be made.

(*i*) Co-ordination among the Co-operative Societies.—There should be a better co-ordination than what exists at present between the various types of agricultural societies, such as credit, cattle-breeding, sale, purchase, etc. There should be a federation of such societies in a *taluka* and it should buy the agricultural requisites for the members of societies and sell their produce or pass on the orders to the member sale societies. The

credit society should, wherever possible, advance credit in kind, say an improved plough or seed, or a pair of bullocks, these being purchased through the *taluka* federation. So also, it is necessary for the rural credit society and the land mortgage bank to work in union with each other, for example, say the latter should take over the old debts of a member and the former should give him the necessary credit facilities for his agricultural operations. There is also no proper co-ordination between the district central banks and the Provincial Co-operative Bank. The latter should be a true Apex Bank and avoid as far as possible the direct financing of primary societies. A special point of co-ordination arises in connection between the sale society on the one hand and the primary credit society and the District Central Bank on the other. It is desirable that a system should be devised under which the sale society would act as the agent of the District Bank and receive payment for it and advance money against deposit of goods to the cultivator being a member of a credit society in close consultation with the primary credit society and the District Bank, thus completing the chain of advances and recoveries. It may also be suggested that interlending among the Provincial Banks should be systematically encouraged.

(*ii*) Co-ordination between Government Taccavi Loans and Co-operative Societies.—It has been suggested above that in normal times these loans should be advanced only through a co-operative society. Where a good society exists no one should get these loans unless he becomes a member of it. The financial help to land mortgage banks by Government will be dealt with later. It may be suggested here that Government should help the agriculturist through the co-operative agency in the following ways :—

(*i*) By allowing well-managed district central and urban co-operative banks to manage the district treasuries or sub-treasuries on the same terms as the Imperial Bank or in the alternative placing a certain proportion of the cash balances at the disposal of such banks to enable them to finance agriculture at marketing and other stages (short-term loans) at lower rates of interest. I think that the time is ripe for such state recognition of, and help to, the co-operative organisation.

(*ii*) The possibility of introducing in India, with suitable modification, the Egyptian Scheme of loans on the security of cotton to assist the small producer should be carefully considered. The Indian Central Cotton Committee have already made a move in the matter and the Banking Enquiry Committee may be expected to make useful recommendations regarding Governmental assistance towards the construction of godowns, and Government deposits in various banks, co-operative and joint stock, so as to enable them to encash the warehouse certificates.

(*iii*) Co-ordination between Professional Money-lenders and the other Units of the Credit System.—This seems about the most difficult problem of co-ordination. State policy has hitherto been directed towards more or less undermining the influence of the money-lender. The latter has, however, survived the attacks aimed at him and continues to be the indispensable financier in extensive rural areas. The new policy of the future must therefore seek to make him an integral part of the machinery of rural finance. The mortgage bonds to be issued by the land mortgage banks will no doubt offer him a safe investment, though so long as the rural rates of interest remain high he would not look upon them as a remunerative investment. It has already been said above that the high rates charged by money-lenders are to be looked upon as an insurance against bad debts and as a payment for the worries and expenses of the renewal of debts

and their recovery. While it is absolutely necessary to introduce equity of dealings between him and the borrower, it may be urged that reasonable facilities should also be given to him in the matter of recovery. Money-lenders should also be encouraged by Government guarantee of interest or otherwise to finance industries other than agriculture or to themselves invest their capital in them. The most suitable industries for this purpose are those connected with the preparation of agricultural produce for consumption and export such as cotton-ginning, decortication of groundnuts, rice milling and husking, also manufacture of agricultural implements, etc. The grant of reasonable facilities (including the offer of arbitration) for recoveries proposed above should be made conditional upon the money-lender submitting himself to certain provisions of the Money-lenders Act such as, the keeping of accounts, charging of a certain statutory maximum rate of interest, etc. Where a money-lender advances a loan to a person who is already a member of a co-operative credit society, he should be required to notify his loan as also its subsequent recovery to the society concerned on pain of forfeiting his dues if he fails to comply with this provision. This would be in the interest of both the co-operative society as well as the money-lender.

(*iv*) Co-ordination between indigenous bankers (other than professional money-lenders) and other credit agencies will be dealt with later on.

(*v*) Co-ordination with Joint Stock Banks (including the Imperial Bank).—These banks will perhaps ever remain unsuitable agencies for direct loans to cultivators. They can render useful service, however, by offering cash credits and discounting facilities to co-operative banks and by making advances against warehouse certificates issued by approved godowns, etc. As the Imperial Bank enjoys a large amount of Government patronage, it should be required by statute to offer these facilities subject to suitable precautions. Insurance Companies and Trust Funds should be required to invest a certain minimum amount of their funds in bonds issued by land mortgage banks. So also the system, adopted in Bengal, and to some extent in Bombay, of interlending between co-operative banks and the joint stock banks should be further extended.

Question 2.—(*i*) Methods of marketing.—(*a*) In the village the cultivator sells his produce to the petty dealer or to or through the *sowcar* to whom he has often pledged his crops in advance at the time of borrowing. In the rice-growing tracts especially, the cultivator sells his produce in the nearest market (weekly) where he takes it in small headloads. (*b*) Intermediate between the village and big markets like those at Gadag and Hubli there are smaller markets like those at Navalgund, Haveri, Alur, Ranebennur, etc. Here, say, the cultivator of cotton may sell his produce through a *dalal* or to gins or to sale societies. (*c*) In the bigger markets of Gadag and Hubli, the bigger cultivators or those who have received advances from *dalals* on condition of selling their produce through them and the petty dealers and merchants who have bought in the smaller markets are the sellers. The sales are usually effected through *dalals* or through the cotton sale societies to mill agents or exporting firms' agents or to other *dalals*.

(*ii*) Defects.—Though the co-operative sale organisation is improving the marketing facilities, it is yet largely true to say that the cultivator fails to get a fair price and a square deal for his produce. There is a close connection, as said above, between indebtedness and other cash payments such as the rent and land revenue on the one hand and defective marketing on the other. Indebtedness deprives the agriculturist of his freedom of action, while the need for cash payments forces him to effect a hasty sale of his produce. The absence of suitable godowns and of the system of advances against warehouse receipts makes matters worse still. The cultivator has to accept what price he can get and has

to submit himself to several unauthorised deductions and other malpractices. The establishment of sale societies not only for the sale of cotton but for all agricultural produce supplemented by suitable marketing legislation on the lines of the Bombay Cotton Markets Act and the provision of godowns and encashment of warehouse receipts are the principal directions of marketing reform. This can be effected the more speedily if the Agricultural Commission's recommendation, that a marketing officer should be appointed in every Province, were put into execution. The cotton sale societies, which are the most flourishing among the sale societies, have hardly captured more than a small fraction of the total market and it is necessary to forge ahead in the direction of co-operative sale. A proper co-ordination between the sale society, the credit society and the district bank, as suggested above, is essential for success.

(*iii*) POOLS, ETC.—The possibility of forming pools on a co-operative system should be fully explored. Marketing contracts should be made by individual members of credit societies with the sale society to the effect that they would sell their produce through it under the pool system. Warehouses and cotton gins should be established in *mofussil* areas where grading should take place and the produce should be sold according to samples (graded) through the central sale society, delivery being given at a suitable centre. A preliminary propaganda to induce the cultivator to accept the pool system as being most beneficial to him should be carried by the Agricultural and Co-operative Departments and the co-operative societies. The services of expert graders should be lent free of charge by Government, at any rate in the initial stages of the experiment. A federation of all the sale societies dealing in a particular staple, say cotton, as in the case of the jute sale societies of Bengal, should be effected so as to establish more direct contact between the *mofussil* areas and provincial centres like Bombay.

(*iv*) PART PLAYED BY DIFFERENT CLASSES OF BANKS AND BANKERS AND MERCHANTS, ETC.—Joint stock banks exist only in central places and a branch of the Imperial Bank has only been recently established at Hubli. This branch offers cash credit facilities, overdraft, discounting of *hundis* and godown advances to merchants and dealers, *shroffs* and *dalals*. The latter also make advances against goods to the cultivators during marketing. The advances made by them during cultivation have been already noted. Big indigenous bankers' firms do not deal directly with the cultivator but give advances to or discount the *hundis* of dealers and merchants.

QUESTION 3.—VALUE PER ACRE OF DIFFERENT CLASSES OF LAND.—Dharwar district is usually divided into three tracts, (*i*) the Yerinad (the eastern black cotton soil tract), (*ii*) the Gadinad or the intermediate transition tract, and (*iii*) the Malnad or the red soil rice tract. The value of land differs in these different tracts.

The factors that affect the value of land are fertility, lay-out and situation of the land irrigation facilities (natural and artificial), the crops grown, the prices of crops, permanent improvements on the land, etc. In addition to these the value of land is also influenced by the land hunger of the people partly due to the absence of other suitable occupations for the majority of the people and partly due to the traditional sentiment in favour of land. Speculation also, especially during and since the war in cotton tracts, has been a factor of some importance in determining land values. Under these circumstances, the capital and rental value of the land must be discounted to some extent before it can be accepted as a true index of its productive capacity.

Professor S. G. Beri.

QUESTION 4.—LAND MORTGAGE BANKS, ETC.—A land mortgage bank has recently been established in the Dharwar district. It has not, however, begun to function properly. It will undertake the issue of loans for debt redemption, improvement of land and methods of cultivation and the purchase of costly agricultural implements and machinery. Its working capital will be derived from the shares taken by borrowers and the loans received from the Provincial Co-operative Bank which will issue additional debentures enjoying guaranteed rate of interest. The Government of Bombay will purchase some of the debentures themselves. Loans will be made on first mortgages up to a limit of 50 per cent. of the value of land mortgaged. An expert valuer of land has already been appointed by the Government. The whole scheme will be provisionally worked by the Provincial Co-operative Bank pending the eventual establishment of an apex mortgage bank.

It may be suggested that the working capital of the bank should also consist of deposits received for not less than five years. The District Central Bank and the urban banks should be allowed to lend to land mortgage societies such part of their deposits as have been received for periods not less than, say, three years. Land debentures should not be issued by the local banks as the experience of Madras has amply demonstrated. This should be done by a central agency, preferably an apex land mortgage bank, for the whole province. These bonds should carry a Government guarantee for interest. Government should go further and subscribe to a portion of the debentures floated by the central organisation and issue through the agency of land mortgage banks *taccavi* loans for long-terms. The Federal Farm Loan system now in operation in the United States should be carefully studied with a view to introducing some of its features in this Presidency. While the need for land mortgage banks organised on co-operative lines is imperative, the greatest possible care and circumspection are necessary both in their inauguration and conduct to prevent the possibility of failure which may mar the prospects of the new movement which to-day gives great promise of improving the economic position of the *ryot*.

The possibility of loss to Government may be met by (*i*) effecting the valuation of land through an expert Government official, (*ii*) by giving a seat on the Board of Management to a Government nominee and (*iii*) by establishing a bad debt redemption fund to which say half a per cent. interest charged should be carried annually. As the principal service such banks are expected to render is to lower the rate of interest on long-term loans, not more than one per cent. extra rate of interest should be charged by them to their borrowers so as to just meet their expenses.

There are, in addition to the land mortgage bank, some other facilities for long-term loans offered by other agencies. The issue of *taccavi* loans through the co-operative agency (The Karnatak Central Bank) has already been mentioned. This Bank advanced in 1928-29 approximately Rs. 95,583 as *taccavi* loans (being received from the Bombay Provincial Bank) and Rs. 77,550 for redemption of old debt. In view of the establishment of the land mortgage society at Dharwar, the Co-operative Department has placed restrictions on the issue of loans by the Karnatak Central Bank for redemption of old debts. Co-operative credit societies can advance a loan up to Rs. 750 to their members for such purpose without referring to the Co-operative Department and some societies have availed themselves of this provision. The establishment of a separate land mortgage society for the redemption of old debts is, however, a move in the right direction and the only question requiring consideration is how best to bring about a co-ordination between it and the Karnatak Central Bank which, in view of its surplus funds, has resented the

restriction placed above. A certain percentage of the debentures should be reserved for the Central Bank which may also be allowed to lend to the land mortgage bank (by arrangement with the Provincial Bank) such of its deposits as are received, say, for five years and more.

QUESTION 5.—A full enquiry into existing indebtedness in each and every village would be very expensive. An inquiry into some typical villages as is now being conducted in the Dharwar district under the auspices of the Banking Enquiry Committee would give a fair idea regarding the increase in credit facilities to the agricultural classes. The possibility of introducing a column for total indebtedness in the Revenue Records should be carefully considered. Villages having a co-operative credit society should undertake an enquiry into the indebtedness of their members through the agency of the society.

QUESTION 6.—SMALL SUBSIDIARY INDUSTRIES ALLIED TO AGRICULTURE.—There are some rice-husking mills in the Malnad area, for example, at Mugad, Kalghatgi, Alnaver, etc. Dairy-farming is practised where grazing facilities are available. The encroachment of non-fodder crops like cotton upon *juar* and other fodder crops and the irregularity of the monsoon together with want of attention to the quality of the milch-cattle are some of the factors that handicap the progress of this industry which deserves to be widely extended especially in the areas surrounding urban centres. Cotton ginning is a widespread industry in the extensive cotton areas of the Karnatak, especially at cotton centres like Hubli, Gadag, Bagalkot, Dharwar, etc. It has already been proposed above that cotton sale societies should establish ginning factories at convenient *mofussil* centres. Sheep-breeding for the rearing of wool is practised as an industry by certain shepherd (*kurbur*) communities. Blanket-weaving and *gudar*-making are practised as subsidiary industries in some cases. Garden produce is an industry practised in the red soil tract which grows mangoes and guavas and also in Gadinad tract which has some betel-leaves and plantain gardens. A further intensive regional enquiry into the economics of this industry as also of other rural industries in the District is an essential preliminary to a systematic policy for their improvement. The co-operative organisation of these industries in all their stages, purchase, credit and sale, seems to offer the best chance for the encouragement of these industries. The recommendations made by the Agricultural Commission in respect of such industries should be carefully considered by the Industries, Co-operative and Agricultural Departments.

SPARE TIME OCCUPATIONS FOR THE AGRICULTURISTS.—This is a problem that has to be tackled especially in dry tracts where there is not enough work for the agriculturist on his farm. Carting as a spare time occupation is becoming less remunerative with the spread of railway facilities and the bus traffic. It has already been suggested above that the prospects of dairy-farming and market-gardening should be carefully examined. *Khaddar*-spinning offers a very limited opportunity of adding to the income of the agriculturist so long as no other more remunerative spare time occupation can be followed by him. It may also be suitable to some members of the backward classes who have a very narrow range of choice of occupation. The agriculturist can get employment in the neighbouring rural areas, if, as suggested above, industries connected with the preparation of agricultural produce for consumption and export such as cotton-ginning, decortication of groundnuts—its cultivation is fast increasing—rice-milling, manufacture of agricultural implement, paper manufacture near forest areas abounding in bamboos could be successfully established. Poultry-keeping, bee-keeping, tanning, toy-making, bamboo and cane-work are some other industries that deserve attention in this connection.

Professor S. G. Beri.

Co-operative credit, State loans through the Industries Department and Government guarantee for interest on private capital invested in such industries should be adopted according to the merits of the case for securing the working capital. The establishment of industrial banks assisted by Government seems to be an imperative need for supplying credit to the middle class industrialist who is at present greatly handicapped in the absence of such facilities. Without such help enterprises in rural areas giving employment to the farmer in his spare time cannot be adequately financed.

QUESTION 6A.—Handloom weaving is an important industry in the Dharwar district, the principal centres being Hubli, Dharwar, Bettigeri, Gadag, Lakundi, Karajgi, etc. Hebsur is the centre of *gudar*-weaving and Airani (Ranebennur) is the centre of blanket-weaving. Basket-making and cane-work, shoe-making, pottery, oil-crushing, etc., are other small industries, but many of them are carried on in a bad way. Co-operative organisation for their credit and other business needs is again the only hope for increasing their resisting capacity. The Industries Department ought to chalk out a bolder and comprehensive policy of encouraging village industries, small and large.

QUESTION 8.—THE DEKKHAN AGRICULTURISTS' RELIEF ACT.—This Act, it must be frankly admitted, has been on the whole a failure and must be either drastically changed or better still abandoned altogether. "It has increased litigation, disturbed the structure of normal credit by introducing extreme uncertainty into the transactions between *ryots* and *sowcars*, it has led to an abuse of concessions by the cultivators and made money-lenders more careful and exacting in their dealings with them, thus increasing the difficulty of borrowing." (Indian Economics by Jathar and Beri, Vol. I, p. 321.) The Commission which reported on the Act in 1912 did not exaggerate its effect when they said : "It is a contest of dishonesty, in which that side is likely to gain the upper hand which is prepared to go furthest in purjury and in the production of false evidence". Nor can it be said that the transfer of property both by sale and mortgage had become less frequent since the Act was passed. If a suitable Money-lenders' Act were to be placed on the statute book and the Usurious Loans Act of 1918 could be properly enforced, there does not seem to be any need for the continuance of the Dekkhan Agriculturists' Relief Act.

QUESTION 9.—MONEY-LENDERS' ACT.—I would favour legislation in India on the lines of the English Money-lenders' Act of 1927 under which all money-lenders are required to take out a license, compound interest is prohibited and the money-lender is required to supply, on demand by the borrower (and in any case every six months), information relating to the state of the loan and copies of documents relating thereto (Agricultural Commission's Report, paragraph 366). As provided for under the Punjab Bill, the money-lender should be required to maintain regular books of accounts.

These remarks should be read with what has been said above. The aim of such legislation should not be to harass the money-lender or to drive him underground but to secure clean and fair transactions between him and his clients.

SECTION II.

(1) THE ORGANISATION OF INDIGENOUS BANKING SYSTEM.—The Indian indigenous banking system plays even to-day a very important (general) part in the monetary organisation of the country. The indigenous banker is called by various names such as, *shroffs, multanis, banias, marwaris, sowcars, mahajans* and *chetties*. There are small and large bankers ranging from the small village capitalist (whose case has already been considered above) to the wealthy well-established private partnership, generally a family partnership of merchant bankers which has agencies in and out of India. (Gubbay's

"Indigenous Banking in India".) They have played a useful part in the banking organisation of the country from times immemorial, and though in recent times modern joint stock banking has been introduced into the country, it can hardly be said that they have been dislodged from their position of pre-eminence. They form an indispensable link between the Indian money market and the vast trading community which by the nature of the case cannot be directly served by the joint stock banks which confine their activities to the principal towns. They finance the internal trade of the country and assist in the movements of crops to the consuming areas or to the ports and distribute all kinds of goods in the interior of the country. In some ways they come in competition with the big joint stock banks organised on modern lines. They have got considerable resources of their own and they attract deposits more readily than the bigger banks by offering higher rates of interest. Their requirements of security are more easy to satisfy than in the case of banks. The Babington Committee have given a very graphic description of the way in which the indigenous financial agency has been made to fit in with the modern monetary organisation in the following words :—"The people with whom the banks deal directly are for the most part large *shroffs* of good standing in the principal cities. These men operate with their own capital, and generally speaking it is only when they have laid out all their available capital in purchasing the *hundis* of other and usually smaller *shroffs* that they come to the Presidency Banks (now the Imperial Bank). The *shroffs*, whose *hundis* the larger *shroffs* have purchased, have probably also similarly financed other and still smaller *shroffs* or *mahajans*, and so on, until we get down to the smallest flea of all, *viz.*, the village *bania* or the grain-dealer or goldsmith." (See also Indian Economics by Jathar and Beri, Vol. II, p. 488.)

It will be seen from the above description that though there is a certain amount of co-ordination between indigenous banking and modern joint stock banking, the link is not very substantial and the former lies largely outside the fold of the latter. One of the main problems before the present Banking Enquiry Committee is to suggest how best to bring about an assimilation between the two systems of banking. Mr. Gubbay in his interesting paper on indigenous banking has suggested that the question turns on the possibility of bringing about a modification of the basis on which the *bazar hundi* is now grounded, so that the latter will conform, in those essentials, to the requirements which will make it acceptable as a suitable investment for banking funds. Mr. Gubbay complains that there is a paucity of genuine trade bills which can be accepted as security by banks in this country. The bank makes advances on the signature of the endorsing *shroff* who is on the bank's list of approved *shroffs*. It is this signature rather than the intrinsic value of the bill, which the traders draw, which makes the banks accept the bill. A differentiation is professedly made between paper drawn to finance commercial transactions and hand *hundis* which are pure finance paper, but as in neither case is the paper accompanied by any documents in support of it, the differentiation can only rest on general assumptions. There is no means in the existing conditions of India available to the bank to connect the bill or advance with any particular lot of goods or produce : sale contracts, invoices, documents of title are usually not tendered in support of the bill or advance. This is a question for the banking experts to decide and the present Committee would surely give their best consideration to the problem.

(2) THE IMPERIAL BANK AND THE INDIGENOUS BANKERS.—The multiplication of the branches of the Imperial Bank has no doubt brought modern banking facilities nearer the indigenous banker than formerly, though there is considerable resentment among Indian

joint stock banks like the Central Bank regarding the unfair competition of the Imperial Bank with them. The Imperial Bank enjoys the prestige of a State Bank (though it is virtually a commercial bank) and considerable patronage including the use of large State balances free of charge. This raises two issues: (A) Should the Imperial Bank retire from this field in favour of branches of a joint stock bank or of an urban co-operative bank, and (B) if this is not done, what additional facilities should the Imperial Bank offer to the indigenous bankers?

(A) Regarding the first question, it may be suggested that in some selected districts where co-operative banking has taken a deep root, an urban co-operative bank should be utilised for being connected with the indigenous banking system. Elsewhere, if there is already a branch of a joint stock bank other than the Imperial Bank, it should be recognised for that purpose. In either case, some Government patronage by way of leaving a portion of the cash balances of the Government free of charge or subject to a small charge should be extended to the banks concerned.

(B) Regarding the second question, it may be pointed out that the Imperial Bank should be required to make a local investigation into the standing of likely borrowers and thus get into more intimate touch with the indigenous bankers than is the case at present. Also, there should be formed a local advisory committee at the place where the branch of the Imperial Bank is situated, consisting of the representatives of local indigenous bankers, traders, co-operative and joint stock banks. This committee will give a useful lead and advice regarding the best way in which the affairs of the bank, especially its lending transactions, should be conducted. It has already been suggested above that the basis of the *hundi* should be changed so as to make it directly acceptable to the Imperial and other joint stock banks concerned.

SECTION III.

1. BANKING RESOURCES IN THE DHARWAR DISTRICT.—A survey of the banking resources of the Dharwar district would be of some interest here. There were on 31st March 1929, 473 agricultural societies most of which are credit societies. They had a working capital of Rs. 51,37,125 and a membership of 39,485 in a total population of 10,36,000. On the same date there were 48 urban banks in the Dharwar district of which those at Hubli and Dharwar are by far very important and well-known. The Karnatak Central Bank is one of the premier district co-operative banks in this Presidency, having three branches at Hubli, Gadag and Haveri. There are five joint stock banks at Dharwar and some of them have branches at *mofussil* places. In addition to these, there is a branch of the Imperial Bank at Hubli and postal savings banks and indigenous bankers in the district. The number of the latter cannot be easily ascertained. As suggested by the Agricultural Commission the Income-tax Department should publish yearly reports about money-lending giving statistics regarding the number of money-lenders, etc.

INSTITUTIONS FOR THE ENCOURAGEMENT OF SAVINGS AND INVESTMENT HABIT.—All these banks offer facilities for encouraging savings and most of them have a special savings bank department. The deposits attracted by these banks are increasing, but it must be said that most of the increase is traceable to the savings of the middle class in towns consisting of Government servants, landlords, traders, public institutions like Municipalities and District Boards. The postal insurance and other insurance facilities, which also no doubt promote thrift, are again largely availed of by the same classes. The co-operative credit societies in the villages are, however, gradually winning the confidence of the village public who are thus availing themselves of these new facilities for saving.

So far as the existing facilities for the investment of savings are concerned, there is a notable gap in this district as indeed in the whole of India, *viz.*, the absence of investment banks which may be trusted to give sound advice regarding the investment of savings. The starting of land mortgage banks will partially meet this deficiency, but the need remains for the establishment of special industrial banks which will at once offer credit facilities for industries and also offer advice and facilities for investment of savings.

HABITS OF THE PEOPLE OF INDIA TO INVEST IN SILVER, GOLD AND LAND.—The Indian habit of hoarding the precious metals has long been the subject of comment among European economists and various estimates of these hoards have been made from time to time. Mr. Macleod who was the first economist to get the Indian hoards on his brain, estimated them at not less than £300 millions. Lord Curzon placed them at Rs. 825 crores, Mr. Arnold Wright writing in the Financial Review of Reviews, December 1916, arrived at an estimate of £700 millions. The latest estimate is that of the American Trade Commissioner who puts the hoarded wealth of India at £1,000 millions. (See Indian Economics by Jathar and Beri, Vol. II, p. 539.)

In accounting for this wealth we must remember a few relevant facts. In the first place, the population of India is nearly one-fifth of the world population and there is nothing surprising in the above figures even if they were accepted at their face value. The consumption of gold in recent years by an European country like the United States of America has been so large that she has perhaps excelled India as "the sink for precious metals." True, much of the gold and silver in India does not find its way into the banks and through them into the production of wealth. Much of it is used for industrial and domestic purposes which are also common in almost every other country. Of course, it must be admitted that long centuries of misrule and insecurity and the force of social customs has perhaps resulted in the diversion of an unusually large portion of the precious metals from productive channels. Also, it must be remembered that there are very inadequate banking facilities in this country for tapping the savings of the people and the occasional bank failures impede the progress of the banking habit as also does the illiteracy of the people. It should also be remembered that the currency and exchange policy of the Government in the past has not only not inspired the confidence of the people but has actually encouraged the hoarding habit. It is only the establishment of a genuine Gold Currency Standard that will wean away the people from the wasteful habit of hoarding. One last thing that deserves to be mentioned is that the hoards are held in endless, scattered, individually insignificant amounts and may be regarded as a cause of poverty than an index of prosperity.

INVESTMENT IN LAND.—Some of the factors mentioned above such as the long tradition of insecurity and the absence of suitable banking and investment facilities along with certain peculiar causes such as the strong social sentiment in favour of land, and the land hunger of the people which is also due to the ruralisation of the country making land the basis of subsistence for large numbers of the people and the distrust of joint stock companies due to bank failures and the collapse of a number of joint stock industrial enterprises also account for the popular preference for investment in land.

2. POST OFFICE CASH CERTIFICATES.—They are on the whole winning their way to public popularity, though the lowering of the rates of interest for some time arrested this process. The recent enhancement of rates, though not as high as at the outset, bids fair to the renewal of their popularity. It should be noted, however, that the classes

patronising them are largely those already noted above in the case of the increase of deposits. The investment in cash certificates is in its infancy in rural areas.

To increase their popularity it may be suggested that the rate of interest should be at least 6½ per cent. in the case of certificates of the value of say Rs. 10, 20 and 50. The existing rate is sufficiently attractive in the case of certificates of higher denominations. Secondly, the number of post offices in the *mofussil* doing business in cash certificates should be increased and the certificates should be issued in vernaculars. Thirdly, the period of earning the first instalment of interest should be reduced to six months. Lastly, the proceeds of these certificates should be made available for financing agriculture and industries in the district in which they are collected through a suitable agency, say of co-operative or industrial banks. This would also meet to some extent the complaint that Government are diverting a large portion of the savings of the people for their own needs at the cost of agriculture and industry. No doubt, they require funds for their own capital needs such as for railways and irrigation works. It would, however, be more desirable if the Government were to borrow in the open market at large, transferring the proceeds of cash certificates as also a portion of the deposits of postal savings banks to suitable agencies for assisting in the economic development of the district concerned.

The staff in charge of postal savings banks should be increased so to expedite the work of crediting deposits and withdrawing them and thus save a lot of worry to the people. Also the rate of interest on postal deposits should be raised by one per cent. and the maximum limits of annual and total deposits should be further enhaaced.

4. THE CHEQUE HABIT.—The cheque is a new type of negotiable instrument in India as the indigenous bankers did not and do not deal in cheques. Before the advent of the co-operative bank the use of the cheque was confined to the principal towns. It is, however, now spreading as banking facilities are being introduced into the interior with the multiplication of the branches of the Imperial Bank and the growth of co-operative urban, district and provincial banks. But even to-day payments by cheques are confined to the middle classes and the commercial classes. In the villages, even the currency note has not yet established itself into the hearts of the village folk, much less the cheque. The use of vernacular scripts and the payment by members of co-operative societies of their dues by way of land tax and rent, etc., would offer the necessary education to the people in rural areas. The establishment of more Clearing Houses eventually at every district headquarters would also increase the rapidity of circulation of cheques which at present is very slow. I am in favour of payment of Government servant and bank employees by cheques.

5. IS THE BANKING AND INVESTMENT HABIT IN INDIA OF VERY SLOW GROWTH ?—Something about this has already been said above. The failures of Indian joint stock banks have been interpreted by some unkind critics of India as a proof that Indians are incapable of building up and maintaining the modern credit organisation. This is, however, an unsound inference, for the history of joint stock banking in every country has been strewn with such failures. Also it must be remembered that the unfortunate failures of 1913-14 were due to some extent to the absence of a Central Bank and suitable banking laws. Government also had no policy calculated to inspire confidence among the people regarding the institution of banking. The low national dividend and under-production and the fluctuating currency policy have had their share in the slow growth of banking and investment habit. Lastly, banking education has hitherto

been practically neglected and our banks have suffered accordingly at the hands of amateur managers. If allowance were made for all these factors, we need not blame the people so much as the neglect of the essentials of a sound banking progress. It is only a careful consideration of all these requisites leading up to the formulation of a comprehensive banking policy that will rid India of her numerous banking and currency ills and place her in the forefront of modern industrially advanced and economically prosperous nations and offer her a fair chance of achieving her economic salvation and of attaining her full economic stature.

Oral Evidence.

13758. *The Chairman :* Mr. Beri, you are Professor of History and Political Economy in the Karnatak College, Dharwar ?—Yes.

13759. Have you or any of your predecessors in your College held any economic enquiries in this district or anywhere in the Karnatak ?—In 1924, I started enquiries with the help of some of my economics students in two villages in the Dharwar district, *viz.*, Hulkoti and Nalavdi. I had been there only for a week or so and collected family budgets. I also made a general study of the economic conditions, but I was not able to resume the enquiry later on.

13760. Did you publish anything in connection with your enquiry ?—I published an article in the Bombay Co-operative Quarterly (June 1925) about Hulkoti village.

13761. Was this a general economic enquiry or was it confined to special points ?—It was anticipated to be an intensive enquiry and a week or so that I spent there was devoted to a general economic enquiry including the study of budgets of typical village families of various classes. A study of the cost of cultivation was also made and the results have been included in the articles just referred to.

13762. Did you go into the question of indebtedness ?—No, not much. I was very much interested in the question of economic holdings and that of net profit. So, I did not study the question of indebtedness particularly, but in connection with the study of budgets there was the item of indebtedness and some figures were collected for certain families.

13763. Are you acquainted generally with the rural conditions besides those referred to in these enquiries ?—Yes, I had an occasion to visit some villages.

13764. Do you think there is lack of capital in this district for current agricultural purposes ? I find you saying that one of the reasons for the high rate of interest is want of sufficient capital ?—There I am referring to more or less all-India conditions. The same remarks also apply to Dharwar district with certain modifications. There is lack of organization among the Dharwar borrowers and the supply side has not been properly mobilised.

13765. Do you mean that the capital which cultivators require for their cultivating expenses is not forthcoming to the extent that they require ?—If we take into consideration the various lending agencies, I do not think that so far as the effective demand for capital is concerned, there is any deficiency at present ; but it is possible that the present demand might expand.

13766. So far as the present demand is concerned, there is no deficiency of capital ? Would you like to take into consideration all the financing agencies ?—I am not likely to be very accurate about this point because I have no figures.

13767. What is your general impression ?—I should think that so far as the present needs are concerned, the various lending agencies, if put together, can supply the necessary capital.

13768. Have you any experience about co-operative credit societies in this district ? Have you had any personal touch with any of these societies ?—I visited some of the co-operative societies especially in the Kanara district in company with the Registrar, Mr. Bhide, and I have come across various types of co-operative societies.

13769. What do you think of the financial potentialities of the Co-operative Movement in this district ?—The potentialities are very great particularly in the Dharwar and Bijapur districts, but the personnel we get is not of the right type. In Kanara district, however, I have come across some well-managed societies.

13770. Do you think that the personnel on the management is not efficient ?—We have satisfactory personnel in the case of some bigger type of societies, *e.g.*, sale societies or urban banks, but I am referring to village societies whose working is not satisfactory on account of the lack of good personnel.

13771. On what point ?—Partly because they have no proper co-operative training.

13772. Is it your view that the personnel is available and is not on the management or is it not available at all ?—Partly both. In this connection, I say that the conditions in the Dharwar district do not very much differ from the general conditions that we find in the rest of India or in the rest of the Bombay Presidency. I mean people of the right type in the village are very few, and secondly, not all of them get the chance of being at the top of affairs. There is no guarantee that they will always be at the head of the management.

13773. Have you any suggestions to make as to how this defect could be removed, apart from education ?—To get the right type of men at the head of the management, a few suggestions that I may make may be considered somewhat undemocratic. For example, I should think that as things stand at present, the election of the committee members and chairman should be subject to the sanction of the Assistant Registrar of the Division. He ought to know the persons in the village. I do not advocate this measure of control on the part of the Assistant Registrar as a permanent one. I should think that he should have a general control not only over the committee members, but even on the appointment of secretaries and office-bearers and union supervisors.

13774. Would you have this control over the appointment of paid officials or would you have it also on the appointment of managing committees ?—I should confine the powers of the Assistant Registrar to the appointment only.

13775. Would you give him the right to vote ?—I should think so or they might recommend some more names.

13776. Who might recommend some more names ?—The societies might recommend some more names ; and the Assistant Registrar should select from among them.

13777. You distinguish an indigenous banker from a money-lender ?—Yes ; this is an important point so far as the study of Indian economics is concerned. In Indian economics we distinguish an indigenous banker from a money-lender as one who not only deals in money-lending primarily but also in *hundis*. Perhaps this line of distinction may be helpful to tackle the question of co-ordination between various money-lending agencies. On the other hand, I think, to avoid ambiguity, we might refer to him in the narrow sense of the term as a " *shroff* " who should be dealing in *hundis*.

13778. Are there many indigenous bankers in this district who receive deposits ?—I have no accurate information on the point; but I understand that indigenous bankers as judged in the narrow sense of the term are very few.

13779. I am talking about village money-lenders. Do not even *shroffs* in a place like Hubli or Gadag receive deposits ?—So far as I know, they do not receive large deposits. Even in a place like Hulkoti which is the centre of the Co-operative Movement, a portion of the loan was taken from money-lenders.

13780. By members of societies ?—No ; by people who are outside the society. What I mean to say is that the society there was able to finance the bulk of agriculturists, still a portion of the loan was borrowed from money-lenders.

13781. When you speak about famine finance, you mean finance during and after famine ?—Yes ; practically during famines.

13782. During famines, it would be for maintenance ?—Yes.

13783. Do you think the present facilities for cultivation purposes are adequate ?—This question particularly as I have pointed out in my memorandum does not arise in the Dharwar district.

13784. Not even in some of the eastern *talukas ?*—Occasionally. I think the present machinery at our disposal should meet the requirements of the Dharwar district.

13785. You say that there is very close relation between indebtedness and marketing. What do you exactly mean by " indebtedness " here ? Do you mean old debts or loans taken for current expenses or both ?—I mean both. I would, however, rather hesitate to say whether this statement can be generalized from some enquiries that have been made by the Indian Central Cotton Committee and from my paper on " Marketing " which I submitted to the last Economic Conference at Allahabad.

13786. According to the information, it seems that most of the cultivators bring their produce to the market itself ?—There is some ambiguity about this point. For example, the percentage given by the officers of the Agricultural Department seems to be rather very high. I personally cannot accept it. It has been estimated at 75 per cent., *i.e.*, those who take their produce direct to the market. From Mr. Naik's enquiries, which he carried out in a village called Sangur, it would appear that the proportion is just the other way sound.

13787. We are told that this 75 per cent. includes *ryots* as well as petty traders. You say that your estimate is different ?—I have not made any estimate. I have my own doubts. In fact I have quoted from the Central Cotton Committee's Report. I say that an accurate enquiry in this matter is absolutely necessary before any accurate conclusion can be arrived at. Also I have my own doubt about the percentage of cultivators who are supposed to be financed by *dalals*. I cannot believe in this also. This percentage has been estimated at about 60 to 70 per cent. It is said that about 60 to 70 per cent. of the cultivators are indebted to *dalals, i.e.*, that *dalals* advance not for cultivation purposes but at the marketing stage they advance to about 60 to 70 per cent. This percentage I think is rather exaggerated.

13788. Where did you get this figure ?—From Mr. Dharwarkar's note on " Cotton Marketing ".

13789. About agricultural finance, you said that so far as the present demand is concerned, the supply is not insufficient, so that it could not be one of the reasons for this high rate of interest ?—No.

13790. Your second point is that the high rate is largely an insurance against risk. Even taking this point into consideration 12 to 25 per cent. is rather high ?—A part of the explanation is to be found on the other side of the equation, *viz.*, want of organization on the part of borrowers.

13791. Even if there is no organization, should not competition between various agencies ordinarily bring down the rate of interest ?—There is not much competition except where there is a good co-operative society, otherwise the village money-lender has practically the monopoly of the situation. Now that a few well-to-do agriculturists have started money-lending, there is a certain amount of competition.

13792. What do you think should be done to bring down the rate of interest to a very reasonable figure and quickly ?—This is perhaps a very general problem.

13793. It is a very important problem from our point of view ?—First of all draw out the hoards and, in certain cases, supplement the funds so collected from Government funds. I mean subject to certain precautions. I have indicated in various paragraphs of my written statement the way in which financial assistance can be given by Government.

13794. Do you think that finance by Government is the most important remedy to bring down this high rate of interest ?—If the object is quickly to bring down the rate of interest, I think the introduction of Government finance cannot be avoided.

13795. Do you suggest Government finance even for current agricultural purposes ?—Except at the marketing stage, I should not ask for any Government loans.

13796. But for ordinary cultivation is it necessary ?—Except in very backward tracts, in other tracts it is not necessary.

13797. You say that further assistance should be given to agriculturists through joint stock banks including the Imperial Bank. In what way do you want them to give this assistance ? You know that joint stock banks at present advance only short-term loans ?—Yes.

13798. So this would not be appropriate in the case of agriculturist ?—Commercial banks cannot do very much except by way of making their resources available to co-operative societies whenever they require them so that perhaps the existing co-operative societies may work on a narrower margin (of cash reserves).

13799. You come down to co-operative societies for reducing the rate of interest through joint stock banks ?—This is one of the remedies. Co-operative societies alone would not be equal to the task.

13800. Why ?—They are not allowed to take up general banking business. I understand that ordinary primary societies in villages are now being discouraged from receiving deposits. In fact the village people are advised to go to district banks or their branches.

13801. Are co-operative societies not allowed to take deposits ?—I mean this sort of policy may be justifiable in a way because the people at the head of affairs in a society cannot be entrusted with the safe custody of this money and it is now maintained that the district bank is extending its activities of starting branches and that people should go to them. I do not personally approve of this policy very much. I should prefer that this should be left with primary societies rather than that they should be discouraged from accepting deposits. I should suggest that primary societies should be treated as agents of the Central bank for this purpose if it is found that the deposits they received are too large.

13802. Would you allow them to take deposits ?—I would allow A class societies to take deposits and lay down an upper limit to the deposits that may be received by them.

13803. You further say : " In certain respects co-operative finance is superior to that supplied by the money-lender. It supplies controlled credit and possesses high educative value, especially in respect of keeping down unproductive expenditure. It also enables the borrowers to organise effectively to obtain credit on reasonable terms and to remove competition among them. Of course, it is not as elastic and facile as that provided by the money-lender, but this is a merit rather than a defect ". But most of the witnesses have said it is a very serious defect ?—I have in mind the contrast between co-operative finance and the finance of a money-lender. The money-lender never enquires into the purpose for which the loan is wanted, whether it is productive or not and so on.

13804. So only as regards the control of credit you blame him ?—I have also blamed the Co-operative Movement for its greater red-tape, delay and so on ; for instance, the various formalities regarding normal credit statements.

13805. You do not think that normal credit statements are necessary ?—They are necessary. They are not, however, prepared in time and partly it is the fault of the inspector and the committee of the society.

13806. You suggest a sort of federation of various types of societies. Will you have it as a sort of business federation ?—Yes. For the particular object in view, I would welcome a business federation.

13807. There should be a federation which should transact business both on the purchase and sale side of a society. Do you favour the formation of such societies ?—I should like to confine to one kind of agricultural produce only.

13808. Would you have a society like the Irish society doing purchase and sale business ?—I would not like to lay any hard and fast rule.

13809. For a time would you support the idea of allowing a society to purchase ?—Provided the society is helped by the *taluka* federation which I have suggested.

13810. You further say : " State policy has hitherto been directed towards more or less undermining the influence of the money-lenders ". One of the remarks made in the Agricultural Commission's Report is this that it is not the policy of the State to undermine the interest of money-lenders but to save the agriculturists from undue exactions ?—It is possible to view it in that light. I mean the effect of the policy has been to undermine the influence of money-lenders. I should like to draw a line. For some time the policy of the State was to secure the best possible contractual freedom for both parties ; and they never worried about money-lenders. Later on, they introduced legislation like the Dekkhan Agriculturists' Relief Act which has been directed more to the needs of a borrower than of a money-lender. The money-lender's position has not been appreciated.

13811. You say that the interest on loans given by money-lenders should be guaranteed by Government ?—Provided a money-lender supplies finance at a certain approved rate of interest. In order to secure an useful outlet for the funds of the money-lender, this suggestion of mine may be adopted. I should welcome the investment of such funds in suitable industries in rural areas.

13812. If interest is guaranteed at 5 or 6 per cent., will he stop charging 10 or 20 per cent. as he does now ?—This is our main problem. It is a sort of a vicious circle and we

must break it somewhere if we can, expanding banking and bringing down the rate of interest. If a money-lender is assured that his capital is quite safe and there will be no worry for him to get back payment of his capital, he might be content with a lower rate of interest.

13813. Can you say why the rate of interest against the security of gold is lower in the case of certain people than in the case of others ? What makes him to discriminate ?—I think to a certain extent there is also the personal factor. If a person is a man of education, he might be able to get better terms than an ignorant and illiterate villager who will be exploited all the same by the village money-lender.

13814. Do you know why there is a great deal of opposition here to the introduction of the Bombay Cotton Markets Act in the marketing centres ?—I have come to the conclusion that Government should remove the optional nature of the Act and should make it compulsory because I do not think that the local bodies and municipalities who are concerned with it can exercise independence in this matter. I mean the traders have a certain amount of influence.

13815. Is it optional now ?—Government cannot introduce it without consulting local opinion.

13816. Does it mean that Government after consultation with local board must follow their wishes necessarily ?—I have no idea about it. I should straightaway make it compulsory.

13817. That is to say, Government should introduce it in any centre they like without consulting local opinion ?—Local opinion is not quite reasonable so far as particular provisions are concerned, because of the vested interests, and if Government were to hear them, this means that Government pays too much importance to the local opinions. I should not like Government to show any aggressive spirit in this matter, but I would like the immediate introduction of the Act. For example, the Cotton Transport Act has been introduced now. So also Government can now introduce this Act here.

13818. What do you think of the effect of the opening of branches by joint stock banks, especially by the Imperial Bank of India ?—I think the effect has been to lower the rate of interest for traders and *shroffs*.

13819. This is good for the country ?—Yes. I think, however, there is a complaint in the case of some branches that they drain away the local resources to their Head office.

13820. Is this a good thing or a bad thing ?—In a way it is a good thing and in a way it is not a desirable thing. I do not think that the Imperial Bank has always properly carried out its responsibility regarding the needs of the district or the needs of a particular region where a branch is situated.

13821. If there was a demand for capital in the district, would it not invest it in the district ?—For its satisfactory management, it should constitute local advisory committees consisting of local traders and merchants having a thorough knowledge of the local conditions in order that local opinion should be taken into consideration. The Imperial Bank, I should think, does not adequately consult local opinion so that in the *mofussil* it is of very little use.

13822. Have you thought about the question as to what should be done in places where the Imperial Bank or a joint stock bank cannot afford to open branches ?—I have suggested that in some places urban banks should be brought into touch with indigenous bankers.

13823. How ?—Well-conducted urban banks might establish branches in the *mofussil* areas.

13824. Should they finance indigenous bankers or give banking facilities to indigenous bankers ?—In some cases they can give them facilities as well as to traders and artisans.

13825. Are they not now financing traders and artisans ?—I do not think so because their operations are more or less confined to big towns.

13826. You mean that instead of joint stock banks opening branches, urban banks could open branches and this can be done ?—Yes. I should invite the attention of the Committee members to a proposal made by Mr. Jain in his book "Indigenous Banking in India." There it appears that the best way to co-ordinate the indigenous agency with modern joint stock banks is to organize a sort of a *mofussil* joint stock bank consisting of indigenous bankers.

13827. This is a good idea ?—We do not want them to be thrown out of the banking system. At the same time, their present organization is rather unsatisfactory.

13828. Do you think that indigenous bankers in this district will be willing to combine ?—It depends upon the pressure brought to bear upon them partly by a quickly expanding Co-operative Movement and partly by intensive propaganda. If no limitations are imposed on them and they could have a voice in the management of the *mofussil* bank, they might combine.

13829. Have you considered the question of the economics of handloom industry ?—No, not in this district.

13830. In general, what do you think is going to be its future ?—So far as the statistics of handloom industry are concerned they go to show that on the whole, it has maintained its pace and particularly during the war it expanded. Even now the production of handloom cloth is very appreciable. It is about 25 per cent. of the total internal consumption and I should think that it deserves every assistance that the Government or the co-operative agency could give.

13831. We have been told that certain kinds of products of handloom weaving industry cannot stand competition with mill-made products ?—The process of natural elimination will determine it.

13832. There are certain kinds of products which we have been told can stand the competition of mills because mills as a matter of fact cannot go in for them. The question is whether financial facilities should be afforded to all kinds of products without distinction ?—Discrimination will have to be exercised and particularly so in some cases in big centres, for instance, in the case of big capitalist organizations.

13833. Do you find such an organization in this district ?—In no other place except in Hubli where a few small power loom factories have been started but not on the scale we have in Calicut and in Sholapur.

13834. Do you think there are many genuine trade bills ?—There are some, but there is a deficiency.

13835. Have you come across any genuine trade bills being used ?—I have no first hand information about the various methods or the various forms of trade bills, but there is a general deficiency.

13836. Which are the five joint stock banks in Dharwar ?—I do not remember their names, but there are five banks.

13837. In Dharwar district ?—Yes.

13838. Is there much hoarding of gold in this district ?—I cannot say definitely about it, but I have no reason to believe that the general conditions in this district are different from those prevailing elsewhere in India.

13839. *Professor Kale :* You say that co-operative societies have a high educative value because they keep down unproductive expenditure. Have they succeeded in this attempt to a very large extent ?—It is so, so far as Dharwar is concerned ; but at times loans which are taken for productive purposes have been utilized unproductively.

13840. You have made another statement, *viz.*, you want some Government control over this Movement. Would it not be rather retrogression than progress in the Co-operative Movement ?—I do not hold this view, but for the time being I cannot help saying that a certain stiffening of Government control is necessary.

13841. Are we to understand that at least temporarily certain Government control is necessary ? Is this your view ?—I have already given my reply that the power of control should be given to the Assistant Registrar.

13842. You make this proposal because you feel that conditions with regard to the Co-operative Movement in this district are unsatisfactory ?—So far as the personnel in village societies is concerned, I dare say it is unsatisfactory.

13843. If the election of managing committee members was subject to the veto of an official, the Co-operative Movement loses all its value. Rather close the shop and start ordinary banks ?—I have modified my statement later on by suggesting a sort of panel which should be supplied by the General Committee and from which selection should be made.

13844. It comes to the same thing. While in our municipalities and local boards we are asking for elected members, you want nomination here ?—They are as a rule more enlightened than village societies.

13845. But is it not the cultivator who ought to rule the affairs of co-operative societies ?—I fully share your ideals of co-operation so far as the control on the Movement from within is concerned. I do not advocate State control over the Co-operative Movement in the way advocated by the Maclagan Committee, but I advocate a certain amount of stiffening. May I add that the staff of the Co-operative Department is inadequate for the growing number of societies.

13846. *The Chairman :* Did you make this suggestion of stiffening just now as regards all societies ?—It is only as regards village societies.

13847. *Professor Kale :* Are we to take it that you are entirely satisfied with the efficient management of district banks or urban banks ?—This would be an unwarranted inference. Still we can leave them to themselves to control their affairs and they will become wiser.

13848. I want to know about their comparative efficiency ?—There is no doubt about the comparative efficiency of urban banks and big banks and it is better than that of the village societies.

13849. You do not want any interference even temporarily with regard to the actual management in the case of urban banks and big co-operative banks ?—There should be no interference except by way of mediation when any difficulty arises.

13850. Why do you want a money-lender to notify any loan he grants to the members of co-operative societies to them ?—Because lots of borrowings take place in the dark. As it is, a co-operative society does not know where exactly it stands.

13851. Why should it know ?—Otherwise, it would not know its position.

13852. Why do you want the State to interfere with the trade of a money-lender ?—It is a piece of benevolent legislation. If a member of a society does not understand businesslike methods and wants to borrow from all sorts of agencies we ought to check him.

13853. It has already been stated that members of co-operative societies are not adequately financed by societies and if you stop this source of finance, you will be doing more harm than good to cultivators ?—I would certainly advocate expansion of co-operative finance. What I want is simple information so that the society can adjust its policy towards a needy borrower.

13854. But a money-lender will be unwilling to give this information, and when you put a restriction upon a member's borrowing from outside in this way, you will be doing him harm indirectly ?—If this provision went hand in hand with adequate facilities and the normal credit statement was also liberally and promptly prepared, I do not expect any difficulties.

13855. Even after normal credit statements are prepared liberally, if the cultivator finds it necessary to go out and borrow, how are you going to overcome this difficulty ?—That is because he does not understand the state of things.

13856. We have to educate him ?—We want to improve him.

13857. Do you want to punish someone else who is not to blame ?—I would, on the contrary, extend some facilities if they are amenable.

13858. What facilities ?—I have said that a certain provision should be made for the recovery of their loans, etc.

13859. Only when these provisions are granted, then there should be legislation ?—Yes.

13860. You make certain suggestions with regard to the Money-lenders' Act. If you restrict the operations of a money-lender in the matter of lending, do you not think there is the fear of the law being evaded, and the money-lender instead of lending money might sell goods on credit and achieve the same thing as he is achieving to-day ?—I think if the money-lender is also helped to a certain extent in the way of the recovery of his dues I do not expect any undesirable consequences from this restrictive legislation.

13861. I have noted your remarks about the Dekkhan Agriculturists' Relief Act. You say that both the money-lender and the borrower have been demoralized. If a Money-lenders' Act is passed, this will be an additional source of demoralization ?—I have made a suggestion in my memorandum, *viz.*, " If a suitable Money-lender's Act were to be placed on the statute book and the Usurious Loans Act of 1918 could be properly enforced there does not seem to be any need for the continuance of the Dekkhan Agriculturists' Relief Act ".

13862. You say that an urban co-operative bank should be utilised for bringing about a connection between banking and indigenous bankers. Who should do it ?—The urban banks should do it.

13863. What prevents them from doing it to-day ?—There is no question of preventing them from doing so ; but there should be a sort of direction or policy advocated by the Co-operative Department. The initiative has got to be taken.

13864. Who should take the initiative ?—Partly by certain well-conducted urban banks and partly by the Department. If this policy is placed before them, they might start some *mofussil* business.

13865. You suggest the appointment of a committee to advise the Imperial Bank. Do you think this is a practical proposition in view of the suspicions of individuals with regard to the position of one another. You know they are very chary about letting others know what their position is ?—This is only a sort of consultative committee for guiding the Imperial Bank regarding local knowledge. It is an advisory committee. The difficulty is this that as the Imperial Bank is constituted, it has not the necessary agency for getting first hand information about *mofussil*. I want some sort of a representative committee of the district or of the *mofussil* area to help the branch in its administration.

13866. Why should it give general advice and not a binding advice ?—No ; not about individual transactions. It will be its duty to supply information regarding the standing of borrowers and so on.

13867. You say : " As suggested by the Agricultural Commission the Income-tax Department should publish yearly reports about money-lending, giving statistics regarding the number of money-lenders, etc. " ?—Right or wrong, this is the suggestion made the Agricultural Commission and I agree with them.

13868. What is exactly their view ?—To get some information which is at present altogether lacking as to the extent of borrowings. We can get some idea about borrowings from the Co-operative Department, but we have no idea at all of the aggregate indebtedness which is wanted for improving the existing statistical information.

13869. Do you think it is correct for the Income-tax Department to divulge individual profits which are given in confidence ?—They are not to divulge the individual profits of money-lenders but they are only to aggregate the total amount of indebtedness. If the name of the money-lender is not disclosed, this can be done.

13870. Is it for a particular district or for a particular *taluka* or for a village ?—Even for a particular *taluka* or for a village, this can be done.

13871. But the *shroffs* are very strongly opposed to anything of this kind ?—I want a sort of aggregate figure of indebtedness and nothing more.

13872. I wanted to know whether the machinery of the Income-tax Department is the proper agency ?—There is no other agency because the Income-tax Department comes into touch with money-lenders for assessment purposes. Even in England, the machinery of the Income-tax Department is utilised for getting valuable statistics.

13873. Speaking about the postal cash certificates, you say that the existing rate is sufficiently attractive in the case of certificates of higher denominations. How is that ?—The point is that I want the attraction of these certificates to be increased for the less well-to-do people.

13874. How are the rates favourable in the case of certificates of higher denominations ?—They are not favourable, but they are sufficient.

13875. But the rate is the same whether you take a certificate of Rs. 10 or Rs. 200 ?—I want that the rate should be increased in the case of certificates of lower denominations, *viz.*, Rs. 10, 20 and 50. It should be at least 6½ per cent.

13876. Do you want that the money so raised should be utilised in the district itself ?—Yes; because there is the complaint that Government are diverting a large part of the savings of the people for their own needs at the cost of agriculture and industry.

13877. That is the very idea of Government; they have to spend money on railways and irrigation works ?—Let them tap the wider money market. I do not believe in this policy of Government taking away this money for capital expenditure.

13878. Do you think the money which goes into cash certificates would have otherwise gone into agriculture ?—I want that Government should draw out funds and hand them over to well-conducted banks.

13879. Thereby do you want some Government agency as a substitute for co-operative banks and joint stock banks ?—It is only a question of agency for raising the funds for the benefit of co-operative and other banks.

13880. But you have to establish that there is scarcity of money ?—It shows itself because the rate of interest is high. The money that is taken for productive purposes is spent for unproductive purposes. If loans given for productive purposes by co-operative societies are properly utilised, it can be said that they are adequate.

13881. Do you want to increase these facilities for giving loans for unproductive purposes ?—Not for unproductive purposes; I would like to have more demand for loans for land improvement.

13882. *Mr. Buckley :* You suggest that Insurance Companies should be required to invest a certain minimum amount of their funds in bonds issued by land mortgage banks. Have you any figure in view for that minimum ?—I have no figure in view. I simply consider that it is a desirable form of investment.

13883. You make a remark that the Industrial Department ought to chalk out a bolder and comprehensive policy of encouraging village industries. Have you any first-hand information of the activities of the Industrial Department ?—Whatever information I have is derived from the annual reports.

13884. Have you any personal knowledge of anything they have done here ?—I have no personal knowledge except about the weaving schools which they maintain in certain centres.

13885. How many are these ?—I believe, six.

13886. Are these travelling schools ?—Yes, peripatetic.

13887. *Mr. Kamat :* You said that you were conducting certain economic enquiries in villages. What is the impression you have gathered about net profits ?—So far as I can remember the average net profit was worked out roughly at Rs. 14 to 20 per acre. My general impression is that there was profit over a series of years. And I made certain calculations and found that a holding of about thirty to twenty acres would be economic to give a sufficient income.

13888. May I take it that below thirty acres a man can make no profits ?—I am putting it in terms of the requirements of the agricultural family; it may be profitable.

13889. About bringing down the rate of interest, even supposing you have an amount of funds either through Government or other sources, do you think you can bring down the rate of interest by mere force of finance ?—I do not think it will be a quick process ; it will take some time. In fact I want to find out a place for the money-lender, at the same time giving him certain facilities.

13890. Even supposing he holds the field for some time to come, do you still want the rate of interest to be reduced ?—Certainly ; because the present rate of interest is very high.

13891. Will mere ample finance help the co-operative societies to reduce their rate of interest as long as they do not find a suitable outlet, because the borrowers are not of the right type ?—Well, adequate finance does mean that the finance is properly utilised.

13892. If the co-operative societies want finance, do you mean to say that they are in difficulties about finance ?—Personally I have great doubts about the management of their finance.

13893. So there comes the question of management and not of finance ?—Both ; we want to mobilise further money at the same time to insure its proper utilisation.

13894. Speaking about the handloom industry and finance, would you advocate a certain amount of control over the factories and mills so as not to crowd out the handloom industry ?—In what way ?

13895. A sort of control as regards certain patterns ?—I believe in the natural process of elimination of certain classes of textile fabrics which cannot be economically produced by the handloom producer. In certain lines there is no competition. I want some agency to be created to help and advise the handloom weavers.

13896. The mills, which depend on the machinery, will surely compete with the handloom industry in improving any pattern of the weavers ?—That is true in a way. I would certainly like as much help as is possible to be given to the handloom industry, but I would not retard the progress of industrial revolution in any way in India.

13897. That is to say, you allow the law of survival of the fittest to operate ?—I would not altogether allow the law of survival of the fittest to operate ; I would, for example, have a certain amount of supervision, finance and better marketing of its produce in the case of handloom industry.

13898. About marketing, if your suggestion is that the Cotton Markets Act should be made compulsory, what would be the position of the sale societies in that case ?—I think it would be a good thing to the sale societies. The sale society is not in any way in favour of malpractices.

13899. By the introduction of a regulated Markets Act the malpractices would, I expect, be stopped, and all that the sale societies intend to do is automatically done by the Act ?—Not everything ; for instance, scientific and proper grading done by co-operative societies is not provided for in the Cotton Markets Act.

13900. Do you mean to say that co-operative sale societies will still remain if all the malpractices are checked ?—They will remain useful ; financing and grading will be done by them.

13901. Grading may form a part of the regulated Markets Act ?—At present there is no provision in the Act.

13902. About the point of veto vested in the Registrar's hands over the appointment of secretaries and members of the managing committee, you suggest a panel ?—Yes.

13903. Even in the case of Municipal bodies and their President, I think Government retain power of veto in the case of certain small Municipal bodies. So the principle of control is there, and from that point of view, if that is done in the case of village societies, it would not be an out-of-the-way thing to do ?—Quite so ; I would take away the restriction as soon as I find that better material is forthcoming and conditions are improving.

13904. About the Dekkhan Agriculturists' Relief Act, do you want a Money-lenders' Act and abolition of the Dekkhan Agriculturists' Relief Act ?—I also want the Usurious Loans Act.

13905. What is the difference between the Usurious Loans Act and the Money-lenders' Act ?—It is more easy to enforce the Usurious Loans Act ; there are certain provisions intended for checking the rate of interest.

13906. Do you mean to say that the money-lender would not circumvent the Usurious Loans Act although he resents the Dekkhan Agriculturists' Relief Act ?—He might resent ; but I think the Dekkhan Agriculturists' Relief Act is not necessary ; I think the Money-lenders' Act along with the Usurious Loans Act should suffice.

13907. If a Money-lenders' Act is passed, would you insist on money-lenders keeping pass-books disclosing all the accounts between them and the borrowers ?—Yes.

13908. About this rate of interest on the postal cash certificates, you want to raise it to 6½ per cent. for certificates up to the denomination of Rs. 50. Elsewhere we have received suggestions that on the contrary the rate should be reduced ?—Even in the case of lower denominations ?

13909. Of course ?—I hold to my view ; but I would not mind a certain amount of reduction for higher denominations, if my suggestion of keeping the money in the district is carried out.

13910. The criticism is that it takes away the money which would have found its way to *shroffs* and money-lenders ?—I have appreciated the criticism and, therefore, I have suggested that Government should tap the money and utilise it in the district.

13911. *Mr. V. L. Mehta :* How will the appointment of a marketing officer assist in the solution of the problems of local marketing ?—The marketing officer can supply information regarding the various channels through which trade passes.

13912. So far as we can understand their difficulties and problems are different ; they are problems of finance, arrangements of warehouses, problems of transport and so on ?—All these problems will have to be studied by the marketing officer.

13913. Do you expect the marketing officer for the whole Presidency to study the problems of Dharwar and Sind and other parts ?—I think he should have certain staff under him to assist him in the various Divisions.

13914. Do you think another department is necessary ? Do you not think the assistance of the Agricultural Department is sufficient ?—One man cannot manage the whole show.

13915. Is the marketing organisation here considerably assisted both by Government and the Agricultural Department ?—Yes.

13916. You suggest the fixing of the rate of interest for the land mortgage bank, and you say that there should be ½ per cent. for bad debt redemption fund and 1 per cent. for expenses. Would you not take anything to the sinking fund ?—The bad debt redemption fund is the sinking fund.

13917. For what period would these loans be ?—The period should vary in different cases. It would ordinarily be ten to twenty years, and in some cases, thirty years.

13918. How do you utilise these five-year deposits ?—I have limited functions of these deposits.

13919. Would they not be utilised for agricultural advances ?—They would be a sort of reserve for enabling mortgage societies to meet their obligations, in case some of the borrowers, who have borrowed money from the land mortgage bank, make default. I understand in the Madras Presidency the deposits are allowed for three years. I do not know whether we could introduce the same feature in our scheme.

13920. You suggest in your statement that cultivators should be kept duly informed about current prices and so on. Is that being done now by cotton sale societies ?—In the case of cotton sale societies it is being done.

13921. By what means ?—I suppose they receive telegrams ; and as far as I know, the information is made available.

13922. Do you think it is possible for the people in the villages to know the prices ?—No ; I am speaking about the centres of co-operative cotton sale societies. In ordinary cotton markets the prices are not made available to the village people, but in the case of sale societies they are made available.

13923. Do you know something about the boycott of one of these co-operative cotton sale societies ?—Yes.

13924. Was it due to anti-*dalal* propaganda ?—I think this was one of the causes, without which, however, I am not prepared to say that the boycott would not have come ; perhaps it would not have assumed that magnitude, if the whole thing had been more tactfully conducted. I think there was a certain amount of anti-*dalal* propaganda ; but I do not attach much importance to it.

(The witness withdrew.)

Mr. D. L. PATIL, Chairman, Reddi Communal Co-operative Bank, Ltd., Dharwar.

Replies to the Questionnaire.

THE AGRICULTURAL FINANCE IN THIS DISTRICT (DHARWAR).—Agriculturists borrow money from local *soucars*, co-operative societies, if there are any, from outside money-lenders and *dalals* in commercial centres. The local *soucar* in some cases happens to be a person combining in himself both a petty-trader and a money-lender. Such a money-lender advances loans to the agriculturists on condition that the borrowers should sell their produce to him, who in turn sells it in the nearest market and derives profit therefrom. In this way he gains interest as well as profit abovedescribed, and so he is doubly benefited. Besides him, there are other *soucars* who are pure money-lenders. In many villages there are no *soucars* ; and, if there are any, their capital is not sufficient to finance

all the villagers. Hence arises the need of borrowing from outside money-lenders. The co-operative societies of late play an important part in the agricultural finance. There is no marked difference between loans taken for purposes of cultivation or for those for capital and permanent improvement of land. In villages with co-operative societies, the members borrow for land revenue purpose from societies and in other cases, *i.e.*, (non-members and agriculturists having no societies in their villages) borrow for land revenue from *dalals* (commission agents), local and outside *sowcars*.

Interest charged to agriculturists by money-lenders- -from 12 to 36 per cent.

Dalals	15 to 25 per cent.
Co-operative societies	9⅜ to 12½ per cent.
For *taccavi* loans	7½ to 9⅜ per cent.

The question of period does not arise in case of loans taken from *dalals* and *sowcars*, but in case of village societies the period for repayment is fixed, the amount being payable by instalments.

The security for the loans from *sowcars* is in the form of gold and silver ornaments and goods, bonds, promissory notes, mortgage of houses and lands. The co-operative societies alone accept personal security for major portion of their advances; mortgage of lands and houses in the case of long-term loans which are very few.

In the case of loans from *sowcars* there is the evil practice of taking bonds and notes, etc., for double the amount advanced; and in case of mortgages a sale deed is sometimes taken where mortgage bond ought of have been taken, the real transaction being a mortgage and not a sale. The excessive need and want of funds of the agriculturists is the main reason why they resort to such defective methods of finance. Unless and until the co-operative societies which have been an absolute necessity for the village population develop themselves into big and efficient financing agencies, the question of timely and adequate finance to agriculturists remains unsolved. The present state of affairs relating to co-operative finance is far from satisfactory as it is inadequate and not timely.

Question 2.—Marketing of Principal Crops.—The principal crops in this district are cotton, wheat, *juar*, rice, groundnuts and other oil-seeds. These may be classified into two classes, those that are exported and those that are locally consumed. Cotton, wheat, groundnuts, and other oil-seeds come under the first class, while *juar*, rice, pulses, etc., come under the second class. As regards cotton, it is sold by some producers to local dealers in the village who are directly connected with the *dalals* (commission agents) dwelling in marketing centres, such as Hubli, Gadag, Haveri, etc. Some producers directly take their cotton to markets themselves and sell it through *dalals* there. Now, since the establishment of cotton sale societies at Hubli, Gadag, Haveri and Annigeri, some cotton growers sell their produce through these societies.

A provision is made in the bye-laws in the village co-operative credit societies to the effect that members—cotton growers—should sell their cotton through the nearest sale society. This bye-law is being put into force. Similar provision has been made in case of chilly and paddy growers that they should sell their produce through the sale societies in their area.

These are sold to local dealers in some cases while some producers take their yield and get it sold directly through *dalals* in big marketing places.

Mr. D. L. Patil.

JUAR AND RICE.—Major portion of these is being consumed locally, they being the chief foodstuffs of the district. They are sometimes sold in small quantities by the producers themselves on market days in the nearest village and town markets. There are also dealers in *juar* and rice who purchase either directly from the producers or through the *dalals* in the marketing centres.

It is possible to market cotton, wheat, groundnut, chilly and rice through sale societies wherever they exist. Some more should be organised in suitable centres, or the branches of the existing sale societies should be opened.

Ryots require money for paying their land assessment and also for paying off the debts or at least the interest to *sowcars* or to co-operative societies. So, credit facilities are absolutely essential during marketing of agricultural produce. The facilities that are existing at present are too inadequate to meet the wants and requirements of the *ryots*. Now the agencies from which the *ryots* get credit on goods are *dalals*, petty traders and co-operative sale societies. The rate of interest charged by the *dalals* and traders on these advances is from 12 to 25 per cent., while in the case of advances from sale societies it is 9¾ per cent. The banks and bankers do not directly advance to *ryots*, but they do advance to *dalals* and merchants, who in their turn advance to *ryots* though inadequate. The agriculturists require only cash. They are reluctant and unwilling to accept *hundis* and cheques.

The need and necessity of more warehouses owned by public institutions and organised associations is being highly felt in this district, and Government assistance in this respect is very much needed.

QUESTION 3.—VALUE OF LAND IN THE DISTRICT.—The land in this district is of three kinds :—(1) red, (2) black and (3) mixed soil. This district may be divided into three divisions—as Malnad, Gadinad and Belaval. In Malnad tract, all land is red and the main crop produced thereon is rice. The value per acre of this land varies from Rs. 50 to Rs. 250. The price per acre of land in Gadinad such as Bankapur, Haveri *talukas* and also parts of Dharwar, Hubli, Ranebennur *talukas* varies from Rs. 500 to Rs. 1,000. In Belaval (cotton black soil) such as Navalgund, Gadag and Ron and portions of Dharwar, Hubli, Haveri and Ranebennur, the price varies from Rs. 100 to Rs. 500.

Rainfall and quality of the land, productive nature of the soil and the market price of the crops are the chief factors affecting the value of the land.

(*a*) The price of the land in purchase by private negotiation is the highest that can be realised, in the case of Government auction for non-payment of revenue is the lowest and in the case of sale by court decree is midway between the two.

QUESTION 4.—A land mortgage bank for this district has been organised very recently, and it has just commenced its work. I might refer in this connection to the Reddi Communal Co-operative Bank, Ltd., Dharwar, which may be called an agricultural bank, advancing long-term loans extending for a period of ten years. It is also functioning as a land mortgage bank, inasmuch as it [illegible] loans mainly on the mortgage of landed property (such loans forming three-fourths of the outstanding loans). The constituents (members) of the Bank are almost all of them agriculturists and are distributed in the three districts of Bombay Karnatak, namely, Dharwar, Belgaum and Bijapur, and the purposes for which the loans have been advanced by the Bank are old debt redemption, land improvement, purchase of land and agricultural

implements and current agricultural needs. The capital of this Bank is raised in the following ways :—

(1) By shares.

(2) By deposits—fixed and current.

(3) By loan from the Central Bank, whenever necessary.

This Bank has been, for all practical purposes, functioning as a land mortgage bank for the last 15 years since 1914. The disabilities the Bank is labouring under, are want of financial help so as to enable the Bank to advance long-term loans at easy rate of interest. If the Bombay Provincial Co-operative Bank undertakes to advance long-term loans as in the case of the newly started land mortgage bank, the Reddi Bank will be in a position to serve as a full-fledged land mortgage bank for the Reddi community. In this connection, I may be allowed to refer to our attempts made to secure financial help from the Bombay Provincial Bank. The (Reddi) Bank has placed the matter before the Government and also the Registrar on more than one occasion. But it is to be regretted that nothing has been done by way of helping the Bank.

The working capital of the land mortgage banks should be mainly raised by issue of debentures and by funds from central banks and not by deposits. If deposits are to be received at all, only those of a longer duration (more than 10 years) may be accepted. The Government should undertake to guarantee interest, and it is not necessary that Government should stand guarantee for principal. The land mortgage banks should be allowed to issue debentures for themselves and a Provincial Bank should work as an agent to negotiate all the debentures issued by the land mortgage banks in various places.

QUESTION 6.—SUBSIDIARY INDUSTRIES.—Subsidiary industries supplemental to agriculture in this district are garden produce (betel-leaves, plantains, vegetable, flowers, sugar-cane) *gur*-making, hand-spinning and hand-weaving, dairy farming. They are not at all in a flourishing condition, nor are they very enthusiastically carried on. Garden produce is possible only wherever there is well irrigation, the wells being generally dug by the owners themselves at their own cost. This industry is found chiefly in Bankapur, Haveri, Ranebennur, Kod and Hangal *talukas* of this district. Hand-spinning and weaving is also to be found in some of the villages of the district. *Gudar*-making is undertaken by some of the agriculturists. Dairy farming is not organised. Individual agriculturists keep cows and buffaloes. They use some of the butter and milk for their domestic purpose, and sell the excess in the nearest market or in the village itself. Artificial irrigation can help substantially garden produce. The shepherds in this district rear sheep on small scale. They are generally poor people with very little landed property. For want of pasture land the shepherds cannot carry on sheep breeding on a large scale.

Soap and candle-making, paper and cloth manufacturing, ship building, pencil and match factories should be organised so as to employ some members of the agricultural families, that are without any work. Such industries should be started in small towns. Government should liberally finance such industries and should take initiation and active part in organising and developing them. The problem of unemployment in general and of agriculturists in particular cannot be solved at all, as long as Government is indifferent in this respect. The initiation taken by Mysore Government in the direction of organisation and development of industries, such as soap-making and iron and metalware, is an instance in point.

Mr. D. L. Patil.

QUESTION 6A.—Weaving (*khan, sari, dhoti*, shirting and coating cloth, *chaddar* and *kambli*, etc.) and dyeing, metal works, are some of the small industries. These are not thriving on account of foreign competition and for want of organised effort.

QUESTION 7.—Some of the village societies are not working properly, their management and staff being inefficient. The district central banks are in a position to finance short-term credit and, as a matter of fact, they do advance to all the societies classed as "A" or "B". They are very slow and cautious in advancing loans to "C" class societies. In the case of long-term loans for the redemption of old debts, the societies have to submit their application to the central banks through the Co-operative Department, and so, unnecessary delay is caused. The rate of interest on such loans should never be higher than 6 per cent. per annum. The existing rate on these loans in several societies is 9⅜ per cent. per annum, this being very high.

The privileges and concessions such as exemption from income-tax, registration fees, stamp duty, which the co-operative societies are enjoying at present should continue. The financial needs of the agriculturists are met by co-operative societies to the extent of about 10 per cent. in this district.

QUESTION 8.—The legal procedure in civil courts relating to the execution of decrees is complicated and cumbrous and as such much delay is caused in recovering the amount of the decree. So, the *sowcars* and money-lenders are very reluctant to advance money and in some cases they take bonds for double the amount on account of the delay likely to be caused in recovery. The Dekkhan Agriculturists' Relief Act has been of much use and benefit to the agriculturists. It has saved many an agriculturist-debtor from the clutches of *sawcars*. There is some opinion that the abolition of the Dekkhan Agriculturists' Relief Act would improve the credit facilities for agriculturists. I entirely differ from this view. If at all any modification is to be effected in the Dekkhan Agriculturists' Relief Act, it should be in the direction of affording further concessions to the agriculturists.

Oral Evidence.

13925. *The Chairman :* Mr. Patil, you are the Chairman of the Reddi Communal Co-operative Bank, Ltd. ?—Yes.

13926. Are you also a practising advocate here ?—Yes.

13927. What is the working capital, the share capital and the reserve fund of your bank ?—Rs. 500,000, Rs. 54,000 and Rs. 21,000, respectively.

13928. And the remaining is all deposits ?—Yes.

13929. Are these all or most of them one-year deposits ?—Nearly fifty per cent. are one-year deposits.

13930. Are the others for three to five years ?—Yes.

13931. Are three-fourths of your loans long-term loans ?—Yes ; the maximum period is ten years. On an average loans are advanced only for four or five years ; there are some loans for ten years.

13932. What is the percentage of loans for ten years ?—About ten per cent. Nearly Rs. 75,000 are advanced for ten years.

13933. Are these deposits, which are kept with you for four or five years, renewed or withdrawn ?—Generally they are renewed.

13934. Are they mostly from your own community ?—From non-members of other communities also.

13935. What do you think would be the percentage of members of your community ?—Rs. 60,000 is from Reddis and the rest is from non-Reddis.

13936. Do you find any difficulty in repaying the loans ?—We have found no difficulty.

13937. How much fluid resource do you keep ?—Rs. 50,000.

13938. Have you any arrangement with the Central Bank for cash credit ?—We have taken Rs. 20,000 cash credit.

13939. Do you keep a list showing how much you have to repay every year and how much you expect to receive every year ?—Yes ; a list is kept.

13940. Have you any arrears ?—13 per cent. of the outstandings.

13941. You say, " In many villages there are no *sowcars*, and, if there are any, their capital is not sufficient to finance all the villagers." That is to say, the *sowcar* should finance certain villages at a time ; is that your idea ?—Yes.

13942. Supposing there is a *sowcar* in one village, does he usually finance the surrounding villages also ?—Yes.

13943. What class of people do this money-lending business ? Are they outsiders ?—Usually they are villagers themselves.

13944. Do you also get people from outside the district, who come and lend in villages ?—Very few.

13945. You say that members borrow for land revenue purposes from societies and non-members borrow either from *dalals* or from *sowcars*. We have been told that since the dates of instalments have been changed, members do not borrow for land revenue purposes. Is not land revenue made payable after the crop is ready ?—Not after the crop is ready. The crop is ready in March or April and is sold in May or June, so the villagers are forced to borrow. The first instalment of assessment falls due in March when the crop is not ready, and the second instalments falls due in April.

13946. You say the rate of interest charged to agriculturists on *taccavi* is from 7½ to 9⅜ per cent. But the rate for *taccavi* is never more than 9 per cent. Do you know any people who have borrowed at 9⅜ per cent. ?—These are *taccavi* loans advanced through village societies.

13947. Speaking about marketing of cotton, you say that members of co-operative societies should sell their cotton to the sale society ?—There is a bye-law.

13948. Is it being enforced ?—Yes.

13949. *Mr. V. L. Mehta :* Is there a similar bye-law in your bank ?—No.

13950. *The Chairman :* Does your bank advance money for current agricultural purposes also ?—Yes.

13951. Have you branches ?—We have one branch at Bagalkot which is not working.

13952. You finance from the centre ?—Yes.

13953. Do you finance people on the security of produce ?—Yes.

13954. Where is the produce kept ?—We have hired a godown and we keep it there.

13955. Is this the only one in Dharwar ?—We have one godown at Nargund only.

13956. Are there any other godowns kept by co-operative societies or *dalals* ?—No.

13957. Therefore yours is the first ?—Yes. We have only advanced Rs. 5,000 and not much.

13958. You had to keep your own man ?—Yes.

13959. Do you expect the business to develop in Nargund ?—Yes.

13960. Will you send us a copy of your last balance sheet showing the asset statement and the periods on which the deposits fall due ?—Yes.

13961. You say you have made some attempts to get some help from the Bombay Provincial Bank ?—Yes.

13962. Can you not get it from the Karnatak Bank ?—Their rate of interest is too high. It is 8 per cent. In the Bombay Provincial Bank the rate is less.

13963. You want this capital in the same way as it is advanced to a land mortgage bank ?—Yes. We propose to advance loan repayable by 20 or 30 instalments which we cannot do now.

13964. As you are an advocate, I should like to know your views about the Dekkhan Agriculturists' Relief Act. You say : "The Dekkhan Agriculturists' Relief Act has been of much use and benefit to the agriculturists." We have been told that it has reduced the credit of agriculturists and the agriculturist is now worse off than what he was before. You seem to hold an opposite view ?—Yes.

13965. Is it your experience in this district ?—If it is abolished or amended I do not understand how it would improve the credit of agriculturists. Only they will lose what little liberty they have now to defend themselves. Even if there was no such Act, I do not see how *sowcars* would stop at once taking bonds for double or treble the amount.

13966. You do not think they will eventually stop doing so ?—Very likely they might do so, but not at once. At present these agriculturists' decrees are *ex-parte* decrees in good many cases. Most of the cases are tried summarily as small cause suits and disposed off at once. Only in some cases they pray for instalments. Even if they produce some oral evidence which is genuine, on account of some prejudice regarding oral evidence on the part of judges they fail. I think 20 or 25 per cent. succeed in their cases and they are benefited. So if the Dekkhan Agriculturists' Relief Act is taken away, even these 20 or 25 per cent. will suffer.

13967. You do not think that eventually, if the Act is withdrawn or modified, an agriculturist would refuse to pass a sale deed ?—On account of their ignorance, this is not well understood. I think, if at all it is amended, further facility ought to be given.

13968. What further facility ought to be given ?—Now there is discretion left with the courts to grant instalments. It must be made obligatory on the courts to grant instalments in the case of agriculturists if they pray for them. Arrest and imprisonment should not be ordered as at present.

13969. We have been told by some that the Dekkhan Agriculturists' Relief Act has made agriculturists dishonest ?—It might have done so in both cases. Generally my experience with most of the agriculturist debtors is this. They say that they have honestly taken the loan and they only pray for instalments.

13970. When does this happen ?—This happens when they are defended. It is only in rare cases they plead this defence. In the last Karnatak Divisional Co-operative Conference this point was discussed on both the sides. A resolution was passed to the effect that the Dekkhan Agriculturists' Relief Act should be retained.

13971. *Mr. Kamat :* Do you want any modification of Section 10 (A) of the Act ?—No. It must be retained as it is now.

13972. About this Reddi Communal Co-operative Bank, when you give out loans for long-terms, do you take the land as security ?—Yes.

13973. How much do you give ?—We give 30 per cent. of the value of the land. We take at least three times the value as security.

13974. Who values the land ?—One of the officers of our bank makes enquiries and values the land.

13975. Are repayments of annual instalments punctual, or have you to give extensions ?—We have to give extensions because our members are all agriculturists and on account of absence of rainfall, etc., we have to extend the period of repayment.

13976. As for debt redemption, whenever you give a loan, how do you satisfy yourself that the amount is really applied to debt redemption ?—We ask for the bonds or promissory notes from previous creditors. We take them in some cases to the Sub-Registrar's office and there we satisfy their debts, and keep in our custody those bonds and promissory notes.

13977. Do you give loans for current agricultural needs and also for long-term purposes to the same individual ?—Yes, sometimes.

13978. So, for long-term loans, land is mortgaged ?—Yes.

13979. And for short-term loans ?—We give on surety.

13980. *Mr. V. L. Mehta :* Do you advance any loans for land improvement ?—Yes.

13981. Do you make enquiries as to whether it is desirable to effect the improvement, what would be the cost of improvement, what would be the increased income and so on ?—Our local committees or directors or inspectors make such enquiries.

13982. Do you get any assistance from the Agricultural Department ?—Sometimes we do get.

13983. At what rate do you give such loans ?—At 9¾ per cent.

13984. Have you tried to get *taccavi* through the District Central Bank at a lower rate of interest ?—No.

13985. Could you do it ?—I do not think that they are allowed to do this work and this work has been handed to the land mortgage bank.

13986. You say in regard to loans for long-term, and in "C" class societies that some unnecessary delay is caused and so on. How would you get over this delay ?—I cannot suggest any remedy. In the above cases the applications have to go through the Department and so delay is caused. I think in the case of "C" class societies the Central Bank itself should appoint some officers to look to them because the staff is not efficient.

13987. Under proper supervision and control money should be made available in their case ?—Yes.

13988. You say that co-operative finance is not timely and adequate. Have you any definite suggestions as to how to make finance both timely and adequate ?—I have no suggestions to make. The Central Bank has under its management 600 societies now and they are not appointing many inspectors.

13989. So do you want the appointment of more inspectors ?—Yes, and some more branches of the central bank should be started and there should not be centralisation of work.

13990. This will not remedy the situation in the primary society ?—I think they can attend to primary societies quickly if each branch has not more than 100 societies under its management.

13991. Does your Bank make advances against the security of gold and silver ?—Yes.

13992. At what rate of interest ?—8 per cent.

13993. Have you started this business recently ?—Yes; only one year back we started this kind of business.

13994. You have not found any difficulty in taking up this business ?—No.

13995. You want to function as a land mortgage bank in the district. Will not there be any conflict between your land mortgage business and the business of the land mortgage bank ?—There cannot be any conflict.

13996. How will you prevent your members from resorting to the district land mortgage bank ?—Those persons who are members of our bank should not take shares there.

13997. There is also another point in your note. You combine your long-term business with your short-term business ?—Our short-term business is very small. Our long-term business is the main business.

13998. So, on the basis of long-term business, you want to be treated as a land mortgage bank ?—Yes. We may start in our Bank two departments, one for the short-term business and the other for the long-term business. Only we want more money to advance and more instalments to be given and at lower rates of interest.

13999. You want to get advantage of the investments in the Provincial Bank's debentures ?—Yes. We cannot now advance at less than 9¾ per cent.

14000. But you can reduce your rate of interest ?—No. We give 6½ per cent. on deposits. (This being the maximum rate on deposit.)

14001. Can you not borrow at a lower rate of interest than this rate ?—No, we cannot get money at a lower rate.

14002. *Professor Kale* : You have expressed yourself in favour of the retention of the Dekkhan Agriculturists' Relief Act. The first effect of this would be that money-lenders would refuse to lend money to agriculturists. Do you think this gap will be filled up by co-operative societies ?—If they are developed, this gap will be filled up by co-operative societies.

14003. But, in the meanwhile, you have to depend upon them ?—Even to-day there are some honest money-lenders who advance money and they have not lost anything.

14004. We are told by many respectable *sowcars* that they do not get back their money from cultivators and, therefore, they are reducing their business of lending to cultivators ?—At least they will keep their deposits with co-operative societies.

14005. We are not concerned with what will happen to them. We are concerned more with cultivators and what will happen to them. They will not receive loans from *sowcars* and the end you have in view in retaining the Dekkhan Agriculturists' Relief

Act is likely to be defeated to this extent ?—Considering the benefits to agriculturists it should be retained.

14006. But if the cultivator does not get a loan from a *sowcar*, how are you going to benefit him in the long run ?—I do not think that all *sowcars* will stop their business at once.

14007. The *sowcars* also will have to safeguard their own interest and they may purchase the lands rather than take them as security or lend on mortgage and in that way lands are likely to pass out of the hands of a cultivator into the hands of money-lenders. This will not be beneficial to the cultivator ?—They are very slow in purchasing lands. The money-lenders simply depend upon their interest.

14008. But they will be driven to purchase lands ?—They are averse to purchase them.

14009. We are told that everywhere there is a tendency of lands passing into the hands of *sowcars*. If there is a tendency for lands to pass out of the hands of cultivators, that will not be to the benefit of the cultivators and it is likely to be one of the consequences of the retention of the Dekkhan Agriculturists' Relief Act. Have you considered this point ?—What I say is this that when they keep their deposits in a society, the society can advance them to agriculturists. In this way the agriculturists will be benefited.

14010. You say that some village societies are not working properly. At what figure will you put this percentage ?—It will be 20 per cent.

14011. Is it on account of lack of experience and training on the part of the staff ?—Yes. They are not intelligent, nor trained. Training classes are now being held. But all secretaries cannot be trained at once and, moreover, the societies cannot give them handsome pay in their initial stage.

14012. How will you overcome this difficulty if a society is small ?—I think the Government must help to pay the salaries of secretaries of co-operative societies. In the initial stage Government must help co-operative societies just as they are now giving free audit.

14013. Cannot unions of societies undertake this work ?—The unions have no separate funds of their own. They entirely depend on the subscriptions of constituent societies.

14014. You can expect the Department to give you the benefit of free audit, but can you expect the Department to spend money even on your secretaries ?—The secretaries may be appointed by them and paid by them just as chief officers are kept in the municipalities and local boards.

14015. But they are paid by municipalities and local boards ?—Here the chief officer is paid by the Government.

14016. Not wholly ?—No. Both of them contribute something- the Government and the municipality or the Government and the local board.

14017. *Mr. Buckley :* How much paid-up share capital did you have in the first year when you started your bank ?—Rs. 5,000.

14018. What is the paid-up capital now ?—It is Rs. 54,000.

14019. What is the average amount of your loans? Have you a maximum limit?—No maximum is fixed.

14020. What would be the average loan you make on lands?—Rs. 5,000

14021. *Professor Kale :* For how many years has your bank been in existence?—It is in existence from 1914.

14022. *Mr. Buckley :* When you attempted to get assistance from the Bombay Provincial Bank, did they give you any reasons for not meeting your demands?—We approached them, we saw the Managing Director and also the Chairman of the Bank and they said they would consider the matter. Their difficulty was that the Department should consent to their advancing us. We also approached the Registrar and the Honourable Minister in this matter. Nothing has been done uptil now.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Wednesday, the 12th February 1930.

Wednesday, February 12th, 1930.

DHARWAR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.
Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Rao Bahadur K. R. VALVEKAR, B.A., LL.B.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The agriculturist gets finance from the persons and institutions mentioned below :—

(1) The *sowcar*.
(2) The landlord.
(3) Fellow agriculturists.
(4) *Dalals* and merchants.
(5) Government.
(6) Co-operative societies.

It is well known that the ordinary agriculturist finds it difficult to meet his agricultural and domestic requirements with his agricultural income except by borrowed capital. He is consequently in constant need of some person to finance him. For all the purposes mentioned in the question, namely—

(1) Current agricultural expenses,

(2) Permanent land improvements,

(3) Other needs.

The agriculturist goes to the above-mentioned persons and institutions, one after the other, for finance ; he prefers first to go to the *sowcar* who is a professional money-lender though he charges a high rate of interest, and though he does not care a bit for his welfare, as he gets a loan from him readily and as he can put off the repayment for any length of time. The *sowcar* usually waits till the expiry of the period of limitation prescribed by law.

If the agriculturist cannot get a loan from the *sowcar* he goes to landlord who is not always willing to lend money to him. If the landlord lends money to him he will have to agree to give him the food-grains, which he grows in his land, for a low price in addition

to interest. The landlord usually finances his tenants only for current agricultural requirements. If the agriculturist cannot get a loan from the landlord he goes to a fellow agriculturist who is rich enough to make loans. If he has money to spare he will give him a loan and charge interest which is not generally high.

Of these three, the *sowcar*, if he be a *marwari*, desires and tries to extract as much money as possible from the agriculturist in the shape of simple and compound interest and does not care at all for his well-being, and if he be a Lingayat, or a Brahmin, or of any other caste and a permanent resident of the village he tries to get not only a high rate of interest but also his lands if they can be had cheaply. He too does not care for the welfare of the agriculturist. He is a very shrewd man always bent on taking advantage of the exigencies of the agriculturist to demand exorbitant terms.

In the Karnatak the Pathans do not go to villages and do money lending business there.

Dalals and merchants make advances against cotton and other money crops and charge interest at the rate of 18 to 24 per cent. *plus* commission.

Government grants loans to agriculturists under the Agriculturists' Loans Act and the Land Improvement Loans Act for the purposes mentioned in those Acts. But to secure these loans the agriculturists have not only to spend much, but also to wait long. In view of the present rate of interest charged by Government in the case of these loans and of the uncertainty of getting good crops on account of precarious rainfall, I think the agriculturists are not much benefited by these loans from Government.

The co-operative societies advance loans only to their members. These societies are intended neither for the agriculturists who are rich nor for those who are hopelessly involved in debt and who cannot consequently improve their financial position by any means. From my experience of these societies I can say that very few agriculturists have derived appreciable benefit from them. I find the Secretary, the Chairman and the leading members of the Managing Committee in most societies, are inclined to take advantage of the societies only to further their own and their partisans' interests at the sacrifice of the interests of the other members. Some of them do not even scruple to misappropriate dishonestly the society's funds. But if a co-operative society is well-managed and transacts business strictly according to co-operative principles it can really benefit an agriculturist financially, morally and socially. It can no doubt make its members thrifty and check their unnecessary and reckless expenditure. It will not find it difficult to raise funds for financing its members. I am, therefore, of opinion that of all the above financing agencies a co-operative society is the only one which can do lasting good to the agriculturists.

The urban co-operative banks are adapted to the needs of the urban population. In a town it is not possible for all the members of the bank to know one another personally. So an urban bank is started with a limited liability and a share capital. It is intended to finance small traders, artisans, labourers, salary earners, etc. I am of opinion that all the poor and middle class people who live in towns and who need financial help for their trade, industries and domestic purposes are greatly benefited by the urban banks as they finance them. As I have been the Chairman of the Hubli Urban Co-operative Bank for the last 24 years I know from experience that an Urban Co-operative Bank is essential to promote the economic interests of the urban classes. In our Bank, which was started in 1906, there are now 2,228 members of whom 103 are women. The statements given below will show their classification according to caste, creed and occupation.

Classification according to caste and creed		Classification according to occupation.	
Brahmins ..	512	Workshop Employees ..	300
		Mill Employees and coolies ..	80
Lingayats ..	324	Government Employees ..	83
		School Masters ..	110
Musalmans ..	490	Clerks	225
		Pleaders	22
Marathas ..	80	Doctors	16
		Tea-shop Keepers ..	12
Christians ..	87	Merchants and Business men ..	210
		Landlords	165
Parsis	17	Agriculturists ..	120
		Brass Workers ..	86
Other Hindus ..	378	Weavers and Artisans ..	275
		Tanners and Shoe makers ..	95
Bhangis, Mahars, etc. ..	340	Bhangis and Mahars ..	326
		Ladies	103
Total number ..	2,228	Total number ..	2,228

The funds of the Bank now amount to Rs. 8,44,669. The main object of the Bank is to render pecuniary help to and improve the material and moral condition of the poorer classes such as Mahars, Mongs, Bhangis, Railways servants, artisans and small traders and the object has been fairly attained.

The bank does also banking business. It draws, accepts and discounts *hundis*, drafts, cheques and trade-bills.

In order to encourage regular and punctual repayment of loans the bank allows rebate or bonus on the amount of the interest paid by the borrowers.

Lately the saving ticket system has been introduced in this bank in order to encourage thrift among the members and also among the non-members; the object is that all their available savings should be drawn into the bank as deposits.

I am of opinion that the co-operative societies and banks are undoubtedly beneficent and useful institutions started for the promotion of the economic interests of the rural and urban classes.

The rate of interest charged by *sowcars* and other indigenous bankers varies from 12 to 24 per cent. for loans on bonds and promissory notes, and 9 to 18 per cent. for loans on mortgage bonds, and 9 to 12 per cent. for loans on pledge of jewellery; while the co-operative societies charge not more than 10 per cent. per annum.

The agriculturists take loans generally for a period of one year, but they do not repay in one year. They take 2 or 3 years to repay the amount. For sums below Rs. 500 loans are given on simple bonds or promissory notes and for sums above that amount they are given on the security of immoveable or moveable property. Hardly any advances are made against the standing crops.

Co-operative societies grant loans for current agricultural and domestic expenses for one year; for purchase of bullocks, implements, etc., for 2 years; for payment of old debts and for works of land improvement for 5 years.

Rao Bahadur K. R. Valvekar.

I have mentioned above that Government advances loans to agriculturists under the Agriculturists' Loans Act and the Land Improvement Loans Act for the purposes mentioned in those Acts. And I have also remarked that the agriculturists are not much benefited by those loans.

The Imperial Bank does not render any financial help to the agriculturists, small traders and industrialists.

The joint stock banks are also not financing agriculturists and small traders and industrialists. Their operations are of a banking nature. I have written above about the financial help given by the co-operative societies and banks to the agriculturists and small traders, etc.

The *sowcar*, who is a professional money-lender, advances loans to the agriculturists.

The indigenous banks and bankers are dealing with towns-men and not with farmers living in the villages. They advance loans on bonds and promissory notes and on the personal security or on the security of the immoveable and moveable properties of the borrowers. They also do banking business. They are mostly *marwaris* and Brahmin *shroffs*.

Dalals and cotton and grain merchants make advances to agriculturists against the agricultural produce brought to them. They also make advances on the promises of the agriculturists that they should bring the produce to them for sale. But the agriculturists do not gain thereby any advantage.

In the Dharwar district there are no dealers in fertilisers and so no financial help is obtained from them by the agriculturists.

The defect of the present system of financing the agriculturists is that it is not well constituted and regulated. Any man can make loans to agriculturists on any hard and unreasonable terms he likes. He may enter into any unconscionable agreement with the agriculturist who is known to be ignorant and illiterate. In the interests of the agriculturists it is necessary that there should be a limit to the number of the persons who make loans to them. The agriculturists being simple-minded, illiterate and ignorant they can be easily persuaded to do things to their own prejudice by offering them credit facilities. A crafty and artful money-lender can easily exploit the needs of an agriculturist.

In the matter of financing the agriculturists there is co-ordination between Government and co-operative societies. Government grants *taccavi* loans through co-operative societies where they exist; but there is no co-ordination between co-operative societies and joint stock banks, indigenous banks and bankers and *sowcars*. The Imperial Bank is not showing any practical sympathy to the agriculturists and the co-operative societies by rendering financial help to them. It renders financial help to exporters and importers who are mostly European merchants and rich and influential Indian merchants.

I would like to suggest the following remedies :—

(1) Government should not keep their funds with the Imperial Bank free of interest when that Bank does not give any credit facilities to the agriculturists and industrialists. The attitude of the Bank is not at all conducive to the interests of the agriculturists who contribute largely to the Government funds by way of taxes. Government should establish their own bank whose object would be to finance the agriculturists and industrialists.

(2) The *sowcars* and the professional money-lenders should get licenses for doing money-lending business and should keep proper accounts and the maximum rate of interest to be charged by them should be fixed. For all these purposes a suitable enactment should be made by Government. In the interests of the agriculturists who are generally illiterate, thriftless and reckless it is not desirable that irresponsible and unscrupulous *sowcars* should be allowed to advance loans to them.

(3) The Imperial Bank should discount the cheques, drafts and *hundis* of the co-operative societies whether urban or rural by taking only a small commission and should not be allowed by Government to refuse to discount them on the ground that these societies take those cheques, etc., from non-members and do banking business which, the bank thinks, may come into conflict with its business and reduce its profits. When the Imperial Bank makes use of Government funds free of interest and when Government are interested in and show their anxie y for promoting the welfare of the agricultural classes the Imperial Bank should be urged by Government to render all possible financial help to the co-operative societies. They should be asked to grant them cash credits and overdrafts and charge only moderate rates of interest.

(4) There should be rectification and consolidation of the co-operative societies so as to make them more efficient and trustworthy and businesslike. They should fully and adequately meet all the needs of the members so as to prevent them from going to the *sowcar*.

(5) In the Provincial and district central banks there should be no individual members; only societies should be members. The staff of these banks should be efficient and well-trained in co-operative principles. The directors should be disinterested workers who can afford to devote a greater portion of their time to the co-operative work. They should arrange for the supervision and guidance of the societies affiliated to them and should provide an adequate sum for that purpose. If the public come to know from the work of these banks that the money they keep with them by way of shares or deposits would be safe and that the agriculturists would be really benefited by the use of that money, large amounts would be no doubt forthcoming for shares or deposits without much trouble and difficulty and the banks would be enabled to meet the needs of the members of the societies fully.

The Government should also make deposits with these banks. They may impose any reasonable terms with regard to the safety and utilization of their money.

(6) The Provincial Bank, the District Bank and all co-operative societies and the Department should strive their utmost to propagate the co-operative principles and the aims and objects of co-operative societies so as to make the people understand that their economical interests would be surely promoted if they become members of these societies and act according to co-operative principles. Unless the co-operative principles are continually brought to the notice of the agriculturists and instilled into their minds they will derive no real benefits from these societies.

(7) For the redemption of the outstanding debts of the agriculturists and for costly improvements of lands long-term loans are necessary. The existing co-operative societies cannot grant these loans. Land mortgage banks are to be started for advancing long-term loans.

Rao Bahadur K. R. Valvekar.

QUESTION 2.—The principal crops in the Dharwar district are the following :—

1. Cotton,
2. Wheat,
3. *Juar*,
4. Rice,
5. Oil seeds, groundnuts, kardy and *til*,
6. Gram.

The present system of marketing the crops is that immediately after harvest they are moved to the nearest market town and there left with the *dalal* or middleman to be sold by him. The *dalal* finds a purchaser for them and when they are sold collects the sale proceeds and hands them over to the cultivator after deducting all his dues, *viz.*, the amount advanced by him beforehand with interest, his commission and incidental charges. In the present system the cultivator depends on the righteous conduct of the *dalal*. But from what we hear about the conduct of the *dalals* it may be said that his conduct is not so very righteous.

The *dalal* being himself in want of funds and having no credit facilities he sells the crops of the agriculturists as early as possible even though the market is dull and the prices are very low. He looks only to his own interest and not to the interest of the cultivator. The *dalal* who does not get financial accommodation is able to advance only small amounts for short periods. As the agriculturist gets no financial accommodation for holding over his produce till he gets better prices he is compelled to sell it immediately although he will have to incur loss in so doing.

In my opinion co-operative sale societies are far better than the individual *dalals* and merchants for selling the produce of the agriculturists. It is essential in the interests of the agriculturists that in every market-town a co-operative sale society should be started.

In view of the attitude of the businessmen towards one another pools for marketing agricultural produce will not be successful.

As regards the marketing of cotton the Bombay merchants and millowners provide money to the local merchants and *dalals* against cotton and the local merchants and *dalals* finance the agriculturists. The Bombay merchants get financial accommodation from banks against cotton bales.

The existing facilities for internal remittance are :—

1. Postal money orders,
2. Insured post,
3. *Hundis*, drafts and cheques,
4. Remittance transfer receipts and supply bill and telegraphic transfers.

The cost of remittance is at present rather high. The banks and bankers are charging commission at high rates.

Remittance by money order or insured post is not profitable to commercial men.

Remittance by remittance transfer receipt free of all charges is only allowed to co-operative societies. The minimum limit for remittance transfer receipt is Rs. 150. The limit is high in the case of smaller societies. It should be reduced to Rs. 50.

In the case of supply bills the minimum limit for the issue of those bills is Rs. 5,000 and the charge is 2 annas per cent. for sums up to Rs. 10,000 and 1 anna per cent. for

sums above Rs. 10,000. As the limit and the charge are too high in the case of traders and merchants working with moderate capital they should be reduced, the limit to Rs. 1,000 and the charge to half an anna.

Remittances by money order and insured post are not advantageous to commercial men.

Remittance by means of *hundis*, drafts and cheques are made by commercial men. They are generally drawn on bankers and banks in Bombay. *Hundis* are of two types, *darshani* and *mudati*. *Darshani hundis* are drawn in a majority of cases and *mudati hundis* in a few cases.

Co-operative societies and banks have been doing *hundi* business; but lately they have been asked to draw and accept *hundis* only in the case of their members. The Imperial Bank used to honour the cheques and drafts drawn by co-operative banks on the Bombay Provincial Bank without any commission up to Rs. 5,000, and with one anna per cent. commission above Rs. 5,000, and below Rs. 10,000 and with one anna and a half commission above Rs. 10,000. The co-operative banks used to make use of this privilege when they had to make remittance to Bombay. But the Imperial Bank now thinks of withdrawing this privilege as it fears that the co-operative banks may compete with it in *hundi* business and its profits may consequently decrease. The co-operative banks being not joint stock banks started for the purpose of making as much profit as possible in *hundi* business, and working under the supervision and guidance of Government, the Imperial Bank should have, in fact, no reason to fear. Its fears seem to be more theoretical than real, and this fact shows that it has no real sympathetic attitude towards co-operative banks. As the urban banks finance small traders, merchants and industrialists and also agriculturists residing in town it is quite necessary that they should be allowed to do *hundi* business in order to facilitate their operations in the matter of remittances to Bombay and other places and it is also necessary that the privilege given by the Imperial Bank should be continued.

It is essential that co-operative sale societies should have storing facilities. They should have their own godowns but they cannot construct them for want of funds. It is desirable that Government should construct them and allow the sale societies to use them on reasonable rent. The societies will then be able to do business more advantageously.

QUESTION 3.—There are three classes of arable lands in this district: (1) black, (2) reddish, and (3) mixed (red and black).

The value of the land in the case of black soil varies from Rs. 100 to Rs. 500 per acre and in the case of red and mixed soil from Rs. 50 to Rs. 200 according to quality. In addition to the quality of the land its value is to a considerable extent controlled by the annual rainfall over the place where the land is situate, the distance between that place and the market-town, and transport facilities. The value would also depend on demand. Lands fetch better prices when sold by private negotiations.

QUESTION 4.—There are some impediments to the mortgage of land. A *watandar* cannot mortgage his *watan* land to an outsider beyond his life-time. The Watan Act prohibits the alienation of *watan* property to an outsider. There are no other impediments except the one mentioned above.

Three land mortgage banks have been registered underthe Co-operative Societies Act, one for the Khandesh district, one for the Broach district and one for the Dharwar

district. They have not yet commenced to work. They are going to supply long-term credit. The Dharwar land mortgage bank is going to commence its operations shortly. It is too early to say anything about these banks and their work. However, I suggest that in view of the utility of these banks there should be one for each *taluka*.

As the entries in the Record of Rights are made in the first instance by the kulkarni who is known to be not very honest and conscientious the parties affected by them should not be held to be bound by those entries unless they have reasonable time to contest them after they come to know of them.

Certified copies of the Record of Rights should be supplied with least delay. The village officers do not now supply them in proper time. Such copies should be supplied within five days from the receipt of the applications for the same.

QUESTION 5.—So far as I know no efforts have been made to estimate agricultural indebtedness in our Province. It is not possible to estimate it without securing accurate information from individual agriculturists and from Registration Department.

QUESTION 6.—There are industries as rice-milling, *gur*-making, cotton ginneries and hand spinning. Large cotton gin factories are situated in cities and the labour required for them is recruited from the poorer urban classes. An industry to be of use to the agriculturist as a subsidiary industry must fulfil the following requirements.

(1) It should not require complicated and costly machinery.
(2) It should not involve the investment of considerable capital.

Spinning and weaving are the only two industries which will answer these requirements.

QUESTION 6A.—There is weaving industry carried on in the Hubli town. It requires financing.

QUESTION 7.—The relations between the co-operative banks and the Imperial Bank, the joint stock banks and the indigenous banks are not very cordial in the sense that the other banks do not render any help to the co-operative banks.

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

In view of the funds of the existing co-operative societies they can grant only short-term loans and not long-term ones. In our district in the present circumstances the agricultural societies do not get loans from the district central bank promptly and they are consequently unable to meet the needs of the members timely and adequate.

I would suggest that the following concessions may be granted to the co-operative societies in order to develop them :—

(1) The interest which the societies get on the amount invested in Government securities should be exempted from the income tax.

(2) The debentures issued by the Provincial Co-operative Bank should be included in the list of authorised securities under the Trust Act.

(3) The cheques of the Provincial Bank and some select central and urban banks should be accepted by Government treasuries.

It may be said that the co-operative societies have succeeded in meeting the financial needs of their members to a great extent. If they are well-managed and get timely

financial help from the provincial co-operative and district co-operative banks they can no doubt meet adequately the needs of their members.

QUESTION 8.—The Dekkhan Agriculturist's Relief Act has done no lasting good to the agriculturists. It has not only not improved their condition but it has made them as well as their financers dishonest, untruthful and insincere. The agriculturists cannot now get credit without much difficulty. As a rule they are required to execute a bond for double the amount that is actually paid to them. I think this Act should be abolished in the interests of the agriculturists and some other Act on the lines of the Co-operative Societies Act should be enacted.

QUESTION 9.—The people in the *mofussil* have not yet become aware of the Usurious Loans Act and, consequently, it is not availed of by them.

SECTION II.

I find that the indigenous banker is different from the *sowcar* or money-lender. The indigenous banker resides and transacts business in district and *taluka* headquarters and market-towns, but not in the villages; and the *sowcar* in villages and towns. The indigenous banker does banking as well as money-lending business; whereas the *sowcar* does only money-lending business. The banker accepts deposits from the people and pays interest on the same at the rate of 9 to 12 per cent. The people hardly make deposits with the *sowcar*. The village *sowcar* advances loans to agriculturists and other people living in the village for short and long terms and for any purpose, good or bad. He is quite indifferent about the purpose of the loan and the welfare of the borrower; his rate of interest ranges from 18 to 24 per cent. and his loans are on simple and mortgage bonds and also on the pledge of gold and silver ornaments. In spite of his usurious loans and of his not very fair and honest ways the agriculturists and other village people go to him for loans; they being ignorant and illiterate are quite unable to understand his crafty ways. To save these persons from the clutches of the *sowcar* the best remedy is to organise co-operative societies in all villages. The societies are the only institutions which can promote the economic interests of the agriculturists and others if well-organised and well-managed. Constant efforts are to be made to propagate the co-operative principles and ideas and instil them into their minds by explaining to them how they can overcome their financial difficulties and improve their position by means of co-operative societies.

The indigenous banker is far better than the *sowcar*. As he is doing banking business he rather hesitates for some reason or other to resort to all the nefarious ways of the *sowcar*. He is not desirous to advance loans to agriculturists living in a village. He finances the traders, merchants and professional men. He also advances loans to Government, Railway and Municipal servants and laymen. His capital is made up of (1) the amount owned by him, (2) the amount deposited by people with him and (3) the amount borrowed by him. He borrows generally for short periods on promissory notes and *mudati* and *tevani hundis*. His working expenses are very low. The loans advanced by him are repayable on demand or on the expiry of the period agreed to by the borrower. If the interest is paid to him regularly and if there is no fear with regard to the stability of the borrower and the safety of his money he does not press for the repayment of the principal. The loan is renewed without any difficulty.

Cash credits are not granted by him. He is not very fair and honest in his dealings. Implicit reliance cannot generally be placed on his word. If his present methods and

activities be reformed he will be very serviceable in the matter of financing agriculture, small trades and industries. I think there should be some legislation with regard to his duties, responsibilities and methods.

The present number of joint stock banks is very small. It is necessary that they should be increased and that they should be managed by persons who are thoroughly honest and upright and have business habits.

At present neither the indigenous banker or bank or *sowcar* nor even joint stock bank can finance the industry which requires finance for a long term in view of his small capital.

So far as I know the indigenous banker or bank has not a large amount of money seeking employment, and the net return on his capital after making allowance for all expenses and losses that he may incur is about 12 to 18 per cent.

The relations between indigenous banker or bank and other banks are not bad. The Imperial Bank is not as much serviceable as it should be to Indian merchants, traders and industrialists. Its sympathy towards them, if there be any, is not practical.

I would recommend the establishment of a Central Bank in the Presidency town with branches having local directorate in all district and market towns to do banking business and give financial accommodation to the indigenous banks, bankers, joint stock banks and also to co-operative banks.

SECTION III.

The banking institutions which are mentioned below have been taking savings deposits :—

(1) Postal savings bank.
(2) The Imperial Bank.
(3) Joint stock banks.
(4) Co-operative banks.
(5) Indigenous banks.

The means now used for investment of savings as well as for encouraging savings and investment habit can be said to be the following :—

(1) Deposits in the above-mentioned banks.
(2) Provident funds.
(3) Premiums on insurance policies.
(4) Postal cash certificates.

Out of the above-mentioned banks it is only the co-operative societies and banks which are making earnest endeavours to secure savings deposits. They are encouraging and promoting thrift among members and non-members by all possible means.

Insurance companies and provident societies are also very useful in the matter of promoting investment and savings habit. Joint stock banks can attract large deposits if the directors thereof are influential, respectable and honest men and if they are so well managed as to inspire confidence in the public about the safety of the deposit money.

The Imperial Bank commands the confidence of the public as Government keeps their funds with it. It can get any amount of deposits without any trouble if it lowers its present rate of interest in case of poor and middle class people and if arrangements to receive and return the deposits are so made as to suit the convenience of all the classes. The influence of co-operative societies and insurance companies and also provident societies can be said to be conducive to savings and investment habit.

Additional capital is necessary for financing agriculture and industries; but what amount is required one cannot state with any degree of exactness without accurate information. Relief of agricultural indebtedness will, no doubt, require a huge amount of capital.

Postal cash certificates of still smaller value, bearing a little higher rate of interest, will enable the poor and middle classes to invest their savings in them. Government and Railway servants and professional men resort to them.

I do not think that agricultural classes can be persuaded to purchase Government securities; our experience is that the Government securities purchased by them at the war-time were sold by them at a great loss. They are averse to invest their money in Government securities again.

Agriculturists invest their savings mostly in gold and silver ornaments and in land. They are not usually bent on making loans to fellow agriculturists.

In view of the fact that almost all agriculturists are involved in debt it is not possible for them to have any surplus money to hoard. I do not subscribe to the view that there is a large amount hoarded by them. These persons having no strong boxes to keep their money are in the habit of keeping even the money which they require for current expenses under-ground as they think that it is safer to do so.

QUESTION 4.—Cheque-habit is growing popular though slowly. Educated classes and merchants use cheques. The abolition of stamp duty on them has facilitated the growth.

I would suggest that the forms of cheques should be printed in English and local vernacular and that the payee should be at liberty to sign the cheque in any language and in any way he likes. The general practice is now that the drawee now withholds payment if the payee does not write his name in his signature in the same letters and words as in his name written in the body of the cheque. If the payee be a true person and be identified, the drawee should not raise such objections and withhold payment.

As people were not used to the present mode of banking and investment and so the banking and investment habit is of slow growth in India. Conservatism, ignorance and illiteracy are a great hindrance to the growth of banking and investment habit. People will not hazard their savings in infant industries unless the directorate is such as to command their confidence and respect.

Oral Evidence.

14023. *The Chairman:* Rao Bahadur Valvekar, you are the Chairman of the Hubli Urban Co-operative Bank, Ltd ?—Yes.

14024. Are you also a practising pleader ?—I have retired since the last five years; I had been practising for thirty-five years.

14025. We have been told that legal procedure at present is very dilatory, and that is one of the reasons why some of the bankers are not in a position to advance loans at cheaper rate of interest than at present. Do you think that is true ?—The recovery is delayed.

14026. Not only the recovery, but also the hearing of the case ?—The hearing of the case does not take so much time; the only delay is with regard to the recovery.

14027. Do you think it can be avoided ?—It can be avoided if the present system is improved. There should be improvement in the present establishment.

14028. Improvement in the people or moral ?—In the quality.

14029. Another point made out is that the Insolvency Act is being abused ; is that so here ?—Not in this part. They have just begun to make use of the Insolvency Act here.

14030. Do the cultivators not avail themselves of the Insolvency Act ?—No ; they do not know.

14031. Do you think there should be any special provisions regarding rural insolvency ?—At present there is no necessity.

14032. Are there no people heavily indebted ?—They are heavily indebted, but I do not think they have made use of the Insolvency Act.

14033. Are not several of them insolvent ?—Yes.

14034. Do they still drag on ?—Yes, because they take loans from *sowcars*.

14035. Do you not think that special provisions are necessary to bring to their notice the present law ?—It is not necessary.

14036. Another suggestion is that equitable mortgages as in Presidency towns should also be introduced in some of the urban areas. Do you think it is necessary ?—I think it is quite necessary now in the headquarters of the district ; if equitable mortgage is introduced, it will facilitate transactions.

14037. Can you tell us why these equitable mortgages are introduced only in Presidency towns and not in other towns ?—Because the people are not educated. They do not know the procedure with regard to equitable mortgages.

14038. Supposing these equitable mortgages are introduced universally, what is the danger ?—There will be an increase in the number of fraudulent transactions.

14039. How ?—The people do not know the procedure ; they keep documents with the creditor not as security but for safe custody, and the creditors make use of them.

14040. In the case of equitable mortgages in Presidency towns a note has to be passed ?—Yes ; there the people know that they keep documents with the creditor as security for the debt.

14041. Does the membership of your bank consist of various classes of people ?—Yes ; of all castes too.

14042. Are most of your loans for unproductive purposes ?—Not most, but a minor portion.

14043. Do you not have two separate departments, one for financing trade or agriculture and the other for financing salary earners ?—No.

14044. Do you not think in a place like Hubli it is necessary to separate the two ?—Yes.

14045. Do you do money-lending business as well as banking business ?—Yes.

14046. Do these go together ?—Yes.

14047. To what extent are you financing trade and agriculture ?—There is no limit.

14048. What is the amount of your individual loans ?—Fifteen to twenty thousand rupees.

14049. Are there many such loans ?—There are three or four such loans, but there are many loans of two thousand to five thousand rupees ; they are only for short periods, for about six months to one year.

14050. Where do the traders and industrialists in your town get their finance from besides the Urban Bank ?—There are some *marwaris.*

14051. Do they charge a higher rate of interest ?—Yes.

14052. Why do people go to them ?—Nowadays the Bombay merchants have their own agents here. They do not wish to become members of our bank, because their principals stay in Bombay. They want loans on *mudati hundis,* and we do not give them loans.

14053. Do you not cash *mudati hundis* ?—We had been doing that both for members and non-members, but since last year we have not been doing that business.

14054. Not even for members ?—Even for members we did not do it last year, because the traders endorse these *hundis.* All the parties to the *hundi,* namely, the drawer the drawee and the endorsee, must be members. Generally the drawer is a member but not the endorsee.

14055. You have capital of eight lakhs ?—Yes.

14056. Is it mostly your own capital ?—Yes.

14057. Do you not borrow from the Central Bank ?—Never ; we do not require any loans from any banks. If we want money we can attract deposits.

14058. Have you surplus ?—We have.

14059. What interest do you pay on deposits ?—5 per cent. for one year and 5½ per cent. for two years.

14060. Do you take long-term deposits ?—We used to take, but since last year we have stopped it.

14061. Why ?—We have to pay high rate of interest and we have surplus.

14062. Do you give long-term loans ?—Only for two years.

14063. What is your rate on loans ?—Up to Rs. 500 it is 12 per cent. and above Rs. 500, 9 per cent.

14064. Do you want people to borrow larger amounts ?—That is not the case. The rate should be lower for larger amounts. We generally give loans to poor people, *bhangis* and *mahars.* They have to pay 18 to 25 per cent. to *sowcars,* and they do not grumble to give us 12 per cent.

14065. If a man with good credit borrows from you, he will take Rs. 600 instead of Rs. 500 ?—Yes, that is the case, because the rate will be lower for sums above Rs. 500.

14066. I expect this has been a point of contention between you and the Department for a number of years ?—Yes ; but when these people can get loans at very high rates, at 50 to 70 per cent., they do not grumble paying 9 to 12 per cent. Even the Railway employees get loans at very high rates.

14067. So you can say that the rate of interest should depend on the security rather than on the amount borrowed ?—The only security they can give is personal security

and some sureties; they have no property. We generally take a number of sureties, about ten, for *mahars* and *bhangis*.

14068. Are you doing all the business that joint stock banks do?—Yes.

14069. Are there any joint stock banks in Hubli?—There is a branch of the Dharwar Bank. The head office is in Dharwar.

14070. Does your bank compete with the Dharwar Bank?—They do not do much banking business; they lend money on the mortgage of houses.

14071. What are your difficulties as regards the *hundi* business?—There has been difficulty about remittance; we cannot remit money to Bombay as easily as we had been doing.

14072. Why?—Before last year we had been remitting money to the Provincial Bank by cheques. We were not using remittance transfer receipts, because the concession or the privilege given by the Imperial Bank was that up to Rs. 5,000 they were not charging any commission and above Rs. 5,000 they were charging one anna commission. And when they came to know that we were doing *hundi* business on a large scale they thought that it would affect their interest, and they withdrew the concession.

14073. Did your bank suffer because they withdrew the concession?—They withdrew it last year, but before that they came in our way and contended that *hundi* business should not be done by urban banks.

14074. How did it affect your business?—The Imperial Bank made a report to Government, and Government wrote to the Registrar and the Registrar asked for our explanation. The Registrar had to come all the way from his headquarters to Hubli to settle the point and he said that we should not do *hundi* business with regard to non-members. But, as I told you, the non-members come in in one way or the other, and, therefore, it is not possible to do *hundi* business if such a restriction is placed.

14075. What was the final order passed?—The final order passed was that we should not do *hundi* business with non-members.

14076. Supposing you are told that you are not to make use of the concession of free transfer of funds or of getting cheques up to Rs. 5,000 free of commission, would you be able to do *hundi* business as you used to do before?—There must be some arrangement for remittance to Bombay.

14077. Supposing you are given the same rates as other banks are given?—If we are allowed to do business with non-members we can do that.

14078. Can you revive your *hundi* business, if the concessions are withdrawn and you have to pay the same rate as other banks?—We can do it, but not to the same extent as before.

14079. You say that when the *lingayat* or the Brahmin lends money, his conditions are stiffer than those of the *marwari*, because the former has always an eye on the land of the agriculturist. At what rate do they lend?—The *lingayats* charge 12 per cent. and the *marwaris* 18 per cent. The *marwari* wants only a high rate of interest; he does not care for land.

14080. You say that co-operative societies in rural areas are not doing well because of the party spirit displayed by members of the managing committee. Are you speaking generally of all societies?—I am Chairman of the Supervising Union, and I know it from my experience of these societies.

14081. Which part of the district you are acquainted with ?—My personal experience of societies is in Hubli *taluka*. I was in charge of 34 societies, and I have found that there are two parties in each and every village, and I advise them to have a separate society for each party.

14082. Do the managing committee members advance loans to the members of their own party ?—Yes, and they do not care even with regard to the ability of the man to whom they advance loans.

14083. What about the members of the other party ?—If they are not members of the managing committee, they do not get anything. Generally members of one party come into power.

14084. How many of the 34 societies do that ?—Most of them. There is only one society in each village and I find two parties in the society.

14085. Are these parties due to political elections ?—No ; they are due to purely local matters ; they have nothing to do with political elections.

14086. Still you say that of all the financing agencies the co-operative society is the best ?—Yes, there should be two societies in a village.

14087. Do you think if there is a separate society for each party, it will work well ?—Certainly ; there will be a healthy competition.

14088. There might be further parties in the new society ?—Then again there should be separate societies.

14089. What is the " Savings ticket system " that you refer to in your statement ?—The savings tickets are of the denomination of two annas, four annas and a rupee. These tickets are printed. When a person purchases a ticket, he hands it over to the secretary.

14090. When ?—At any time.

14091. Is this issued in the office itself ?—It might be sold by the members also privately, because each member is given a certain number of tickets, and he sells it at his convenience. The man who buys these tickets should go to the office and hand them over to the secretary and the secretary credits the amount covered by these tickets to the savings deposit account.

14092. Is this savings deposit ?—Yes ; we pay 5 per cent. interest in order to encourage thrift.

14093. Have you also savings deposit account ?—Yes.

14094. What interest do you pay on savings deposit account ?—3½ per cent.

14095. Are the conditions of both the system similar ?—Practically the same.

14096. How much have you received on these savings tickets deposits ?—About Rs. 1,600. People have not come to know of the system.

14097. How many indigenous bankers are there in Hubli ?—There are Brahmin and *marwari shroffs*.

14098. Do they do banking business ?—Yes ; they buy and sell *hundis*, and they also buy and sell gold.

14099. Do they take deposits ?—The Brahmin *shroffs* do not take deposits.

14100. Do *marwaris* take deposits ?—Even *marwaris* do not take deposits.

14101. If a man wants to deposit, has he to go to a bank ?—Yes ; they used to keep deposits with some *dalals*, but now they do not do it.

14102. You say : " In the interests of the agriculturists it is necessary that there should be a limit to the number of the persons who make loans to them." How are you going to do that ?—If you introduce the system of licensing money-lenders, you will limit the number.

14103. Do you get any facilities from the Imperial Bank except those which you mentioned and which were withdrawn ? Have you cash credit ?—I have a current account. The Imperial Bank has given cash credit to the Provincial Bank ; I have not yet asked for it.

14104. What makes you say that the Imperial Bank helps only European merchants and rich and influential Indian merchants ?—I say it from my experience.

14105. What is your experience ?—I wanted to deposit my Bank's money, but they said they cannot take it. They refused to receive deposits. I know it as a matter of fact.

14106. Do individual merchants get facilities from the Imperial Bank ?—I think here they do not give any facility to the individual merchants.

14107. Do men with credit and security approach the Imperial Bank ?—They have approached, but I do not know what security they offer, but I know that the Bank does not give any facility to them.

14108. You say that the conduct of the *dalals* is not so very righteous ; what are the defects ?—These cotton *dalals* in Hubli do not deal honestly with the agriculturists.

14109. In what way ?—With regard to weight, with regard to rates and with regard to everything.

14110. Is there no competition amongst the *dalals* ?—There is competition ; but they advance money indiscriminately to the agriculturists and do not keep correct accounts. With regard to weights, they have no good reputation, and with regard to the rate also they say one rate and at the time of adjusting the accounts they write a different rate ; in other words, their conduct is not very honest or righteous.

14111. You say : " It may be said that the co-operative societies have succeeded in meeting the financial needs of their members to a great extent." It seems to be contradictory to what you said that nearly half the members do not get money at all ?—That is on account of two parties in the society.

14112. You say that the indigenous bankers accept deposits and pay interest of 9 to 12 per cent. Do they pay such high rates of interest ?—Yes ; because they require money.

14113. Do they receive deposits during the busy season only ?—They receive it in off season too.

14114. You say, to save the agriculturist from the clutches of *sowcars* the best remedy is to organise co-operative societies in all villages. Do you think any propoganda is necessary ?—Yes, there should be propaganda first before new societies are started.

14115. What is the *levani hundi*, to which you refer in your statement ?—They do not send it to the drawee ; they draw the *hundi*, and keep it for some period.

14116. Is it not the same as *mudati hundi* ?—No ; they draw the *hundi* and keep it for two or three months.

14117. Is it a demand draft ?—It is just like a demand draft ; but there is a mutual arrangement to keep it for two or three months.

14118. Is it not to be sold ?—It is neither to be sold nor to be negotiated.

14119. Is there a particular form ?—No.

14120. Do they fix the date ?—They do not fix the date in the body of the document at all ; but there is a mutual arrangement to keep it for two or three months just like a *mudati hundi.*

14121. Why do they do that ?—They think that they would lose their credit by passing bonds or promissory notes.

14122. Is it done to escape the stamp duty ?—Not to save the stamp duty but to keep up their credit, because they think that they will lose their credit by passing a bond or promissory note.

14123. *Professor Kale :* You said that most of your clients are people who use their loans productively ; but from certain calculations made I find that 55 per cent. of the loans are non-productive. I have calculated from the statistics in your statement classifying members according to occupation. For instance, school-masters, clerks and workshop employees are people who are not likely to borrow for productive purposes ?—They do not take loans from us. Tanners and shoe-makers take loans from us. *Bhangis* and *mahars* take loans. But ladies, doctors and pleaders do not take loans ; there are many of them who do not take any loans from us.

14124. Is it only a classification of membership ?—Yes ; they become members just to encourage co-operative members.

14125. Do the *bhangis* and *mahars* borrow ?—Yes.

14126. *The Chairman :* What do they borrow for ?—For domestic purposes ; they were borrowing from Pathans at 75 to 150 per cent.

14127. *Professor Kale :* With regard to your suggestion that in villages where there are factions two societies should be started, do you think that a village can stand two societies ?—Yes ; there should not be any limit to membership. In the Punjab there are societies where there are only twenty members, and in that case there will be a better arrangement and better administration of societies.

14128. Do you think it will be carried on profitably even with twenty members ?—Yes ; it will be conducted on co-operative principles.

14129. Are we to understand that after all these years co-operation has failed when there are factions in every village ?—It has failed, and they do not at all know. Apart from that no serious attempt has been made to make them understand the principles of co-operation.

14130. So practically you will have to begin on new foundation ?—Not new foundation ; but it is better that there should be propaganda work before we start societies.

14131. Was it not done before ?—Propaganda has not been largely done unfortunately.

14132. What is the dividend that you give to your shareholders ?—9 per cent.

14133. Why should your bank not be able to remit money to Bombay just as other people in the *bazar* do ? Why should you rely on Government concession ?—The *marwaris* remit money in many ways ; they either send currency notes by insured post or send half notes by registered post, but we cannot remit money in that way.

14134. Can you not buy *hundis* on Bombay in the local *bazar* from *shroffs* ?—I do not think it is safe.

14135. The *shroffs* are able to remit thousands of rupees ?—Now-a-days I am of opinion that it is not a safe concern.

14136. Have you tried it ?—I did try about two years ago, but many of them have become insolvent.

14137. We have been told by representatives of *shroffs* that they have no difficulty in remitting money and they have suffered no losses ?—They have suffered losses. As a matter of fact I know that they suffered losses in Hubli.

14138. Do you think that for co-operative banking it is not safe ?—It is not safe for co-operative banks to do it.

14139. *Mr. Buckley :* In the classification of members, you show that there are 275 weavers and artisans, but further on you say that the weaving industry requires finance. Do you finance these weavers at all ?—We do not finance them, because they have their own society. Before the weavers' society was started, some of the weavers who were members of our society were getting some money.

14140. Is this society of weavers able to finance itself, or is it short of money ?—It is short of money.

14141. You said a short while back that you stopped taking long-term deposits. Is that because you have exhausted all the means of lending money ?—No ; but at present we cannot lend money indiscriminately, because there is not much trade in Hubli and many of the merchants have become insolvent, and the condition of merchants is not as it was before, and, therefore, it is not safe to lend money to them without good security, which they are not able to give at present.

14142. So you deliberately slow down your policy of lending ?—Yes ; and, therefore, I have stopped taking deposits.

14143. *Mr. Kamat :* Speaking about the branch of the Imperial Bank, are the merchants satisfied with the working of the Bank ?—So far as my information goes there are complaints ; they are not satisfied.

14144. What are the complaints ?—They do not give facilities.

14145. We were told by the Secretary and Treasurer of the Imperial Bank in Bombay that they give accommodation against agricultural produce in the *mofussil* to *zemindars*. Do you know if there are any difficulties ?—About two years back they used to advance against cotton seed. I do not know the terms ; but the merchants did not like to take advances.

14146. About the weaving industry, you said that there was a society for weavers. What more do they require ? Do they require finance ?—Yes ; they require long-term finance. Now the trade is dull, and they require long-term loans to be repaid by easy instalments. Such an arrangement will improve their position.

14147. Is the weaving industry carried in old fashion in Hubli ?—Yes.

14148. How do they manage the salesmanship ?—They take it on the *bazar* day or they take it to the shops.

14149. Do they send the goods to the man from whom they borrow ?—They do it sometimes.

14150. In the case of members of the weaving society, who borrow from the society, where do they sell their articles ?—They borrow from the society, but they do not borrow against finished articles.

14151. Are they at liberty to sell their finished articles anywhere they like ?—Yes.

14152. Do they require any help for selling their finished articles ?—They do require help ; there is no society for selling.

14153. Is there any society, which can advance money to weavers, so that they can hold on ?—I think the present society can do it.

14154. So far as your *taluka* goes, have there been any new societies formed during the last year or two ?—I have no information. There are at present thirty-four societies.

14155. If this suggestion of yours to have a society for each faction in the village is carried into effect, do you think sound societies could be brought into existence ?—Yes ; the present societies will improve.

14156. Has this been suggested to the Department ?—No ; I have been advising only the village people to have separate society for each party.

14157. *Mr. V. L. Mehta :* You said that you have given out loans of as much as fifteen thousand rupees to one individual. On what security have you advanced such loans ?—Mortgage of houses and lands and on two sureties.

14158. A suggestion has been made to us that urban banks like yours should be allowed to advance money to large customers. What do you think of that suggestion ?—I think it is a good suggestion.

14159. In that case the small and large men will all be mixed together. And do you not think the needs of small members will be neglected ?—In urban banks there are not factions.

14160. If there is a proposal for fifty thousand rupees to one individual, the bank will look to such a proposal instead of to demands from a hundred members requiring five hundred rupees ?—The principle of co-operation should be understood, and preference should be given to small people.

14161. In case of banks with small resources, do you not think these banks will be in difficulty if they advance large sums ?—They will have to use their discretion. They must give preference to the small loans, and if they have surplus they can advance large sums.

14162. Another suggestion has been made to us that the urban co-operative banks might be permitted to deal with institutions registered under the Indian Companies Act, that is, admit small companies to membership and make them advances ?—I have admitted them to membership and I have been advancing loans to them. But now-a-days the Departmental order is that they should not be made members.

14163. What is your own view ?—Under the present rules they can be made members, and there is no objection.

14164. Are not the principles of working of these institutions different from the principles of the working of your bank ?—Supposing there are ginning and pressing factories, what objection is there to finance them if the bank has surplus funds ?

14165. Are not these urban banks supposed to consist of individuals and not corporations ?—They are supposed to encourage trade and industry. And the presses and gins are industries, so what objection is there to assist these presses and gins, if banks have sufficient capital ?—As I said preference should always be given to small people.

14166. About these low paid workers either in the Municipality or in the Railways, do you think it is desirable for them to join a people's bank like yours rather than run separate societies ?—These employers do not take any interest.

14167. Not even in the Municipality ?—I was a Municipal member for thirty-five years. I have occupied all the posts from the membership to the Presidentship. It is for this reason that I have started the society.

14168. Are there any difficulties about recovering from these small people ?—No ; I send my clerk to them on the pay day. Although they are honest people such things are necessary in the beginning.

14169. You said that you enjoy from the Imperial Bank the facility of sending to Bombay cheques on the Hubli branch which would be credited in your account in Bombay at par. Do you know whether it is a special facility allowed to the co-operative bank, or is it allowed to other customers also ?—I think it was a special facility, and the Imperial Bank was benefited, because I was keeping my bank's cash balances there, and they were not allowing any interest on our current accounts. It is lately that they have withdrawn the privilege.

14170. You suggest that land mortgage banks might be started in different *talukas*, but will you have people to work them ?—I think we can get them in some *taluka*.

14171. You suggest the replacing of the Dekkhan Agriculturists' Relief Act by some measure on the lines of the Co-operative Societies Act. Does that mean that you have more faith in constructive method rather than protective legislation ?—Yes ; a co-operative society is the best remedy ; the only difficulty is that it is not well-managed.

14172. *The Chairman :* I expect you are also a member of the District Central Bank ?—Yes.

14173. Is that working properly ?—To tell you frankly, it is not doing its business properly.

14174. Has there been no meeting for some time ?—No.

14175. Why it is not working well ?—It is due to factions and parties. They do not care for the interests of societies ; they want their own people on the directorate of the bank.

14176. This was one of the best banks. Since when has it happened ?—I was also director for some time in the beginning.

14177. Was it working well then ?—I may say so. Now-a-days it is not working well. They do not look to the interests of societies.

14178. What interests do they look to ?—I cannot say that.

(The witness withdrew.)

Mr. K. B. ANKALIGI, The Ankaligi Bank, Ltd., Dharwar.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The agriculturist in the Dharwar district obtains finance (*a*) for expenses during cultivation from (1) his village *sowcar* or *marwadi*, (2) *dalals* in the marketing town, (3) Co-operative societies, (4) Joint stock banks, (*b*) for capital and permanent improvements from (1) Government, (2) Co-operative societies, (3) Joint stock banks and (4) *sowcars*, and (*c*) for other special needs, *e.g.*, failure of monsoon, for land revenue, &c., from (1) *sowcars*, (2) Co-operative societies and (3) Joint stock banks.

The rate of interest charged on loans varies according to the nature of security he offers and the amount he borrows and the institution from which he secures his loan.

Government and the Imperial Bank lend out money at rates varying from 5 per cent. to 8 per cent. The Imperial Bank has a flat rate of 6 per cent. on loans advanced against solid gold and silver and the Bank rate varies according to season if the loan is advanced against gilt-edged securities.

Co-operative societies advance loans only to their members on joint bonds or on mortgage of immovable property at rates varying from 9 to 12 per cent., with a clause for penal interest of about the same rate in case of default, which works out invariably at 3 or 4 per cent. over and above the agreed rate.

The joint stock banks advance loans on the pledge of ornaments and on personal and joint promissory notes, bonds, personal or joint, or mortgages of immovable property; and their rate of interest varies from 7 to 12 per cent. according to the nature of the securities. If the party desires a loan against his own deposits, they charge only 1 per cent. over the deposit rate. On ornaments they charge from 7 to 12 per cent. according to the amount of the loan. On bonds a rate of 12 per cent. is charged.

The village *sowcar* usually charges 12 per cent. to 18 per cent. interest. In the case of ornaments he charges from 6 per cent. to 12 per cent.

The Imperial Bank does not advance small loans and it is not possible for the common agriculturist to approach and secure loans from the Imperial Bank. But even the common agriculturist may contrive to secure small loans from Government if the same is required for purposes specified in the Agriculturists' Loans Act when he has some influence with the village officers. But now-a-days Government rarely advance loans to individual agriculturists. They advance their *taccavi* loans through central banks and co-operative societies.

The co-operative and joint stock banks do invariably insist upon the mortgage of immovable property when the amount is a big one and the loan is to stand over for a longer period than a year.

The *sowcar* does his lending business on the same lines as those of joint stock and co-operative banks.

The *dalals* or *marwaris* finance to such persons as are likely to become their prospective customers in their trade.

QUESTION 2.—The agriculturist, as he reaps his crops, takes them to the nearest *dalal* whom he knows and entrusts the sale thereof to him and receives from him the maximum amount the *dalal* is willing and ready to advance against the goods. The agriculturist is illiterate and is not in a position to know the central market rate of the goods he has sent to the market nor has he the patience to wait for the better price. Under the circumstances the *ryot* goes to his *dalal* and troubles him for the price of his goods. The *dalal* taking advantage of the ignorance and impatience of the *ryot* tries to satisfy him by paying him small advances according to his necessity and knocks down the goods for the lowest possible rate and debits the *ryot* with all possible charges *i.e.*, such high rate of interest as may be possible to charge on the amount advanced, *dalali*, godown rent, insurance and other charges, charity, etc. But even the amount that may become due to him is not paid to him promptly. Some of the amount is paid in the shape of goods required by the *ryot* and the balance is paid in cash and that too after many visits and reminders.

Thus the facilities for the sale of the *ryot's* produce are very meagre and he has hardly any credit facilities to support him for waiting till he gets good price for his goods. The Imperial Bank is no doubt advancing money on the security of cotton and other exporting goods stocked in their own godowns or godowns in their complete charge. But this arrangement can be taken advantage of only by the merchants in Hubli where the Imperial Bank has a branch.

In this line the co-operative societies can do a lot of good to the *ryot*. A thoroughly businesslike co-operative sale society for the sale of principal crops should be organised which should, as far as possible, value the produce brought by the *ryot* as a temporary arrangement, and immediately on valuation the *ryot* should be asked to draw a *hundi* on the sale society against the goods delivered by him and the sale society should accept the *hundi* and hand it over to the *ryot*. The *ryot* should deliver this accepted *hundi* to the wholesale co-operative stores to be organised at a principal central place. The wholesale co-operative stores, as soon as it receives the accepted *hundi*, should give him the necessary credit and supply him with all the goods required by the *ryot*. This arrangement will naturally satisfy the urgent necessity of the *ryot* and he will wait for a length of time for the final settlement of his account with the co-operative sale society. The co-operative sale society also in their turn should act as the *ryot's* agent and trustee and should try to wait and bargain for the best possible rate and price for the goods, and when the price is finally settled the sale society should transfer the amount due to the *ryot* through the wholesale co-operative stores. The co-operative sale society in consultation with the co-operative wholesale stores should try to secure such goods as the wholesale stores may require from the manufacturer or wholesale merchants in exchange for the price it may have to receive from them. By this arrangement the *ryot* gets advantage both in the matter of sale of his goods and the purchase of the goods he requires. He sells his produce at the dearest possible rate and secures his goods at the cheapest possible rate thus benefiting himself in both the transactions, by which process the buying power of the *ryot* is improved.

QUESTION 3.—In our district the prices of the land varies according to the nature of the soil and its situation. The agricultural red soil is sold at Rs. 10 to 50 per acre, and black soil varies from Rs. 100 to 200. At Government sales it fetches nearly 50 per cent. of the above, at Court sales about 60 per cent. and at private negotiations about 75 per cent.

QUESTION 4.—Lands held under the Watan Act and Restricted Tenures, *shetsanadi* lands, are not accepted by way of mortgages.

A land mortgage bank has newly been started in our district. It has not yet begun its work. The Bank has been registered under the Co-operative Act at the beginning of the year. I learn the Bank has been receiving applications for loans in numbers. They are authorised to raise capital by shares and debentures.

The Record of Rights Register does not give good and complete information about dispute that is going on about the property. Such information is absolutely necessary for the purchaser and the person entering into some transaction regarding the same. It takes some months for a copy of a registered deed to reach the village officer from the Sub-registrar and some years for a copy of the decree to reach the village from the Court. The difficulties may be solved by insisting on the maintenance of a register regarding disputes and prospective deeds. The village officer should keep a record showing the purposes for which copies of the Record of Rights are supplied and the Sub-registrar should insist upon the verification of the title by village officer brought for registration.

This procedure will give the village officer all possible scope for keeping a record of the disputes and the intending documents regarding the land in question.

The full working capital of the land mortgage bank should be derived from the shares and debentures only. The debenture bonds should carry guarantee from Government both for the principal and interest, inasmuch as the period of repayment is to spread over many years and for generations. The land mortgage bank should give necessary seats to Government on their board of management to keep efficient check and should maintain a Government administrative officer.

The land mortgage bank should raise its capital by debentures bearing interest at a rate not exceeding 6 per cent. and it should lend out money at a rate not exceeding 7 per cent. 1 per cent. interest margin is ordinarily sufficient to meet all expenses of management.

QUESTION 7.—The co-operative banks have no free dealings with the joint stock banks or indigenous banks or bankers. The rural co-operative societies have not so far attracted sufficient local capital. They mainly depend upon the central banks for their finance. The urban banks are in a position to attract sufficient local deposits; but they discourage deposits by offering low rates of interest for their deposits. They have no free scope for investments. They are keeping their surplus funds at a lower rate in the central banks or invest them in gilt-edged securities which gives them poor return.

The Karnatak Central Bank has also, I learn, an unduly large surplus balance which shows its inability to utilise all its funds.

The co-operative societies have so far not done any systematic work in financing any special class of people, such as small trader or artisan or agriculturist.

QUESTION 8.—The Dekkhan Agriculturists' Relief Act should be abolished altogether. It has brought much distrust between honest *sowcars* and good debtors. The distrust has gone to such an extent that good uneducated debtor has simply to act according to the dictates of the *sowcar* and the result is that the debtor has to pass bonds for double the amount of the debt or has to pass an out-and-out sale instead of a mortgage bond or has to rely wholly or solely on the word of the *sowcar* or has to agree to the passing of an award and a consequent decree thereon leaving thereafter no legal remedy to the debtor.

The Dekkhan Agriculturists' Relief Act instead of giving relief to the agriculturist has destroyed all his credit.

QUESTION 9.—The interest charged by the *sowcar* is not exorbitant. He gives rebates in deserving cases. The Usurious Loan Act has not therefore been used so much in our district.

I am not in favour of passing any enactment for the control of money-lending business, because in villages there are small investors who are benevolent and the poor agriculturist is likely to derive much help from such persons. If an enactment is made the village *ryot* will lose such help and he has to come to town for petty loans which becomes a hardship both to the poor agriculturist and the small investors.

SECTION II.

QUESTION 1.—In Dharwar the indigenous banker is a *sowcar* doing the business of money-lending only. Very few persons agree to receive deposits and pay interest and fewer people do the business of transmission of money by *hundis* or cheques.

QUESTION 2.—He lends out money to the agriculturist if he comes to him for a loan. He advances loan on ornaments, personal or joint promissory note or a simple mortgage bond. He does not keep any godown and has no mind to advance on goods booked by rail against railway receipt or goods ordered under railway receipt against the same nor against raw material of any industry.

QUESTION 3.—So far as my knowledge goes I do not think that, with the exception of a few good *sowcars*, the ordinary *sowcar* is able to advance or has advanced as much as co-operative societies or joint stock banks have done. Each individual concern does not go over lakh. Their volume of business is not such as would give employment to one or two whole-time clerks. Their expenses are on a modest scale. Usually the *sowcar* works himself and in case of necessity takes the assistance of one or two clerks. The *sowcar* has no mind to consult or co-operate with another *sowcar* or bank. The indigenous bank relies wholly and solely on his own personal capital. He does not receive deposits because he does not want to work for another and give a guaranteed interest on the capital of others which he thinks to be risky, nor does he want to wait on and serve the depositor. In spite of all this, I do not think the *sowcar* earns more than 8 or 9 per cent. on the total capital invested by him in the concern.

QUESTION 7.—I do not think there is any serious prejudice against the *sowcar*. Some of the *sowcars* are much talked off. Their dealings are honest and benevolent. Their rate of interest is low. They keep good accounts which can be relied upon, but still the courts do not attach any importance. They try to set aside their agreed rate of interest. They are disbelieved on the dishonest contentions of their opponents. I suggest that the burden of proving the contentions against the accounts of the *sowcar* should be thrown upon the party alleging it.

QUESTION 8.—The indigenous banker keeps accounts under single entry system and is very simple in nature—*kirdi* and *khatavani* system. They are willing and ready to show the accounts of their customer to him if a dispute arises. They also give copies of the same when required by the customer. They actually supply copies of verified extracts of their *khata* and *kirdi* at the time of filing a suit. The certified extract of *khata* and *kirdi* should be admitted as evidence in civil courts if the indigenous banker does not follow any other business or keeps an independent and separate account of

banking business.—Bankers would surely protest against any unnecessary law which puts obstructions in the way of their business.

QUESTION 9.—It is not possible for the indigenous bankers or banks to supply sufficient capital to meet the demands of their customers. Their resources are limited. They often times refuse loan on some ground or the other, but they do not directly admit their insufficiency of capital.

QUESTION 10.—Important indigenous bankers whose capital is over Rs. 25,000 or who pay income tax should be recognised and treated as bankers and they should be given rights of membership to the bankers' association of the locality and they should be required to place 5 per cent. of their business capital as a reserve fund in the Central Reserve Bank of the locality which should in turn be affiliated to the Provincial and National Reserve Bank. The local reserve bank should have a board of management of its own and should have the right to send representatives to Provincial and National Reserve Banks. The Reserve Bank should not deal directly with individual customers, but rediscount or advance loans only on the bonds or instruments of the individual banks or indigenous bankers.

QUESTION 11.—I do not think we have any surplus funds lying idle with the indigenous bankers in our district which does not find employment.

SECTION III.

QUESTION 1.—The existing facilities for savings and investments are : (1) in the rural area we have postal savings banks,

(2) In the urban areas we have the urban and the central co-operative banks or their branches and the joint stock banks or their branches and the Imperial Bank's branch at Hubli,

(3) In the rural areas the rural co-operative societies accept only fixed deposits. They are not allowed to accept savings deposits even, not to speak of current deposits.

The influence of co-operative societies in this matter has been marvellous. It has educated the people to become thrifty. They have developed banks and have encouraged the people to become more prudent. They have given more business to the insurance and provident societies. I am of opinion that good rural societies may be allowed to open savings bank accounts.

By constant preaching and education, money under the control of persons who have no desire to earn interest may be attracted. Many of the Mahomedans, who are prohibited by their religion to earn interest, are now coming round and have been depositing their funds in banks. They may be attracted to join an institution in the system of a *chitt* or *bisi* fund which will serve as a charitable institution or they may be induced to join the insurance or provident fund which does not come in the way of their belief.

The agriculturist when he has surplus fund and has no immediate use for the same, would prefer to buy gold because it will please his family if the same is converted into ornaments. He may also use the ornaments on festive occasions, holidays and in marriages as presents. He will pledge them when he is in want of money. He can easily sell them when he has an occasion to purchase landed property which may be required for his additional

activities. Investment in land gives him sure income. It does not fluctuate, no rapid depreciation and it is a necessity. A man having no lands has no status in society. He is not easily married. He has no credit. The fluid money may be squandered away easily and quickly. Landed property will be resorted to as a last resort inasmuch as some formalities have to be gone through before transfer. Hence people prefer landed property first and then gold and silver.

2. Postal cash certificates are popular only among the educated class and especially among Government servants who do not care to enquire about profitable investments. I do not think that Government should increase the rate of cash certificate. They should not compete with local banks and bankers by giving more facilities and attractive terms to savings bank deposits, cash certificates and treasury bills.

QUESTION 3.—Nowadays people have begun to take advantage of cheques. Merchants and business people transmit their money by cheques. But its circulation is very much limited. They use more as an instrument for withdrawal of deposit money. The abolition of stamp duty has a good effect and cheques have increased in number. Educated people only use cheques.

I am for using cheques for the payment to be made to Government and bank employees. But such cheques should be crossed and the payee's specimen signature should appear on the face of the cheque. Government and Local Bodies and Municipalities ought to move in such matters very early. They may do more good and popularise cheques very quickly, because their payments are numerous. Though Government have in all their circulars relating to payments have published that payments should be made by cheques, they rarely issue cheques in regard to such payments.

In the case of court cheques it is hardly possible to accept cheques issued by them, because the High Court circular states that it should be cashed on the same day which is well nigh impossible and the practice is against the principle of banking. A cheque should not be considered stale before six months as all bankers consider. Hence I draw the attention of the Committee to this hard restriction in High Court circular regarding court cheques. It requires to be amended at an early date.

Oral Evidence.

14179. *The Chairman :* Mr. Ankaligi, you are the Managing Director of the Ankaligi Bank, Ltd., Dharwar ?—Yes.

14180. Is it a joint stock bank ?—It is a private joint stock bank.

14181. Is it a sort of partnership ?—It is a registered body under the Indian Companies Act which differs from partnership.

14182. Have you share capital ?—Yes. The number of shareholders is limited to 50 and there is some restriction on the transfer of shares ; that is why it is called a private joint stock bank.

14183. Is your business exactly that of a joint stock bank ?—Yes.

14184. Have you to submit your balance sheet to the Registrar of Joint Stock Banks ?—We have to submit our membership list every year and not the balance sheet. It has to be audited and the other restrictions are there.

14185. If there is a change in partnership, is that to be submitted ?—Yes, every year.

14186. Can you tell us what your capital is ?—Our paid-up share capital is Rs. 15,000; the general reserve fund is Rs. 1,000 and the special reserve for depreciation is about Rs. 9,000.

14187. Do you take deposits ?—Yes.

14188. Do you get any help from the Imperial Bank of India or any other joint stock bank ?—Yes, I have an overdraft from the Imperial Bank of India, the Bank of Baroda and the American Express Co., Inc., Bombay.

14189. Whom do you usually finance ?—I give preference to commercial people and small men.

14190. Are your loans usually short-term loans ?—Yes, they are from one month to three months.

14191. Do you do any *hundi* business ?—Yes, through cheques drawn on the Imperial Bank and the Bank of Baroda.

14192. Is there much *hundi* business done ?—I do not buy *hundis*. In Dharwar especially there are no merchants who sell *hundis*.

14193. Is there not much of export from here ?—There is.

14194. How do they transport money to sellers ?—The buyers issue cheques on their bankers in Bombay.

14195. When produce is sent from here, do they not sell cheques ?—I do not know how many of them do this kind of business here.

14196. How many joint stock banks are here ?—There are 4 or 5. One is ours, and the others are (1) the Dharwar Bank, (2) the Madhwa Bank, (3) the Karnatak Industrial Bank and (4) the Jey Laxmi Bank.

14197. Are they all private banks ?—Except our bank all are public banks.

14198. You said you do the same business as joint stock banks do, *i.e.*, giving overdrafts and cash credits ?—I give overdrafts to very few people.

14199. Do you give cash credits ?—Yes. I also give loans.

14200. What is your usual security ?—Gold ornaments.

14201. Do you think there are sufficient financial facilities for traders in Dharwar ?—Yes. I think nowadays the Southern Maratha Urban Co-operative Bank has opened a godown and it advances loans on goods. The Reddi Bank has also been advancing loans on goods.

14202. Have you heard complaints that there is not sufficient money available here for trade ?—No.

14203. You say that agriculturists obtain finance from joint stock banks. Is it to any very appreciable extent ? For what purposes do they obtain finance ?—The agriculturist is financed for all his purposes under the ordinary system that is followed by co-operative banks. But they do not analyse purposes of loans like co-operative banks. Anyhow, agriculturists do borrow from joint stock banks.

14204. For what period ?—For three months, six months and even up to one year. but the purpose of the loan is not scrutinized by joint stock banks. They look to the security only.

Mr. K. B. Ankaligi,

14205. Is much money given by joint stock banks on mortgage of immoveable properties ?—Now-a-days, they are advancing on this kind of security, *i.e.*, on lands and houses. Formerly they advanced only on promissory notes and joint bonds.

14206. For what term deposits are received by these joint stock banks ?—The maximum period is two years. Usually they receive deposits for six months.

14207. Have any of these joint stock banks branches also in this district ?—The Dharwar Bank has two branches—one at Hubli and the other at Gadag.

14208. Has your Bank any branches ?—Yes, one at Ranebennur and the other at Hirekerur.

14209. Are they merely kept there for advancing money to traders or do they also get deposits ?—They get deposits also.

14210. What staff do you keep in a branch like this ?—Hirekerur has a population of 3,000 to 4,000 people and there is only one agent. The population at Ranebennur is 15,000 or so. At Ranebennur there is one agent and a clerk.

14211. Can you tell us how many years since have you had these branches at Hirekerur and at Ranebennur ?—The branch at Ranebennur is working for the last four or five years. The Hirekerur branch is only one year old.

14212. Do these branches attract sufficient business to make them pay ? Could you tell us what you pay to your agent ?—I paid last year Rs. 400 to the agent at Ranebennur and Rs. 300 to the agent at Hirekerur.

14213. Is he a full-time man ?—Yes ; and his pay depends upon the business done.

14214. Do you advance on the security of agricultural produce ?—I have not yet commenced doing this kind of business.

14215. Is it your intention to do so ?—Yes.

14216. Do any of the other joint stock banks here advance money on the security of agricultural produce ?—I do not think so.

14217. Do you have, as other banks have in the presidency towns and other places, slack season and busy seasons here ?—Uptil now I have not come across such seasons.

14218. During the busy season do you not have demand for money ?—From July to October, our money is flowing out and from January to April, it is coming in.

14219. Do you finance mostly agriculture ?—Yes ; it appears so.

14220. Do you know how *dalals* are financed ? You know they have sometime to pay advance money to agriculturists. Do they come to joint stock banks like yours ?—Yes, they do come.

14221. What security do they give ?—They bring ornaments.

14222. This is during the busy season ?—Yes.

14223. You say that a co-operative sale society should work in co-operation with co-operative stores ?—Yes.

14224. Has such a system been tried here ?—No ; but this is my idea for the purpose of increasing the buying power of the agriculturist.

14225. The question is whether it would be possible to manage big co-operative stores in some of these outlying places ?—If they are carefully worked, there will be no difficulty

because I know that illiterate and uneducated people like the shoe-makers are managing a store.

14226. You say that co-operative banks have no free dealings with joint stock banks or indigenous banks or bankers. Do you think that it is possible to co-ordinate the work of all these different agencies ?—In an urban area it may be possible but not in a rural area.

14227. How can, for instance, an urban bank or a district central co-operative bank work in co-operation with joint stock banks in such places ?—One of the functions of a banker is the transmission of money. In this branch they may co-operate.

14228. Do you mean that they may co-operate in remittance business ?—Yes.

14229. Speaking about indigenous banking you say : " In Dharwar the indigenous banker is a *sowcar* doing the business of money-lending only ". Does he not receive deposits ? Are you referring to Dharwar town or to the Dharwar district ?—It may be true as regards the whole district.

14230. Do they not take much by way of deposits ?—No. I know that big *sowcars* like Mr. Keshavdas do not like to take deposits.

14231. Do people from the town knowing that these people are very rich, not deposit their money with them ? Where do they usually deposit their money ?—They deposit in urban banks as *sowcars* do not receive deposits.

14232. Does your bank advance money against railway receipts ?—Yes.

14233. Do indigenous bankers advance against railway receipts ?—No.

14234. Has this kind of business any dangers at all ?—No ; we know the actual value of the thing as the invoice is received. We can know the exact price and can advance.

14235. You say that the system of accounts which the indigenous bankers have is very simple and it is very good too ?—Yes.

14236. What system do you follow ?—I follow the double entry system.

14237. Why do you not give preference to the indigenous banking system ?—It is not suitable for my business.

14238. Their system is only suitable for a simple business and not a complicated business like what you have ?—Yes.

14239. About investment habit you say that the influence of co-operative societies has been marvellous. In what way has it been marvellous ?—They know that it is good to save and also they know that whenever some amount is required by them they can approach some person.

14240. You mean from the point of view of members ?—Yes.

14241. But from the point of view of depositors, do you say that they prefer co-operative banks ? Is this what you mean or are you only referring to the fact that members can place all deposits and get advances from such banks ?—As there are no competitive institutions they go to co-operative institutions.

14242. But where there are competitive institutions what will happen ?—It will be distributed amongst various agencies.

14243. What do you mean by "court cheques" ?—We have court deposits. They are kept in the treasury. They call it as a "court deposit account"; and whenever the court has to return the money received from different parties, they issue cheques against this deposit account. These cheques have to be cashed on the very day of issue otherwise they are considered as stale.

14244. Your point is that they may be allowed to circulate as ordinary cheques ?—Yes; otherwise they should not be called cheques at all. The High Court circular is herewith for ready reference.

THE BOMBAY HIGH COURT.

CIVIL CIRCULAR MANUAL CHAPTER 22.

Para. 21, page 324.

(21) Withdrawals from Treasury by cheque. (Form L.)

Withdrawals from the Court's deposit account with the treasury shall be by cheques (Form L) signed by the Judge or Assistant Judge or (with the approval of Government) the Registrar or the Clerk of the Court. In such cases the District Judge shall inform the treasury officer of the name of the officer authorized, and furnish a specimen of his signature. Whenever it is convenient to make several small payments to different persons, one cheque for the aggregate amount may be issued in favour of the Nazir; *but payments to parties, when the amount exceeds Rs. 20, can be made by a cheque in favour of the payee at the option of the latter : but the payee must be informed that payment can only be made at the treasury on the date of issue.* If it is late in the day, and there is a possibility that the cheque cannot be presented on the date of issue, it can bear the next day's date. If the currency of a cheque has lapsed, it may be revived by an endorsement thereon for immediate payment, on satisfactory explanation being furnished.

14245. *Mr. Kamat :* There are four or five joint stock banks in this area in addition to the Imperial Bank branch ?—Yes.

14246. Do you think that if these banks function well, the Imperial Bank branch should retire from the field ?—I do not think that even if all these joint stock banks are put together, they can serve as well as the Imperial Bank.

14247. *The Chairman :* What will be the working capital of all these joint stock banks ?—I do not think that it can go over twenty lakhs of rupees. The Dharwar Bank has about Rs. 12,00,000; the Industrial Bank has Rs. 2,00,000; my Bank has Rs. 1,50,000 and the other two banks may have a working capital of Rs. 1,00,000, or so.

14248. *Mr. Kamat :* Although there might be four or five joint stock banks, still the branch of the Imperial Bank is a necessity ?—Yes.

14249. On the other hand, I find, on referring to your note, that each bank which has been started has finance but has not the scope for engaging its funds. You say : "The urban co-operative banks are in a position to attract sufficient local deposits, but they discourage deposits by offering a low rate of interest for their deposits. They have no free scope for investments". If there is finance, where is the difficulty of finding out an outlet for it ?—The co-operative central and urban banks have large surpluses lying idle. I will take first the Karnatak Central Bank. It has deposits to the extent of Rs. 35,00,000 or Rs. 36,00,000. A lakh or two may be less or more. I am speaking subject to correction. It has with itself something like Rs. 15,00,000 or

Rs. 20,00,000 lying idle invested either in the Government Promissory Notes or in the Provincial Bank or with the Imperial Bank or somewhere. It has not been utilized for the purpose for which the Bank was started, *i.e.*, for financing co-operative societies in this district. This means either the co-operative societies do not go to them or the Karnatak Bank has not been supplying all the needs of co-operative societies.

14250. This is exactly the thing I ask you. What has been your own trouble ? Is it due to want of confidence or bad management ?—I am only concerned with the result.

14251. You are unwilling to say that it is due to lack of confidence ?—I am only concerned with the result.

14252. *Professor Kale :* May it not be possible that they have taken a large volume of deposits which is not justified on account of the trade depression and fall in prices ?—I am of opinion that they ought to take all the deposits they can command.

14253. *Mr. Kamat :* Yet, in these days of depression, is there not a cry for more finance from some quarters ?—Many applications may be coming in because we know that when the land mortgage bank was started, they received applications to the extent of rupees two crores from this district. The land mortgage bank could not afford to finance the whole of it. They took *taluka* by *taluka*. They have financed the Bankapur *taluka* and have gone to Gadag *taluka*.

14254. You suggest : "Important indigenous bankers whose capital is over Rs. 25,000 or who pay income-tax should be recognised and treated as bankers and they should be given rights of membership to the Bankers' Association of the locality and they should be required to place 5 per cent. of their business capital as a reserve fund in the Central Reserve Bank of the locality which should in turn be affiliated to the Provincial and National Reserve Bank." Is there no other process of selection ?—This idea struck me and so I jotted it down.

14255. What would the Bankers' Association do ?—It would watch the interests of all bankers and rediscount bills of bankers.

14256. Is it intended to safeguard their own interest or is it to serve the public purpose by bringing about better contact and touch between bankers and the Imperial Bank on the one hand and the public on the other hand ?—It will be an association to watch the interest of bankers alone in the first instance and indirectly serve a public purpose.

14257. It is more or less for self-preservation ?—Yes.

14258. And not for any public purpose ?—Indirectly it will serve a public purpose.

14259. Would you like the idea of having an advisory committee for the branch of the Imperial Bank of India ? Would it work well ?—Yes ; but I do not know whether the agreement between the Imperial Bank of India and Government will be renewed or not.

14260. Apart from the fact whether they like it or not, suppose in Hubli, if seven people are to be chosen to be on the advisory committee, do you think you can get seven people who would do their duty impartially ?—Yes.

14261. *Mr. V. L. Mehta :* There is another suggestion with regard to the Imperial Bank of India. It has been suggested that instead of having branches and advisory committees and so on, in places where the Imperial Bank wants to develop banking or

Government wants to see development from the banking point of view, the Imperial Bank should appoint as its agents some indigenous banker or bankers and entrust them with all duties which their own staff would have done otherwise. What do you think of this proposal ?—This will be the best thing.

14262. Would you wish an individual to take up such an agency or should a group of *shroffs* run such an agency ?—A group of *shroffs* should take such an agency.

14263. Could you find people to combine ?—Yes.

14264. And this business would be distinct from their own private business ?—Yes.

14265. Would they like to stop their own banking business ?—No.

14266. Do you think it would cheapen the services of the Imperial Bank of India ?—Yes.

14267. You were connected with urban co-operative bank for some time ?—Yes.

14268. Could you tell us whether in your opinion it is desirable for urban banks to go in for large loans or they should concern themselves only with small men whose requirements do not exceed beyond Rs. 5,000 or Rs. 10,000 ?—Some restriction ought to be placed.

14269. Would you like them generally to deal with all customers ?—No ; the lending power should be on a sliding scale with the working capital.

14270. But if their working capital increases, do you object to their going in for large business ?—No.

14271. Is it only on the basis of their resources you would like them to do business ?—Yes.

14272. But on a point of principle do you think there is any objection to their doing business on a large scale ?—Persons with common economic needs can take advantage of the Co-operative Movement. The new Act does not make any distinction between the rich and the poor.

14273. What do you think of the other suggestion that urban banks in places where there are no other banking facilities may be permitted to deal with corporations registered under the Joint Stock Companies Act. For instance, you have a private bank, now you stand in need of money to-day. Under the present position you as an individual can go and borrow from the Southern Maratha Bank, but your Bank cannot do it. Suppose there is a small electric supply company, should it be allowed to go to an urban bank and draw money from it, or do you think that bankers for such concerns should be joint stock banks ?—My opinion is this that according to the law at present there is no objection for a joint stock company to be a member.

14274. There might not be any legal objection, but again both on the ground of principle and from the point of view of policy, what do you say ?—A co-operative society may join a joint stock company, but a joint stock company should not join a co-operative society because co-operative societies are working under restrictions and, therefore, they should be given all facilities and free scope to make progress.

14275. Have you any experience of the progress of insurance in these parts ?—Yes, I have some experience.

14276. Is it growing only amongst the non-agriculturist classes or do the agriculturist classes also take to insurance ?—It is not popular with agriculturist classes.

14277. What is the difficulty in spreading this ?—The first thing is they have not proper facilities for transmission of premia.

14278. But through small banks like yours or co-operative banks can they not remit funds ?—In the urban areas people do insure. In rural areas of the district there are no facilities and many agriculturists will have to be left out.

14279. Have any proposals been made in this part of the presidency for insurance of crop or cattle though not on a co-operative basis, on a joint stock or any other basis ?—No.

14280. You say: "I am for using cheques for the payment to be made to Government and bank employees". But why is it necessary that such cheques should be crossed and the payees' specimen signature should appear on the face of the cheque ?—It is necessary to prevent fraud. Suppose a man comes and forges the signature, I think either the issuing officer or the department will have to suffer. So, to be on the safe side, the payee's specimen signature should appear on the face of the cheques.

14281. Why could you not treat them as ordinary cheques ? Why would you distinguish these cheques for payment of salaries to Government servants from any other cheques ?—In order that Government may have the satisfaction of paying the amount to the proper party. It may be treated as a traveller's cheque.

14282. About this land mortgage bank, you say one per cent. margin is sufficient to meet all expenses of management. Will you not provide for a sinking fund and make provision for bad debts ?—I do not think that there is any necessity for sinking fund, depreciation or bad debt fund.

14283. Do you not expect any bad debts accruing out of this business ?—No; because the land is there and it is not likely to depreciate more than 20 or 30 per cent. The security goes on increasing as instalments are paid in even according to the best possible ratio. A mortgage is not taken beyond two-thirds of the price of the land. The price of the land is not likely to go down below 60 per cent. or so.

14284. From this point of view, will one per cent. margin be enough ?—Yes.

14285. *Professor Kale :* Speaking about cheques, do you think that vernacular signatures should be allowed on cheques ? It has been suggested to us that the cheque habit will be spread if signatures are allowed in vernaculars. Do you think that there will be any difficulty in deciphering the vernacular signatures ?—There will be no difficulty about the vernacular of the place, but if a cheque comes from a foreign place or from other presidencies, I think some difficulty will be felt for deciphering the signatures, *e.g.*, in Dharwar people may not know Tamil, Telugu, Bengali or Gujarati.

14286. But in a compact area it may be tried ?—Yes.

14287. And it will facilitate trade ?—Yes.

14288. Is there truth in the complaint made against indigenous bankers or *sowcars* with regard to their so-called extortionate methods or is the criticism exaggerated or does it apply to a few cases ?—It applies to a few cases only. Generally an ordinary *sowcar* is not taking more interest from his borrower. If we calculate his income, say, for a period of ten years, we will find that he has not earned as much as he would have got on his capital if he had kept the same in some bank.

14289. This may be true from a *sowcar's* point of view, but what about the cultivator ? You know he has to pay 11 to 12 per cent. to a co-operative society whereas he is charged 15 to 18 per cent. by a *sowcar* ?—I do not think the rate is so high. His rates are on equal footing with joint stock banks or co-operative societies if we calculate for a given period.

14290. In the evidence we have had from very many people, it is said that a *sowcar's* rate is never less than 15 to 18 per cent. ?—It applies only to small and petty transactions. It is 18 per cent. for sums below Rs. 20 or Rs. 40. His working expenses in such cases are also heavy.

14291. You mean the risk is great ?—Yes, and the expenses are also heavy.

14292. Now that the number of joint stock banks is increasing, do you think that if such banks will be able to lend to a large number of cultivators they will replace the old type of *sowcars* and to a certain extent co-operative societies also ?—I do not think that any number of joint stock banks will be able to replace the *sowcars* either now or in the near future.

14293. You are not in favour of any restrictive legislation like the Dekkhan Agriculturists' Relief Act ?—No.

14294. What has been represented to us is that unless the Dekkhan Agriculturists' Relief Act, as it is or in some modified form, is on the statute book, the interest of the cultivator will not be safeguarded and that his lands will pass out of his hands to the *sowcar* and the cultivator will still be harshly dealt with by the *sowcar* and so on and therefore some sort of protection in one form or another will be necessary. This is the view put before us by some witnesses who appeared before us ?—I think if we have the Usurious Loans Act, it will be quite sufficient. As we have the Dekkhan Agriculturists' Relief Act, that Act has not been made use of, otherwise we would have taken advantage of it.

14295. Do you think the Usurious Loans Act will suffice ?—Yes.

14296. *Mr. Buckley :* With reference to postal cash certificates you say that Government should not increase the rate of interest. But are you satisfied that they should continue issuing certificates at this rate ? We had had some evidence that they should be withdrawn altogether ?—The Government should not come in the way of development of joint stock banks.

14297. Would you go so far as to say that postal cash certificates should be abolished or would you say that the rate of interest should not be excessive ?—The rate of interest should not be excessive.

(The witness withdrew.)

Mr. S. S. SALIMATH, Deputy Director of Agriculture, Dharwar.

Replies to the Questionnaire.

SECTION I.

(*a*) For cultivation purposes, the agriculturist requires only a small amount of cash money. Home labour is predominant and wages for hired labour are mostly paid in kind. Seed in almost all cases except cotton is generally stored by the cultivator himself. He requires cash mainly for the maintenance of his family and for purchase

of bullocks if he loses any. For these purposes he either borrows from *sowcar* or from the credit society. He purchases seed and sundry articles mostly on credit and pays the amount after reaping and selling his money crops.

(*b*) Capital and permanent improvements are attempted only by a few well-to-do agriculturists when they got their own capital to spend. They are also done to a certain extent through *taccavi* loans from Government.

(*c*) For special needs like failure of monsoon, the agriculturists generally borrow money from *sowcars* at any cost.

The members of credit societies get loans at Rs. 9-6-0 to Rs. 12-8-0 per cent. interest. Others who borrow from *sowcars* are required to pay always more than 12 per cent., and up to 24 per cent. The period for which loans for current needs are contracted is for six months to one year but in many cases it is again extended after due date. *Taccavi* loans for land improvement extend over a period of 5 to 10 years. If the cultivator borrows money from a *dalal* he sells his produce through him, and if he does it from a village *sowcar* he promises to repay it after the sale of his produce. In cases of big loans taken for marriage litigation, etc., security of land is offered. Government gives only long-term *taccavi* loans for land improvement. The Imperial Bank of India and the joint stock banks do not play any part in agricultural finance. Co-operative banks are now playing a very important part by issuing loans to the agriculturists through the credit societies. They are fast building up their share capital and are freely getting deposits indicating confidence of the people which they have attracted. There are no indigenous banks in rural areas. Professional money-lenders exist but are generally declining in number giving way to credit societies. Merchants and dealers give advances of money and purchase the produce of the cultivators at cheap rates. The interest charged in such cases is ordinarily 12 per cent. Companies trading in fertilisers do not exist in the dry tract but play their part in Chikodi and Hukeri *talukas* and in the Gokak Canal tract of the Belgaum district where sugarcane and other garden crops are grown under irrigation. In some parts of the dry tract especially in Haveri and Ranebennur *talukas* of the Dharwar district dealers sell bullocks on credit at exorbitant prices and recover the dues by instalments.

On an average I consider that an agricultural family with two bullocks wants a cash amount of about Rs. 100 for agricultural and Rs. 200 for household expenditure in a year. On this basis the cultivators of Dharwar, Belgaum and Bijapur districts owning 1,10,031, 94,638 and 85,215 pairs of working cattle require Rs. 1,10,03,100, Rs. 94,63,800 and Rs. 85,21,500 respectively for agricultural purpose and Rs. 2,20,06,200, Rs. 1,89,27,600 and Rs. 1,70,43,000 respectively for household expenditure. The amount required for other needs such as failure of crops and land improvement cannot properly be estimated.

The main defect in the present system of finance is the high rate of interest which a farmer in the dry tract cannot afford to pay from his earnings. This is due to the low income of the cultivator and high demand for the *sowcar's* capital. The remedy is to teach the cultivator to increase his income and never borrow more than what he deposits. He must always draw from his savings.

There are four credit agencies in rural areas, *viz.*, money-lender, *dalal*, co-operative credit society and Government, and there is no co-ordination among them. The cultivator borrows from more than one and loses much. When one creditor demands his

dues, the cultivator goes to another and borrows at higher rate of interest. There seems to be no scope for co-ordination. Co-operative credit societies should attempt to oust *dalals* and money-lenders from rural areas and make them deposit their money in the banks at low rate of interest. Government may also cease to operate independently and help land mortgage bank.

QUESTION 2.—All principal crops are sold through *dalals* who charge commission and who combine with the buyers against the interest of producers. Co-operative marketing is possible and should be attempted at least for all money crops like cotton, tobacco, groundnut and other oil seeds. Co-operative marketing of cotton has attracted the attention of cultivators at Hubli and Gadag and needs development.

Dalals at present advance money on deposit of goods if they are to be kept for better prices and charge interest. Co-operative sale societies should have close connection with the central banks and should get necessary capital for advancing without any difficulty. Warehouses attached to co-operative sale societies will go a great way to help the cultivators.

QUESTION 3.—In Mallad, the value of rice land is more than Hakkal land where inferior millets are grown. The value of rice land differs according to its position, nature and water-supply which it gets. The low-lying fields always fetch better prices than upper terracing ones. Fields under tanks with good water-supply also fetch better price than ones without tanks. The value of rice lands varies from 100 to 500 rupees per acre. Hakkal land fetches from 50 to 200 rupees per acre according to nature and tilth of the soil. Population of the village in Mallad is also an important factor which determines the price of the land. In villages adjoining the forest where there is great attack from wild pigs and where the population is sparse even good lands fetch very little price.

In Gadinad, the value of the land varies from Rs. 100 to Rs. 500 per acre according to nature and tilth of the soil and its proximity to the village. Black soil fetches better price than red soil. Well cultivated and bunded fields fetch also better price than neglected and *hariyali* affected fields. Good fields near cities in this tract fetch up to Rs. 800 per acre.

In Yerinad (Eastern dry tract) the price of the land varies from Rs. 150 to Rs. 350 per acre according to nature and tilth of the soil. Deep black cotton soil fetches better price than shallow *Mardi* and *Karl* land. The value of the land in this tract is in general less than that in Gadinad due to uncertain and low rainfall conditions.

The main factors that affect the value of the land are :—

(1) Rainfall.

(2) Nature of the land.

(3) Climate.

(4) Population of the village and competition of the people to cultivate.

(5) Proximity to the village.

(6) Development of the land effected by bunding and levelling.

(7) Tilth of the soil.

QUESTION 4.—Land mortgage banks are needed more for land improvement than for redemption of old debts. I doubt whether a land mortgage bank will really be able to redeem a cultivator from old debt. His average earnings especially in the dry tract are too small to achieve the object in view. A portion of his holding will have to be sold

and sooner it is done the better to avoid further interest accumulating to capital. In most cases the old debt is too heavy to be repaid out of the savings that a cultivator effects. There may be some deserving cases here and there no doubt; but they should be considered as special cases. Well-planned land improvement increases the productive capacity of the field and enables the borrower to repay the loan in a certain number of years. Fencing against wild pigs and tank building in Mallad and bunding against surface erosion in Yerinad are the most important improvements to be effected in Karnatak and long-term loans are needed for these than anything else. Well sinking in suitable sites also deserves attention. Land mortgage banks will not serve any useful purpose if they help absentee landlords with long-term loans to clear off their old debt.

QUESTION 5.—The existing indebtedness of the agricultural classes can only be measured accurately by instituting special enquiries in different localities. Fairly reliable information, however, can be obtained through the village officers who are in touch with the dealings of the people in their villages. Correct amounts are not generally shown in records.

QUESTION 6.—Lands are gradually going out of the hands of farmers especially in dry tract and cultivation is suffering. It is taking away from the actual cultivator the incentive to produce more.

QUESTION 7.—The best by-industry is land improvement for which the cultivators should work at spare time either individually or co-operatively. Funds needed for the purpose should come from land mortgage banks. The second in importance is cattle breeding and dairying which have got scope in Mallad and Gadinad respectively. Poultry breeding has also scope to a limited extent all over the Division.

SECTION III.

The cultivator is generally indebted. As soon as he sells his produce, the *dalal* deducts his dues. When as the cultivator gets the rest, he first buys his main requirements such as cloth, cattle-feed, *gur*, etc. He sometimes purchases even a little gold or silver without minding the debt he has incurred with his *sowcar*. He returns home with some cash which he gives to other creditors such as landlord and local shopkeeper who supplies sundry articles on credit. The *sowcar's* loan invariably accumulates with interest. He buys his requirements mostly on credit at dear rates and sells his produce cheap and in so doing he is not able to repay the loan once incurred. At the most he goes on giving interest. If he has taken loan from the credit society he borrows from *sowcar* at higher rate of interest to return that amount in due time as required by the byelaws of the society and again takes the loan from the society to repay the amount due to *sowcar*. Thus the cultivator is always borrowing instead of attempting to deposit any. Good cultivators, who have not incurred any debt, try to effect saving but invest all their savings in gold and silver and in purchasing lands when they can afford to do it. Sometimes they also go into debt to purchase lands if the amount saved falls short. Majority of the members of credit societies are borrowers. Those who deposit and draw their own money are very few. A good propaganda is needed to educate the farmer to realise that agriculture needs a certain owned capital and that he should always have it in the bank or village society. He cannot make agriculture pay with borrowed capital nor can he afford to borrow money for maintenance. It is necessary to teach him that a two-bullock cultivator should have at least a capital of Rs. 300 always in reserve. Further he should

be taught to earn on his savings rather than lock it up in gold and silver or lose it in litigation.

General.

Majority of cultivators in Karnatak are small landholders and take for cultivation the rest of the land on lease. The rental value of the land has gone high and is disproportionate to the income. Agriculture being the only industry to follow in rural areas, there is always competition for cultivation except in parts of Mallad adjoining the forest areas where there is attack from wild pigs. Farmers invariably lose in this competition and incur debt on the credit of their own lands. The debt gradually increases and they lose their own lands. Their own land is too small a unit for cultivation even with one pair of bullocks and they must go in for some more land on lease to add to their own. Under the circumstances a Tenancy Act is what is desirable. The period of lease should be as great as possible, say 30 years, a period taken for revision of assessment and the amount of lease should be carefully worked out for different tracts and fixed for 30 years. It may bear certain relation to assessment or actual income. If small farmers who form the bulk of the rural population are left to compete for cultivation, I am afraid no system of finance will help them. They will continue to lose their own land until they lose their all and be turned out into tenants or labourers. This is already taking place.

Investment habit can be taught to the people who can save; but under the competitive rates of land rent, a majority run the risk of incurring debt which never makes a cultivator save. Pure owner cultivators are very few and will go on decreasing in number as family divisions take place. An average farmer has no power of buying land to add to his own. Tenancy Act, therefore, must come for his help at this stage.

If land rent is reasonable, and period of lease is long, cultivation will not be so risky, as it is now and will make the farmer take more interest in his business. Propaganda for investment habit and co-operative marketing of their produce which is necessary for their uplift is likely to meet with success if they begin to save first. Otherwise they will continue to be at the mercy of their creditors. The root cause of the disease, therefore, is heavy land rent and the remedy lies in setting it right. Credit facilities and co-operative marketing should follow."

Oral Evidence.

14298. *The Chairman:* Mr. Salimath, you are the Deputy Director of Agriculture for Dharwar, Belgaum and Bijapur ?—Yes.

14299. I understand you have worked out some figures about the cost of cultivation on your own farms under the same conditions in which farmers cultivate their lands ?—Yes.

14300. Could you give us a copy of these figures ?—Yes; I have some figures ready for *juar* and cotton.

14301. Are you working out figures for other crops ?—Yes.

14302. Could you send us these figures also ?—I shall send them to you later on.

14303. These figures, which you have given us now, have been worked out for the last five years ?—Yes.

14304. Is it on the Dharwar farm ?—Yes.

14305. And under the same conditions in which an ordinary cultivator would cultivate his land ?—Yes. We have a separate experiment on Dharwar farm wherein we grow cotton and *juar*.

14306. I find from your figures that the average cost for an acre of *juar* comes to Rs. 57 and the income is Rs. 74 and in the case of cotton the cost is Rs. 54 while the income is Rs. 77. So there is not much difference in the net profits so far as *juar* and cotton crops are concerned. In one case, it would come to Rs. 17 and in the other case, it would come to Rs. 23 ?—It is a fairly good figure. I must direct your attention to one point here that these are the figures drawn on the Dharwar farm which has been developed for the last 20 years. The nature of the land is better than the average land round about it. So the yield we get is rather better than that in the surrounding fields.

14307. What percentage of allowance will you make on this score ?—In the case of a cultivator it might come to 900 lbs. *juar* per acre, while in our case it has gone up to 1,100 lbs. per acre.

14308. If you convert it into money, how many rupees would it come to ?—200 lbs. will be equal to Rs. 8. Also in the case of cotton there is a difference of 100 lbs.

14309. The expenses would be Rs. 57 in the case of *juar* and the income would be less by Rs. 8 so that it reduces the profit to Rs. 9 ?—Yes.

14310. In the case of cotton for the difference of 100 lbs. it would come to Rs. 11 ?—Yes.

14311. This is in the transition tract ?—Yes.

14312. Have you figures for other tracts ?—We have not got any Government farms there. I have one farm at Gokak wherein I have been working out for sugarcane and maize principally.

14313. Have you figures for these two crops ?—Yes ; I will send them to you later on.

14314. In farm yard manure series, you have mentioned 2½ tons every second year to *juar* crop ?—Yes.

14315. Is the quantity of manure you have taken here the same as the average farmer uses ?—Slightly more.

14316. You have your figures for *juar*, cotton, wheat and groundnut ?—Yes.

14317. Have you worked out these figures after making allowance for the labour which the farmer and his family put in ?—We have completed the studies of two families in a village called Govankop and we have found out the cost for his maintenance and the cost for agricultural operations. In the case of one family it is 22 acres and in the case of the other family it is 18 or 19 acres.

14318. Have you got these figures ?—I have sent them to Rao Bahadur Patil as studies were conducted at his request. You will get these figures from him.

14319. *Mr. Kamat :* All these figures are the average figures for five years ?—Yes. The figures of the farm are for 5 years, but studies of two cultivators are only for one year.

14320. So the areas cover different degrees and quantities of rainfall ?—To a certain extent. I can supply you the figures of rainfall for five years.

14321. I wanted to know whether this may be taken as normal and average for five years ?—It may be taken as the average.

14322. *The Chairman :* Have you a cycle of good and bad seasons ?—Five years ought to be a fair period in this transition tract.

14323. *Professor Kale :* And the value of cotton you have taken from the average price for cotton ?—From the then existing *taluka* price for each year.

14324. Your figure of Rs. 77-7-9 seems to be rather too high when we compare with figures elsewhere ?—My farm figures would give you, as I told you, in the case of *juar* 200 lbs. and 100 lbs. in the case of cotton more than the average farmer in the transition tract.

14325. What is the total acreage of cotton crop in these three districts ?—I think it is about 15 lakhs of acres in the British Territory.

14326. I may tell you that the total valuation of cotton crop is five crores and it works out at Rs. 37 or 38 ?—I should imagine it may be fair because there are very poor lands.

14327. *The Chairman :* Is the output very much less in the other tracts than it is here ?—Yes, in Bijapur, the outturn of cotton as well as of *juar* is far less than in the transition tract. The area coming under the transition tract is very very limited. It covers half of the Dharwar *taluka*, and parts of Haveri, Rannebennur and Shiggaon *talukas* of Dharwar district, and part of Bailhongal taluka of Belgaum district and not others.

14328. Is the other tract more precarious than the central tract ?—Yes.

14329. Taking an average of ten years, would it mean a reduction in the total value of crops ?—Certainly.

14330. *Mr. Kamat :* You have taken manure on a kind of cash basis ?—Yes.

14331. While in the case of a farmer, it is his own ?—Yes.

14332. *The Chairman :* As regards this you have made two studies which you have sent so far as the farmer's net income is concerned ?—Yes.

14333. You also give us another standard here. So far as cash requirements are concerned, you say he requires about Rs. 300 with a pair of bullocks ?—Yes, for cultivation purposes with a pair of bullocks.

14334. Then you again go on with a simple rule of three to find the total amount required by him. Will this be a correct way of calculating the total amount required by him, because we are told that very often a farmer has only one bullock ?—If you analyse the cultivators as they stand at present, 75 to 80 per cent. cultivators are men with two bullocks.

14335. Have they sufficient land or are they men with two bullocks ?—They cannot afford to keep more cattle.

14336. A man with two bullocks in some tracts can cultivate about 25 acres ?—Yes.

14337. Supposing he has a holding 12 or 13 acres, still will he keep two bullocks ?—He usually takes sufficient land on lease for cultivation with two bullocks.

14338. Do you think that this number of plough bullocks is a good standard for making a fair estimate ?—It is a better estimate in my opinion than anything else.

14339. Is it not possible to work out the figures for cotton, groundnut, *juar*, etc., as to what amount is required per acre ?—His business is so well mixed up that we will have to take the holding rather than the acre as our standard.

14340. What is the life usually of a pair of bullocks and for what period do they give service ?—The Krishna Valley bullocks last about 16 years on an average. This means 10 or 11 years work and the Amrut Mahal breed works for 15 years. Its life is about 20 years. To give efficient work, we may take it at 12 years.

14341. What is the average cost of Krishna Valley breed and the average value of the Amrut Mahal type ?—The Amrut Mahal type costs about Rs. 400 for a pair of bullocks, and the Krishna Valley type is also about the same. If it is mixed breed, it is from Rs. 300 to Rs. 350 per pair.

14342. So even an ordinary cultivator has to spend about Rs. 150 to Rs. 200 per bullock ?—Country type costs about Rs. 250 a pair on an average. So all the three types exist in this tract.

14343. I find from your statement before the Royal Commission that in some tracts a pair of bullocks can cultivate only 10 acres of land ?—In the west of the *mallad* tract, where the rainfall is heavy, they cultivate about 5 acres of paddy and 6 acres on ordinary *mal* land. In this transition tract they cultivate 24 acres, while in the eastern tract they cultivate 40 acres on an average, going up to 60 acres in some cases.

14344. Do they do any ploughing ?—No ploughing.

14345. As regards seed, would it be correct to say that except in the case of cotton the cultivator usually keeps his own seed ?—A majority of them do keep.

14346. As regards cotton seed, they have to buy ?—A majority of them buy it.

14347. Is it possible to organize the supply of seed or is it already organized. You know they have to pay 25 per cent. extra if they buy seed from a merchant on credit. Is it therefore possible in your opinion to organize the supply of seed so that they can get better quality and at a very reasonable rate ?—But it is a question of finance. If you are interested, I have sent five schemes for my division to the Indian Central Cotton Committee and I may submit copies of the same.

14348. As regards land improvement you or your Department must have evolved some new kinds of seed or recommended new kinds of implement. Have you found any difficulty in introducing these improvements other than permanent improvement because there was not sufficient finance available for an individual cultivator. You might have introduced new kinds of seed ?—We have come to this position in the case of paddy and in the case of groundnut to a certain extent. We have some six trains of paddy from the Hugad farm and we give it out in the districts. I have just asked the Director of Agriculture for help from the personal ledger account. In a year or two I think we shall require large finance for cotton, rice and groundnut seed.

14349. Have you framed any proposal as to how the requirements for finance in this case could be met because the personal ledger account can only go a little way. Would you suggest the organization of societies or would you try to distribute finance through banks ?—I think co-operative seed stores would be better than anything else.

14350. You have not been distributing more cotton seed ?—It is distributed through the co-operative cotton sale society because the sale and seed business go hand in hand.

14351. Would you in the case of cotton seed have the new improved variety ?—Yes.

14352. Would you do it under your Departmental control ? Is this your idea or do you propose to start separate co-operative sale societies?—I would do it through

co-operative sale societies. One sale society may undertake to sell more than one produce. For instance at Haveri, the cotton sale society has taken up also the sale of groundnut.

14353. You think the existing sale societies will be able to tackle this question wherever both crops go together ?—Yes.

14354. And in other tracts what can you do ?—We have to make a beginning.

14355. As regards land improvement, will you send us your scheme ?—Yes.

14356. What are the main lines of improvement you recommend ?—Bunding, fencing, etc.

14357. Is there a demand for such improvement ?—Yes, provided the finance is forthcoming.

14358. Take the case of bunding. What finance is required ? Under your scheme, will they be co-operative bunding schemes or are they individual schemes ?—Individual schemes.

14359. You had some co-operative bunding schemes ?—Yes ; we have one at Tallur in Belgaum district on the way to Gokak.

14360. Does your Department recommend a combined scheme or an individual scheme ?—We have not yet found out the different advantages of a co-operative combined scheme because the distribution of water and silt is very difficult to assess over the whole area and also the question of waste weirs comes in the way. We are just thinking how best we can induce cultivators to co-operate and ignore their previous rights and come for new schemes. This is the point for consideration at present.

14361. So far as land improvement is concerned you think that it is the combined scheme which is more advantageous than individual schemes ?—Yes. The difficulty is only about the distribution of the cost exactly. For instance, if one scheme costs about Rs. 1,000 and if you divide it by so many holdings, it will be very difficult to exactly know what amount of water and silt we will get over an acre of land.

14362. How did you work this particular scheme ?—There was one *inamdar* who arbitrated in many cases and roughly fixed a certain amount. I have been working on this point more carefully, but I have not been able to lay out any principles as yet.

14363. Do you think that when you find out the principles, it would be easy to get cultivators to agree to contribute their quota in proportion to the principal ?—I cannot say at the present stage. If this is not possible, even then, individual schemes would be useful.

14364. And there is a very great demand for it ?—Yes.

14365. Why could not they find finance ? Is there any difficulty for getting *taccavi* ?—The Government is only giving a fair amount. In the case of the Bijapur district, in respect of individual schemes they have given *taccavi* for the last three years about two lakhs. In other districts the amount taken by cultivators through the revenue agency is very limited ; and they do not sanction amounts so very easily.

14366. There is a certain amount of *taccavi* utilised by Government through co-operative societies. Is that utilised for your schemes ?—That is mainly for individual members of co-operative societies. Some schemes do come in that, but the number is very limited at present.

14367. So you think that the demand is there, but these schemes cannot be carried out in practice for want of finance ?—Yes, and for want of technical advice too. I have only two bunding officers at present. The cultivators themselves cannot do much and they have failed in the past. If you look over the various bunds that are already put up, you will find that many of the rich people have lost their money.

14368. I understand you have worked out a scheme under which the necessary amount can be spent for these schemes ?—I think at present we would require about four lakhs of rupees in three districts for dry tracts for ten years with a staff of bunding officers.

14369. What would be the cost of maintaining the additional staff ?—Roughly Rs. 14,000.

14370. Can you tell us what is the net increase on an average when the bund schemes are completed ?—I have shown in my note which I am going to submit. I will divide them in three classes. The first class works on an average would give you anything between 20 and 25 per cent., the second class works anything between 12 and 15 per cent. and the third class works about 9 per cent.

14371. As regards irrigation, do you think that there is much scope for well irrigation ?—In Bijapur, Chikodi and Belgaum there are already wells, and there is slight scope to increase the number of wells. We have not studied the under-ground current in other places.

14372. Are you in favour of more irrigation tanks ?—Yes.

14373. Are these very expensive ?—There is scope for individual schemes and communal schemes.

14374. What would be the cost of constructing individual schemes ?—Some schemes are fairly big costing about Rs. 20,000 to Rs. 30,000 ; but individual schemes would cost not more than Rs. 2,000.

14375. How far have your fencing schemes proved successful ?—We have built in all now thirty-two miles stone wall and about twelve miles American wire-fencing, and there is a demand for eighteen or twenty miles. This is all that we have progressed. There is scope for greater extension, provided all the difficulties are overcome.

14376. Are they difficulties of finance ?—Finance and some technical point. We had approached once the Registrar to have legislation to the effect that if a majority of the people agreed to a scheme, the minority should be forced to join.

14377. Are some of your schemes held up because some people do not join ?—Many schemes have been held up because some absentee landlords have not joined.

14378. Is it a large number ?—Though the number is not so very large, the unit of lands that they have in that area is fairly large, and we cannot ignore them.

14379. Does it come to more than 20 or 25 per cent.?—About 20 per cent.

14380. And if you go by the number of people ?—It may come up even to 10 or 15 per cent. of the people. If that difficulty is removed, we ought to be able to make further progress.

14381. Are there any other land improvement schemes which can be carried on in these three districts if finance were available ?—Not on any extensive scale.

14382. You say, "Professional money-lenders exist but are generally declining in number giving way to credit societies." Are you speaking generally about all the three districts or any particular part ?—Generally.

14383. As regards fertilisers, do any of the companies give fertilisers on credit ?—I was told that the union agency was giving to a certain extent, but they have stopped it. All of them are selling on cash.

14384. Is the spread of fertilisers in any way restricted because people cannot get them on credit or have no money to buy ?—I think there is no difficulty about capital for buying fertilisers.

14385. You say that the main defect of the present system of finance is the high rate of interest. We are told that the cultivators borrow from *sowcars* at about 12 per cent. and from the societies at 8 to 10 per cent. What do you think would be a reasonable rate for the cultivator to pay ? Has that been worked out ?—No.

14386. What is your estimate ?—My opinion is that finance for current expenses does not pay at all. Finance for current purposes can only pay after carrying out land improvements. I do not think the cultivator needs much finance for current purposes. The first thing is to make the farm better than what it is.

14387. If he has to borrow, he cannot pay interest ?—I do not think, except in an irrigation tract and to a very small extent in a transition tract.

14388. You say in your note that most of the landholders cultivate for subsistence and not for profit ?—I feel so.

14389. Coming to the question of marketing, what do you think of the possibility of the cultivators pooling their produce in order to get better prices ?—At present selling of cotton is concentrated in two or three months ; I had an occasion to go into the figures, and I find that cotton is sold at that particular period at a higher rate than afterwards.

14390. Has that been the case for several years ?—In the months of March, April and May the rates are very high comparatively. When the millowners are out in the local markets they compete fairly well and the prices are generally higher. That is the practice here at any rate.

14391. Would you not recommend the holding of cotton ?—I should recommend, provided we can steady the market. If there is an efficient staff to see through the rates and guide the people, holding is advantageous.

14392. Do you think the holding of cotton here will affect the prices, when prices of cotton here are governed by prices all over the world ?—I thought holding means holding by cultivators all over.

14393. If what you say is correct, then there is not much need for godowns ?—I must express that I am unable to give you a correct idea about this question. But so far as I feel, godowns to a limited extent will certainly help. To begin with the godowns must be attached to the cotton sale society. When the people understand the principles of holding, godowns may be extended in the district. We cannot separate the godowns from the sale movement.

14394. Speaking about by-industries, in your evidence before the Royal Commission on Agriculture you referred to the experiment of the Ibrahimpur school where sons of agriculturists were taught weaving, and said that the experiment was full of promise.

Have you been in touch with it ? Could you tell us what has happened there ?—I am sorry, I have not been in touch with it, because the school has been removed. I can send you the information.

14395. Is cattle breeding and dairying organised in your districts ?—It is difficult to make it successful ; but there is scope for it.

14396. You say that most of the small holders have to hire lands and to pay excessive rents. Have you any statistics to show what proportion of land is held by the average landholder as his own and how much of it he takes on rent ?—I have no ready figures.

14397. Is that the general state of affairs throughout the district ?—Yes.

14398. Then there must be several landholders, who either do not cultivate the land themselves or who have big holdings ?—There are many who have larger holdings but do not cultivate themselves.

14399. You suggest a Tenancy Act for fixing the minimum period for which the lease should be given and also for fixing the rent ?—Yes ; that is what I have suggested.

14400. Do you not think that if there is such a keen competition for land, such provisions could be evaded ?—How ?

14401. Supposing you say the rent should be Rs. 20 per acre, the rent on paper may be Rs. 20 per acre, but there may be a *paghdi* of Rs. 10 ?—Just like Bombay house rent ?

14402. Yes ?—I do not feel so much ; because people will be educated then and in course of time they will not pay it.

14403. But they are paying it now ? The very fact that you suggest legislation shows that they are paying more than Rs. 20 per acre ?—They are paying because they are at the mercy of the landholder. I would go to such an extent as to suggest that the collection of the amounts from the tenants should be made along with the assessment, if necessity arises ; but I should imagine that the cultivator will be benefited by having a fixed rent and a fixed period.

14404. *Professor Kale :* With regard to your suggestion that you might go to the length of asking Government to collect rents along with their land revenue, are not things already bad enough in that respect that you want to add to the difficulty of Government ? They are not sometimes able to collect the land revenue ?—I should not imagine that if it is a reasonable amount the collection should be so very difficult.

14405. But Government does believe that its land revenue is perfectly reasonable and yet it cannot collect it ?—At least in my division the collection of land revenue automatically goes, and there is very little difficulty.

14406. Do you mean there is no difficulty in collecting the land revenue in your district ?—Not very much except in very bad years.

14407. Do you think landlords in the district would be reasonable enough to pay the Government rent along with land revenue ? There will be that tendency as we see everywhere in life, that whatever laws you pass are evaded ?—I have suggested this because I select the lesser evil of the two.

14408. You said in one of your answers to the Chairman that for current needs the cultivator ought not to need any loans and he ought to be able to pay ?—If he gets an average crop.

14409. But in most of the parts of the Presidency, he does not get the average crop ?—Quite.

14410. So that he would be driven to the necessity of borrowing ?—Yes.

14411. So agencies will be required for lending money even for current expenses and for expenses of maintenance ?—Therefore I suggest that from the point of view of the State or the landholder, instead of making people borrow for maintenance, they should develop the land in such a way that it would yield a fair income.

14412. Will this land improvement be possible all over the district ?—I think in this dry tract at least more than 75 per cent. of the land requires bunding and this improvement is general.

14413. You say that whenever any landholder has any savings, generally he goes in for purchase of new lands or ornaments. Is that the general tendency ?—Yes, there is the tendency.

14414. Is that one of the reasons why the value of land has gone up and the rent has gone up ?—I do not think so. It is to a very little extent. In the first instance, the farmer saves very little, and if he saves he buys land, but the instances are very few.

14415. How do you account for the rise in rents ?—Because there is no occupation, the cultivators like to cultivate lands at any cost.

14416. Or is it due to the fact that when the prices of cotton were very high, cultivators could afford to pay higher rents ?—It has added to the circumstances. Many people went in for cotton cultivation during the boom period.

14417. You say that at the present moment agriculture is not a paying proposition with a very large number of cultivators. Do you think that co-operation has helped the cultivator to the extent that the burden of interest that he has to pay is lessened ?—Yes ; that is a benefit that he has derived.

14418. But the lasting benefit will come out of permanent improvements ?—Yes.

14419. *Mr. Buckley :* With regard to the redemption of old debts, you make an interesting suggestion that a portion of the holdings of the cultivator will have to be sold, and the sooner it is done the better to avoid further interest accumulating to the debts ?—I feel so.

14420. *Mr. Kamat :* Have you studied the question of distribution of land in relation to the population in this district ? In other words, is land well distributed ?—No ; it is very unequally distributed.

14421. For a farmer and a family of four or five people in all how much do you think would be the annual profit from his holding ?—May I know what you mean by profit ?

14422. If he has his own grain for his maintenance what extra cash would he require ?—If he has his own grain, he would require about Rs. 200 and if he does not keep his own grain, he would require about Rs. 400.

14423. Does this figure include also the maintenance of his bullocks ?—No.

14424. Taking his own family, he must have a profit of Rs. 400 from his holding ?—Income.

14425. For this income what is the minimum size of the holding ?—In this transition tract about 24 acres will do.

14426. Below this he could never make the two ends meet ?—No.

14427. What is the total area of land in this district ?—It is about 22 lakhs of acres.

14428. Suppose a man has a holding of five acres, to do all the improvements on it would be a sheer waste of money, is that so ?—As we understand, 24 acres is the unit ; but if we make further developments, we may come down to a lesser figure.

14429. What would it be ?—It all depends upon the kind of improvement that we make on it.

14430. Suppose if you have a well, how many acres ought to suffice to maintain a family ?—I think that in the transition tract if we make improvements carefully, about 12 to 15 acres would be a fair unit.

14431. It then means that unless you introduce improvements on the land, a man having a very small holding can never live on it only and any finance to help holders of uneconomic holdings is hardly well-worth attempting ?—Yes.

14432. How would your proposal of a Tenancy Act help the farmer in getting some land ?—It might help him in getting his minimum annual income.

14433. What is the provision you suggest in the Tenancy Act ? You say that a man has not got sufficient land of his own ?—He has enough land for cultivation.

14434. Because they take on lease ?—If the rental value of these lands considerably goes down and if it bears a certain proportion to the assessment, which may be fixed after a careful looking into the actual cost and the income, probably I think they will be better off.

14435. Your proposed Tenancy Act is not intended to give security for so many acres at least to a man, but it is intended to lease out a certain proportion of land on terms which you consider reasonable. Is this what the Act should do ?—The cultivator has enough area to cultivate. But he must have it on reasonable terms.

14436. If he leases it out to a particular man ?—Generally he keeps for himself enough area to cultivate.

14437. Suppose your Tenancy Act is passed, you want to regulate the rents ?—Yes, and if the period is fixed for 30 years, he can effect some improvements.

14438. So the State ought to interfere in fixing reasonable rents and also fixing a reasonable period ?—Yes.

14439. You are not very optimistic about a land mortgage bank unless certain things were done ?—Yes, this is my opinion.

14440. Should no finance be given to absentee landlords ?—No.

14441. *Mr. V. L. Mehta :* You said in reply to the Chairman that in places where there are cotton sale societies already existing and where *juar* or other crops are sent to markets for sale, then they might take up the sale of these products, but in other places separate organizations will be necessary. Now, in the Karnatak, why these organizations have not been started so far ? Are there any special difficulties ?—They have not felt the need for joint sale of *juar* and wheat but for groundnut and for oil seeds they are gradually taking up. We have about four societies and they are taking up the sale of these products.

14442. Because *juar* is not a money crop ?—Quite.

Mr. S. S. Salimath.

14443. About groundnut, it is stated in Professor Beri's note on marketing as follows : "The Agricultural Department has been able to impress upon the more intelligent cultivators that it pays them to get their groundnut decorticated and sell the seed, and already a number of small decorticating machines have been introduced in groundnut areas". Do you agree with the description of the position ?—This is on a very limited scale.

14444. Do you agree with the idea that decorticating machines would be useful from the point of view of marketing of the crop ?—I think so.

14445. If it is useful, do you see any financial difficulties coming in the way of introducing these machines ?—We have not gone upto this stage at all. We tried to introduce the hand machines, but the hand machines were not found suitable and so we gave up that idea. Again we have taken to power machinery.

14446. This may be set up at some central places principally ?—Yes.

14447. Do you anticipate any financial difficulties for buying up this machine ?—I have not gone upto this stage.

14448. Who, do you think, should put up these machines ?—The sale societies ought to have these machines put up at different centres.

14449. You speak here of some dealers in cattle who sell bullocks on credit at exorbitant prices and so on. Who are these people ?—Some people from the Mysore territory sell them on credit and require payment by annual instalments.

14450. But are they in touch with the people ?—They come every year and there is a very beautiful story about them. They come in a group of five or six people and if any one does not pay them, they will sit in the cultivator's house for a fortnight and eat freely so that the poor man will be forced to make payment. I mean there is a regular wandering tribe.

14451. Have you no cattle *bazars* ?—We have, but in that case they will have to buy them for cash.

14452. You suggest that co-operative credit societies should attempt to oust *dalals* and money-lenders from rural areas and make them deposit their money in the banks at low rate of interest. Have you any definite means to suggest in their working ?—If the credit societies take interest and induce members to take to co-operative sale, the *dalals* will gradually go away.

14453. At present there is a sort of connection between a credit society and a sale society ?—Yes.

14454. So is this connection not enough, or do you think some closer co-ordination is necessary ?—I think some closer co-ordination is necessary between the credit society, the sale society and the bank. The interests of these three bodies should be so well-blended that they automatically should work one for the other.

14455. *The Chairman :* Some years ago, you were holding some enquiries in two villages about indebtedness ?—Yes, I proceeded to a certain extent, but on account of want of time I could not proceed further.

14456. If you have collected any other information on the question of indebtedness, it will be useful to us ?—I will look into this matter and address you separately.

14457. *Mr. V. L. Mehta :* Are they the same enquiries in which Mr. Beri took part ?—No.

(The witness withdrew.)

Mr. S. V. SHEVADE, Cotton Superintendent, Dharwar.

Marketing of Cotton and financing of the Cotton growers in the Southern Maratha Country.

In the Southern Maratha Country cotton is the most important crop grown in the black soil tract and in the British Territory of the Dharwar, Belgaum and Bijapur districts occupies an area of about 15 lakh acres or about $\frac{1}{8}$th of the total cropped area and produces about $2\frac{1}{2}$ lakh bales. It is the chief money crop of the cultivator and the largest commodity of trade giving occupation to a very large number of persons directly or indirectly.

PRESENT SYSTEM OF MARKETING COTTON.—At present most of the cotton produced is marketed by the cultivators in the form of seed cotton (*kapas*). It is filled in large gunnies (*dokras* or *andagis*) and carted to the primary markets for sale.

For an area of about 14,800 square miles of the British Territory in the Southern Maratha Country, there are only 6 primary cotton markets, *i.e.*, one primary market for about 2,500 square miles. These are situated at Hubli and Gadag in the Dharwar district, Bagalkot and Bijapur in the Bijapur district and Bail-Hongal and Athani in the Belgaum district.

There are some secondary markets in the interior but these are also very few. The cultivators have to cart their cotton to long distances. Carting *kapas* is more expensive than carting lint. The road communications are few. The conditions of roads are not satisfactory. While going over uneven *kutcha* roads, there are sometimes accidents and carts tumble down. The present motor traffic frightens the village bullocks. Moreover the cultivators have to pay road taxes. This part of the Presidency is liable to untimely rain in cotton season from February to May. This untimely rain damages the cotton either during transit or in the open compounds of the *dalals*. If such damage occurs the cultivator loses greatly by way of tare, weight deductions and reduction in price.

Cotton is never sold by the cultivator directly to the merchant. It is invariably sold through the *dalals* or other money-lender. In fact as the cultivator takes loans from these persons he is bound to sell his cotton through them. The *dalal* or other money-lender naturally guards his own interest more than that of the cultivators and goes more to the side of the merchants. The weighment is often done in the absence of the cultivator and the rates are fixed with the merchant by making secret signs under cover of cloth. Thus the cultivator is left in the dark as regards the correct weight of his cotton and the correct rate at which it is sold. Besides this there are tare deductions and other allowances in weight which are entirely dependent upon the choice of the *dalal* and the merchants. Thus in more ways than one the cotton cultivator is put to loss from beginning to end in the cotton trade. There is scarcely any trade as the cotton trade in which there are so many vagaries, like sharp fluctuations in price, unauthorised deductions in tare, weight and allowances, choice of the *dalals* to sell his clients' cotton at any time not minding the best advantage of the cultivator, etc. As stated above, cotton is the chief money crop of the cultivator in the black soil tract and it is in this very trade that he suffers the greatest loss in more ways than one much more than in the case of his other produce like *juar*, wheat, pulses and oil seeds.

It is, therefore, absolutely necessary that cotton trade is properly organised and conducted to the best advantage of the cultivator.

Mr. S. V. Shevade.

SUGGESTIONS FOR IMPROVEMENT IN COTTON MARKETING.—(*a*) If it is not possible to increase the number of primary markets it should be possible to increase the number of secondary markets. There should be one secondary market for every 50 square miles and there should be greater connection between the primary and secondary markets. In fact these secondary markets may be organised as pooling centres where the cotton should only be stocked and no actual sale may take place. A certificate may be issued to the owner showing the weight and the quality of the cotton. These pooling centres should be controlled and managed by authorised bodies like the co-operative sale societies.

(*b*) At each pooling centre there should be established a ginning factory owned by private individuals or preferably by co-operative bodies. At present the ginning facilities in the interior are very meagre. The ginning and pressing factories in the primary market places are too many and that is why the owners resort to "Combination" and raise the charges which ultimately fall upon the cultivator. It may be possible to get some of these factories shifted into the country side to the secondary market places.

(*c*) There should be a system of licensing the ginning and pressing factories. No factory may work except under a Government license. A condition should be laid down that a license would be forfeited in case a factory works for less than a prescribed number of days in a season. This will prevent indiscriminate starting of factories both in the central places and in the *mofussil*.

(*d*) Suitable warehouses should be attached to every factory to store the cotton and protect it from damage by rain or white-ants or accidental fire. No license may be granted unless a warehouse is built for every factory. Warehouses are indeed a great need everywhere. Karnatak is characterised by untimely rain which falls in the cotton season from February to May. This untimely rain causes great damage to the quality of the cotton stored in the open yards.

(*e*) Co-operative marketing of cotton has now attracted the attention of the cultivators as well as of the buyers in this division. The cultivator gets the benefits of correct weights, classification of cotton made by the Agricultural Department and the auction sales. The buyers obtain large lots of pure and uniform quality in one place. Co-operative sale of cotton should be further developed. In this division only Hubli and Gadag Cotton Sale Societies are progressing satisfactorily. The sale society at Bail-Hongal is showing good promise. But the societies in the Bijapur district are not working well. A society in Athani is a need.

(*f*) All facilities should be given to the co-operative cotton sale societies about finance and about securing the cotton for sale. The Agricultural Department has given a facility by way of the monopoly of pedigree seed of improved cotton and of the grading. The societies should deal more and probably only in improved cottons. At present they find it difficult and risky to stock and distribute large quantities of seed. They should be granted loans without interest or at low rate of interest for buying seed and a subsidy towards the expenses of transport and other incidental charges. The pooling centres mentioned above may be utilised as local centres for the production and stocking of seed. From these centres seed distribution can be done at cheap rates by opening depots under each centres.

(*g*) Another great problem before the co-operative cotton sale societies is the securing of cotton for sale through them. The sale societies are not financing bodies. But they have a right on the cotton produced by the members of the credit societies. The

question of compelling the members to sell all their cotton through the sale societies has not yet been completely solved.

FINANCING THE COTTON GROWER.—Like the grower of other crops the cotton grower also wants money. There are indeed very few who have enough savings to spend for crop cultivation and for domestic needs as well. Almost all resort to borrowing in advance and attempt to repay the loans after selling the produce. If the crop fails for any reason such as failure of monsoon, attack of disease or if the prices are low, the cultivator finds it impossible to repay the loans which then accumulate.

The cotton grower does not want much money for actual cultivation of the crop. The cultivation expenses are low. The tillage operations are done with his own bullocks. The seed costs only a few annas per acre. The wages of weeding and picking the crop are often paid in kind. Even if such operations are paid in cash they do not amount to more than Rs. 6 to 8 per acre. What the cotton grower wants money for is to spend for family requirements during the year and to pay off the arrears of his debts. Throughout the whole year he goes on buying the sundry articles on credit from the village shopkeeper and when he gets his money after selling his cotton, he apportions it according to the pressing demands of his landlord, *sowcar,* the shopkeeper or family needs. For a special occasion like the marriage of his son or daughter he buys some gold or silver or costly cloth not minding his debts. After paying all these persons he has very little left with him with which to maintain his family and his bullocks. It is never enough and he further goes into debt. The holdings are small, the income is small and demands of debt side are many.

The Co-operative Movement has come to the help of the cultivator and is alleviating his condition to some extent. Credit societies are started in numerous villages and are connected with the district and provincial banks. Supervising staff is employed. The system of preparing maximum credits is introduced and loans are sanctioned in time generally. The cultivator has begun to take advantage of these facilities. But the loan he gets from the credit societies is not, in many cases, enough to redeem him of his debt. As this system of financing develops, it may be possible to increase the amount of loan to be given. But after all there is limit to this help. Any amount of direct financing for paying debts and for meeting the family expenses will not suffice. What after all credit societies or even a private money-lender can do is to put the cultivator in the way to lead his life. Borrowing for redemption of debts never brings permanent relief. Even if the cultivator is once relieved of his old debts there is no guarantee that he will not run into debt again either through force of circumstances or his recklessness.

One of the most important ways of improving the condition of the cultivator is, in my humble opinion, to teach him and put him in the way of increasing the production from his land and to arrange to secure for him the highest price for his produce and to prevent the little leaks or losses in agricultural trade from which he suffers at present. When the cultivator is able to pay his debt out of his savings and not by borrowing from the credit societies or from a new money-lender to pay the old one then alone there is real progress.

Oral Evidence.

14458. *The Chairman :* Mr. Shevade, you are the Cotton Superintendent, S. M. C., Dharwar ?—Yes.

14459. Are you in charge of three districts ?—Yes : Dharwar, Belgaum and Bijapur.

14460. You suggest the establishment of smaller markets ?—Yes ; and I call them secondary markets.

14461. Do you propose that cotton should be sold in these markets ?—No ; because we will not get buyers.

14462. Do you think that cultivators would agree to bring their cotton to a place where they cannot sell it ?—It is a kind of pooling and the present system ought to be changed.

14463. Will they agree ?—They will agree if they are given advances on the deposit of their produce.

14464. Would they not like the prices to be fixed ?—So far as my opinion is concerned, they are not in a hurry to sell any of their produce at once so long as they get their financial needs. If their financial needs are satisfied, they will be prepared to wait for better prices.

14465. Is it your idea that cotton should be graded at these secondary markets and sold separately ?—Yes.

14466. You refer to the fact that rains sometimes damage cotton and so godowns will have to be constructed ?—Yes. The whole of the Karnatak is characterised by untimely rains.

14467. Are there godowns in big markets now ?—No.

14468. Have *dalals* no godowns ?—They have very small godowns. In many markets you will find cotton *dokras* lying in the open space and they are damaged by rain and are subject to white-ants spoiling them.

14469. Why does not private enterprise go in if it is a paying concern ?—I think it might be tried.

14470. Do you think any help for having godowns from outside is necessary ?—Financial help will be required.

14471. Is it the practice here that when a man brings his cotton to the market from home it is not weighed ?—He generally weighs it before he brings it to the market. But in the market, it is not weighed at once in his presence.

14472. By whom it is weighed ?—It is weighed in the presence of the *dalal* and the buyer's clerk.

14473. But not in the presence of the *seller* ?—The seller may or may not come.

14474. If the weighment is much less than what the cultivator thinks it to be, he will lose ?—He has to submit to the *dalal's* whim.

14475. These deductions that are made in the market are deductions according to the market practices ?—Yes.

14476. You will be in favour of the establishment of the markets under the Cotton Markets Act ?—To some extent I will be.

14477. And why not entirely ?—Because we have to depend upon the local buyers, apart from *dalals*.

14478. But the buyers will not suffer by the establishment of markets ?—They are generally one. They are interdependent bodies.

14479. I understand that *dalals* are opposed to the establishment of such markets ?—Yes.

14480. You mean, when they oppose it, no market should be established at all ?—So long as it is made optional it cannot be enforced according to the wording of the law. If it can be enforced by some wording of law, the *dalals* will ultimately have to submit to it because it is in the interests of the buyer, the *dalal* and the cultivator.

14481. It cannot be in the interest of the *dalal* ?—Good is good for all because some *dalals* will be eliminated and only good *dalals* will remain.

14482. Is there not a sufficient number of ginning factories at present ?—In the interior there are not many.

14483. Suppose you start ginning factories in the interior, how would they be beneficial to cultivators ?—The cultivator will have to be prepared to sell lint. The lint can be brought to the central market, examined and graded. This process will eliminate the malpractices of mixing.

14484. Supposing gins are started in the interior, who will buy the lint if the buyers refuse to buy it ?—The whole system will have to be changed, but you will find some difficulty in the beginning. In the end, it will be advantageous both to the cultivator and the buyer.

14485. You say that cotton sale societies in other places are working well excepting in Bijapur. Are there any special reasons for their not working well in Bijapur?—In the first place, there is no guarantee of recovery of amount advanced. These are famine-striken areas. One cannot be sure about recovery of amounts advanced.

14486. So societies cannot advance properly ?—No; they cannot advance properly.

14487. Is this the main reason why they do not work well ?—It is one of the reasons in my opinion.

14488. You say : " All facilities should be given to co-operative cotton sale societies about finance and about securing the cotton for sale". What are their difficulties at present ?—At present co-operative cotton sale societies are not empowered to give finance to cultivators in places where there are credit societies ; and in each place there is only a limited number of members, but the seed growers or those people who take seed from the society are more than the number of members. They are not members, but that being the area of operation of that particular credit society, the sale society is not empowered to give finance to those other members.

14489. Do those people go to *dalals* or money-lenders for borrowing ?—If they are not loyal, they will go to *dalals* or money-lenders.

14490. As regards the members of these societies themselves, do they now bring their produce to the cotton sale society ?—Some do bring and some do not bring their produce to the cotton sale society.

14491. Are they not enforced to do so ?—No. In my opinion this question is yet to be solved.

14492. How could it be solved ?—My opinion is that every cotton sale society should have a right upon the produce of every member of a co-operative credit society and every member ought to bring his produce to the sale society for sale.

14493. You want the same rule to apply to societies here as it applies to cotton pools in America ?—Yes.

14494. And arrangements will have to be made for sufficient finance to individual members ?—Yes.

14495. I see that you are not in favour of relieving the cultivator of his old debts all at once, but you think he ought to pay out of his savings ?—This will be the ideal situation if it can be brought about.

14496. The main difficulty is that the rate of interest is so high that unless it is reduced it is not possible for him to pay ?—Yes.

14497. So if some agency comes in and advances him at a low rate of interest, he can pay out of his profits ?—Yes.

14498. *Mr. Kamat:* About licensing of ginning factories you say: "A condition should be laid down that a license would be forfeited in case a factory works for less than a prescribed number of days in a season. This will prevent indiscriminate starting of factories both in the central places and in the *mofussil*" ?—I have recently collected figures in Hubli and Gadag about the working days and time of working, etc. I have found that the amount of work turned out by each pressing and ginning factory is too little; there are some ginning and pressing factories which are lying idle.

14499. How many are there in Hubli ?—There are 21 factories, and there are 18 in Gadag out of which 3 or 4 are lying idle.

14500. Your proposal is that no license should be given for a fresh factory in Hubli ?—Just now there is no system of licensing.

14501. Supposing after license is given to a new factory, there is no cotton coming, the man will have to suffer ?—He shall have to consider the opening of a factory beforehand. There are too many now in the central place and some of them can be sent out to the interior if we adopt licensing system.

14502. At present they adjust this point by competition or combining between themselves ?—Yes, by combining.

14503. When they want to save themselves they combine, and if they want to kill each other they compete. By this they eliminate, but you want the State to interfere and stop any more enterprise licensing in Hubli for instance, and thus drive people in the interior. Suppose there is no cotton coming in that particular place, the man will suffer ?—The man will have to think before he invests his own money. He will have to consider the interior as well as a central place.

14504. *Mr. V. L. Mehta:* You say these cotton sale societies experience some difficulty in storing cotton seed and distributing the same. Is their difficulty due to fluctuations in rates or is it due to lack of godown facilities ?—There is no difficulty about godown accommodation.

14505. Where is then the risk ?—In the fluctuations.

14506. About your statement that a cotton grower does not want much for actual cultivation, is this based on any enquiries or is it your general impression ?—It is my general impression.

14507. Because some enquiries made at other parts seem to indicate that it is only at the beginning of the season he wants money. This is what the Indian Central Cotton Committee Report indicates. But the general impression here is that he does not want very much at the beginning of the season. Is that correct ?—Yes; and he wants it much later.

14508. *Professor Kale :* In this statement with regard to which my colleague just now asked you a question, you have stated that the cotton grower does not want much money for actual cultivation of the crop. Do you mean to say that he has his own seed, and he has his own labour, and in that way he does not require money for cultivation purposes ?—Yes ; his family people work on the land, and the price of seed is not much. He employs outside labour for weeding and harvesting purposes.

14509. In that sense you say that he does not require much money for actual cultivation of the crop ; but he may require money for the maintenance of himself and his family ?—Yes.

14510. Should that not also be counted as the cost of cultivation, because he has to borrow for maintaining himself and his family ? Practically it comes to cost of cultivation not in the technical sense but in a larger sense ?—Yes ; so he has to get money occasionally and not all in one lump sum, which he may misuse. He has to be provided with money at different periods of the year as he goes along.

14511. *Mr. Buckley :* Have you some long staple cotton grown in this part ?—Yes.

14512. Do you support the contention that it should be included in the Broach hedge contract ?—Yes, by all means. It is included in the Southern hedge contract ; but it is more or less a dead contract.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Friday, the 14th February 1930.

Friday, February 14th, 1930.

DHARWAR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. C. B. HULI, Assistant Registrar, Co-operative Societies, Dharwar.

Replies to the Questionnaire.

SECTION I.

AGRICULTURAL CREDIT.—When the problems of agricultural finance to a cultivator have to be solved, it seems necessary to take into consideration the following points :—

1. His method of agriculture.
2. His ways of buying and selling agricultural requisites and produce respectively.
3. His mode of living and his earning capacity.

In all these things he is far below the standard as he is not an educated man. Recurrences of famines, want of subsidiary industries and high rate of interest on his borrowings have also made his profession not quite a paying concern. In order that agricultural credit facilities from various sources should go to improve his economic condition he should be made to understand the advantages of better farming, better business and better living.

Agriculturists borrow money during cultivation from various sources such as village money-lenders, *sowcars*, *dalals*, merchants, co-operative societies, etc. For capital and permanent improvements the agriculturists borrow money from big *sowcars*, co-operative societies and Government. Agriculturists are not generally spending much money on land improvements. It may be stated that out of the total indebtedness of cultivators about 5 per cent. of the debt is due to land improvements. In famine years they borrow from the same sources mentioned above. But in famine days money market becomes tight and loans are not freely given and the lending rate also becomes very high even to cultivators having good credit.

Rates of interest vary from tract to tract. Village money-lenders charge interest from 18 to 36 per cent. *Sowcars*, *dalals* and merchants charge 12 to 24 per cent. and co-operative societies' rate of interest is from 9⅜ to 12½ per cent. Agriculturists sometimes borrow loans in kind. The rate of interest in such cases is 25 to 50 per cent.

Small loans are given on personal security. If the loans exceed Rs. 200, land mortgages are taken. Village money-lenders, who are dealers, *dalals* and merchants advance

money on the security of standing crops or on condition of selling goods to or through them.

Periods of loans are generally for one year. Land mortgage loans are for two years. In the case of co-operative societies periods of loans are fixed according to purposes. In the case of loans for productive purposes the loan is invariably insisted to be repaid from the profits obtained by its utilisation, *e.g.*, for seed within one year and land improvements within 5 to 10 years. In the case of loans for unproductive purposes such as redemption of old debts, ceremonies, etc., periods are fixed according to the earning capacity of a member. Dates of repayments are always in the *hangam*.

N.B.—If other money-lending agencies are made to follow this system, the cultivators will be greatly benefited.

The Imperial and joint stock banks generally do not deal with the cultivators. Government grant *taccavi* loans for land improvements. *Taccavi* loans are also given through co-operative societies in places where they exist.

The co-operative rural banks in the Dharwar district play an important part in financing cultivators for current agricultural purposes, which is illustrated by the following table :—

Year	No. of Agrl. Credit Societies	No. of members	Members' deposits	Non-members' deposits
			Rs.	Rs.
1926, 31st March ..	462	40,242	11,04,619	5,95,094
1927, 31st March ..	475	41,303	11,51,373	6,62,501
1928, 31st March ..	470	40,397	11,78,015	7,52,617
1929, 31st March ..	473	39,485	11,91,021	7,43,436

Year	Bank's dues	Reserve Fund	Working capital	Overdues	Average working in capital per member
	Rs.	Rs.	Rs.		Rs.
1926, 31st March ..	25,03,829	4,25,453	46,74,732	14·1	116
1927, 31st March ..	27,40,153	5,13,837	51,39,437	16·8	124
1928, 31st March ..	27,70,204	5,84,954	53,36,197	20·3	132
1929, 31st March ..	24,98,426	6,49,146	51,37,125	19·5	130

The average membership per society is 80 and the average working capital is Rs. 130 on 31st March 1929. The members' deposits and reserve fund form 23 per cent. and 12 per cent. of the working capital respectively, the owned capital of the societies being 35 per cent. of the working capital.

The total population in the Dharwar district is 10,36,924. Taking 20 per cent. of the total population as non-agriculturists, the agricultural population will be 8,29,540. The

total number of members in the agricultural credit societies is 39,485. Considering that every member has on an average a family of five members the number of agriculturists coming in the fold of co-operation will be 1,97,425, *i.e.*, 24 per cent. Out of the total members in the societies 62 per cent., *i.e.*, 24,480 are borrowers. The total amount of loans outstanding with the members on the 31st of March 1929 is Rs. 46,01,474 and the average loan per member out of the borrowers is Rs. 188. This average loan should be almost sufficient for current agricultural purposes. But unfortunately these loans in many cases are not utilised for the purposes for which they are granted. They are mostly utilised for the redemption of old debts or paying land rents to the landlords. So the members will have to borrow from various other sources for their current needs.

All our attempts to establish normal credit statements and thereby to secure timely and adequate finance for the cultivators have not yet been a complete success. If the societies prepare their normal credit statements after consulting every member as to his needs, there is no reason for a member to resort to *sowcars* for loans as the District Central Bank has always got a large surplus lying idle.

From the figures of the co-operative societies, it may be inferred that about Rs. 2,00,00,000 will be required for current agricultural purposes in the Dharwar district. One-fourth of this capital is supplied by the co-operative societies and the remaining three-fourths from various sources. If the Co-operative Movement is properly developed, it will be in a position to supply half the capital required for agricultural purposes in a short period.

LAND MORTGAGE BANKS.—The agriculturists are being crushed under the heavy debts The causes of debts are many, chief among them being famines, litigation, taking lands on lease at exorbitant rates, unnecessary expenses, want of sufficient earning capacity, etc. Many of these evils can be remedied. Debts on account of land lease are alarmingly increasing. The Tenancy Act restricting land rents is essential.

A co-operative land mortgage bank is recently started in this district.

It should raise its capital by issuing debentures through a Central Institution for land mortgage bank to avoid competition in the market. Interest on debentures should be guaranteed by Government.

To guard against lands being overvalued, the appointment of a land valuer to the land mortgage bank should be made by Government and his pay should be borne by Government.

The debentures should be in the list of negotiable and trust securities.

Should the members fail to repay their instalments recalcitrantly, the land mortgage banks should have the right of foreclosure and sale of the security.

METHODS OF MARKETING PRINCIPAL CROPS.—The most important crop growing in the Dharwar and Bijapur districts is cotton. But on account of adulteration and damping practised in ginning and pressing factories, it has earned a bad name in the Bombay market and it is not even tenderable.

The following are the methods of selling cotton :—

(1) It is noticed in some places that are very remote from the cotton marketing centres and have defective communications and where there are no banking facilities needy agriculturists sell their standing crops. Such instances are getting rare year by year. The co-operative societies have considerably discouraged this system.

(2) In some places agriculturists, who are unable to take their cotton to the market centres, sell it locally to village *banias*, who indiscriminately mix the small lots and sell to the village dealers who dispose of it in turn to the big dealers in market centres, who generally sell it after ginning to the big buyers.

(3) Those who have got facilities to take their cotton to the cotton market make their loose seed-cotton up into *dokras* and take them to the market for sale through their *dalals* who in a majority of cases have made advances to them on condition of selling cotton through them. It is big buyers that buy cotton here. The buyers will gin and press and send it to Bombay. Some millowners have also opened their agencies in the market centres and buy their requirements through the *dalals*.

The area under groundnut cultivation is rapidly increasing in Dharwar and Bijapur districts. In a few years it will be an important crop competing against cotton.

At present this produce is brought into gunny bags in a semi dry condition to the market and sold in hot haste. The cultivators think that they will get more money if they sell groundnuts in a semi dry condition with mud attached to it. But the buyers keep sufficient margin when fixing the price. The buyers dry them and clean them before they are hulled. It is generally exported.

In the *mallad* tract paddy is grown abundantly. Paddy seed is generally kept by the cultivators. When it is not kept, it is borrowed from some other agriculturists in kind as a loan repayable at harvest with an addition of 25 to 50 per cent. interest.

Since the paddy grown in this tract is mostly a commodity of internal trade, the problems connected with this are not very comprehensive or difficult. The only difficulty that is seen is with regard to storing paddy in market places. If this is obviated, the cultivators can afford to wait for some time until they could get better prices.

In the North Kanara district the arecanut crop is the important money crop. This garden crop is in the hands of Haviks who seem to be neglecting their gardens and depending too much on imported labour. The marketing system of this crop is also not good. The important markets for these are Sirsi and Kumta. At Sirsi the buyers do not pay the sale price immediately after the bargain is struck. Sometimes they take three months before the full amount is paid.

Chilly is grown in the Kod and Ranebennur *talukas* and in some parts of the Haveri and Hangal *talukas*. In this trade as in other agricultural produce there are several intermediaries, who make money at the cost of cultivators. Those that can afford to take chilly to the chilly market, take it in a semi dry condition which necessitates immediate sale. This causes a great loss to the cultivators. This crop is mostly consumed in Karnatak and some parts of the Madras Presidency.

CREDIT FACILITIES FOR THE FINANCING OF SUCH PRODUCTS AT DIFFERENT STAGES.—The system of advances to cultivators on their produce, specially cotton, divides itself into three chief parts.

The first is advances against standing crops and the other is advances against actual crops when marketed. The third is advances made to cultivators for all purposes; these people are no better than serfs.

The village money-lender, traders and *adatyas* advance money on the standing crops. Sometimes lands and houses are taken in mortgage if the amount is a big one. Instances of taking bonds for double the amounts loaned out are not few. If the cultivators turn

defaulters, the full amount mentioned in the bonds is recovered. If the money-lenders are traders or *dalals*, they invariably insert a condition that the cultivators should sell their produce to or through them as the case may be. Sometimes when granting loans they fix the rates at which their produce should be sold, which is far below the market rates.

The co-operative agricultural credit societies have been now playing an important part in financing the agriculturists for agricultural purposes. If the co-operative credit system is fully established and if the societies prepare the normal credit statement in time, there is no reason for the co-operative member to approach the *sowcars* for loan.

Co-operative Marketing.—The following agricultural produce sale societies have been working in this division :—

Name of the society.	Quantity sold (in Maunds of 80 lbs.)	Prices realised. Rs.
1. Gadag Cotton Sale Society	54,220	8,89,123
2. Hubli Cotton Sale Society	53,573	7,35,473
3. Annigeri Cotton Sale Society	5,129	70,036
4. Haveri Cotton Sale Society	5,529	72,125
5. Dharwar Cotton Sale Society	*Nil.*	....
6. Byadgi Chilly Sale Society	5,297	39,640
7. Alur Paddy Sale Society	6,425	29,218
8. Bijapur Cotton Sale Society	9,484	1,26,525
9. Bagalkot Cotton Sale Society	1,828	9,990
10. Sirsi Totgars Sale Society	4,837	1,39,357
11. Kumta Arecanut Sale Society	9,200	2,16,620

Of these the cotton sale societies are by far the important ones. They are all situated in the cotton market centres. The whole of the cotton tract is covered by the cotton sale societies. In all these societies individuals and agricultural credit societies are eligible for membership in the area of their operation. Nowadays it is found that some individuals do not properly guard the interests of the sale societies. Experiments are now being made in the case of two sale societies to work them with the membership of societies only by removing the individuals from membership. If this experiment proves successful, other societies will be advised to change their constitution so as to restrict their membership to agricultural credit societies only.

In the area of operation of these sale societies there is a net-work of agricultural credit societies. The agricultural credit societies finance their members on condition of selling their produce through the sale society working in that area. The agricultural credit societies have also adopted the following by-law 33-A :—

> "If a member grows a cotton crop and the expenses of raising it are included in the objects for which he takes a loan from the society during that year, he shall sell the produce of the crop through the cotton sale society working in that area, failing which he shall be liable to a fine of rupee one for each acre of cotton so grown by him."

By this by-law the members are bound to sell their produce through the sale societies. Unfortunately this by-law is observed more in breach than observance. If this by-law is strictly observed and the rural societies discharge their duties properly by financing their members adequately and timely and the management of the sale societies is efficient, the sale societies should sell at least one-fourth of the total quantity produced in a year.

But on account of the various defects and difficulties existing in the working of credit and sale societies and want of trade facilities, the sale societies have not been able to capture even one-tenth of the total cotton produce. It is only in the Gadag and Hubli sale societies that the progress is good, but they too do not show the signs of further developments. In the Gadag and Hubli markets about 60,000 and 100,000 bales are respectively pressed in a year but the Gadag and Hubli sale societies sell hardly 20,000 *dokras* each, *i.e.*, about 5,000 bales in a year. The Bijapur district sale societies sell a ridiculously small quantity of cotton.

The co-operative credit and sale movements are inter-dependent and the sale movement cannot make rapid progress unless the credit movement is sufficiently strengthened.

The Gadag and Hubli cotton sale societies have got reserved areas of 11,000 acres and 5,000 acres respectively for multiplying seed evolved by the Agricultural Department. The other sale societies have also got their small reserved areas. The cotton grown out of this area is sold in auction sales on condition of returning the seed to the societies at a particular rate. This seed is distributed amongst its members by opening depots in various centres on condition of selling cotton through their respective sale societies. This cotton is also sold in auction sales. The prices realised in the auction sales are far above the Bombay rates. The buyers and millowners give very good prices for this cotton. The buyers generally mix this cotton with the inferior cotton bought in the market.

The sale societies have done good service to the agriculturists by distributing good seed. The whole of the cotton tract in the Dharwar district except a few thousand acres is under the improved strains of cotton seeds. But they are doing seed business at some loss.

The sale societies weigh *dokras* as soon as they arrive in their godowns and give weighment bills to their members, and advance money to the agriculturists if they need it up to 60 per cent. of the value of goods actually kept with them. They also give bonus at the end of the year in proportion to the number of *dokras* sold by the members. They follow all market customs in charging local cesses.

If the following facilities be made available to the sale societies, there is every chance of the sale movement being quite successful:—

1. Intensive propaganda is necessary to make the village societies realise their responsibilities and to prepare an accurate normal credit statement in time. The bank and supervising unions should have an efficient staff.

2. The staff of the Co-operative Department should be strengthened and more agricultural organisers should be appointed. At least there should be one agricultural organiser for two *talukas* whose duty should be to see that the members' goods come to the sale society and members use improved implements and seed, and carry on agriculture on improved methods.

3. The district central banks, sale societies and agricultural credit societies should work harmoniously and realise that they all work for a cultivator.

4. The Contract Act should be so changed as to claim a damage from a member if he fails to sell his produce.

5. The sale societies should be equipped with ginning and pressing factories at suitable centres. The Government, if necessary, should give long-term loans for this purpose.

Mr. C. B. Huli,

6. The societies should have their own godowns and warehouses. If necessary, they should take a long-term loan from Government for this purpose.

7. Karnatak cotton should be made tenderable.

8. The sale societies should be given some subsidy for distribution of cotton seed of improved strains for sowing purposes and for doing propaganda.

9. Cotton Market Act should be made applicable to all the cotton market centres.

10. Rules of the Factories Act should be rigidly enforced so as to stop adulteration and damping during ginning and pressing operations.

11. A federation of sale societies in Bombay to give advice to the sale societies and to make sales.

12. Weights, scales and measurements should be uniform and standardised.

13. TRANSPORT FACILITIES.—Railway freight should be lower for the agricultural produce of societies. New roads should be constructed in order to bring about better communications.

SUBSIDIARY INDUSTRIES.—One of the important cottage industries in the Dharwar and Bijapur districts is weaving. But this industry has been stagnating for several reasons. It has become difficult for an ordinary weaver to earn even eight annas a day with a full day's work.

The Co-operative Movement has been trying to encourage this industry by organising weavers' societies. There are now fourteen weavers' societies with a working capital of Rs. 86,372 and membership of 611.

The chief function of these societies is the supply of yarn to their members. The total amount of sales during the last year was Rs. 94,114. A co-operative union for these societies is also working for purchasing yarn at wholesale rates and for the sale of the finished articles of the constituent societies on commission basis. In spite of all this the weavers' societies are not progressing. The chief difficulties experienced are the supply of yarn at competitive rates to the members and the sale of the finished articles.

If a loan of Rs. 50,000 free of interest and a qualified manager free of cost are made available to the union for five years, the union will be in a position to give substantial help to the member societies.

As subsidiary occupation to the cultivators, the weaving business can give them good financial assistance. At Hebsur, which is in the famine tract, the agriculturists manufacture carpets (*gudars*) in their spare time. This industry has been able to maintain them in famine days. A co-operative society for the supply of yarn was organised in 1921. Since then it has been working very well. Its financial position is good as can be seen from the following figures :—

	Rs.
Members' deposits	4,085
Non-members' deposits	588
Share capital	6,635
Bank's loan	3,000
Reserve Fund	2,563
	16,871

During the last year it sold yarn of the value of Rs. 31,750 and made a profit of Rs. 1,483. This society also feels the difficulties in the sale of the finished articles. It is quite possible that a good number of such societies for agriculturists who know weaving can be organised in villages if the union of the weavers' societies be in a position to supply the necessary raw materials and arrange for the sale of the finished articles.

CATTLE-BREEDING.—Formerly agriculturists used to keep sufficient cows for breeding purposes and they were rarely buying bullocks for their profession from outside. Now in the dry tract there are very few farmers who do not buy bullocks from outside. This has become a good drain on their purse. In the Dharwar district we have started eleven cattle-breeding societies. All of them are working fairly well and they serve as a source of income to their members. Of these societies, the Shidenur Cattle Breeding Society is a model one. It has got 116 good cows and two premium bulls. Thirty-seven calves were born during the last year. They will fetch a price of about Rs. 100 each after two years' rearing. As a result of the influence of these societies the bad bulls in these villages are castrated and the villagers have realised the importance of keeping economic cows.

A good many cattle-breeding societies can be organised in the Dharwar district especially in the *mallad* tract if grazing lands be made available to the societies at reasonable rates.

POULTRY AND DAIRY FARMING.—Agriculturists of religious sentiments do not like to take to poultry breeding. If hens and cocks of good breed be given free to the cultivators that are close to the market places and if sufficient propaganda be made as to the advantages of poultry breeding, it is quite possible that they might take up this business as their subsidiary industry.

Dairy farming on a large scale is not undertaken on account of fodder scarcity. If grazing facilities be given to the cultivators, they might keep more milch cattle than now. A propaganda for this is also necessary.

For a small farmer some subsidiary occupation is necessary in order to supplement his income and raise his standard of living. For want of working capital, organisation and sale facilities he does not know what to do. An officer should be appointed to survey each *taluka* to find out the suitable existing cottage industries and organise them on co-operative lines.

SECTION III.

The margin of profits for the cultivators is not much. In the bad and indifferent years they have hardly anything left after meeting their expenses. In good years they have some surplus money which they utilise for marriages and buying gold and silver ornaments and for paying off a part of their old debts incurred in bad years. They often buy lands with their savings if they have no debts. Agriculturists generally do not make use of the postal savings banks.

The village societies have been trying to induce their members to keep their savings with them and to open savings bank accounts. Special provision is made in their by-laws for receiving their small savings. But the response so far met is not very satisfactory. A very few villagers have opened savings bank account with their societies. The chief difficulty experienced is that their income is not regular and they do not care to invest their small savings, if any. The banking and investment habit in rural areas is being imbibed very slowly. A good deal of propaganda is necessary in this connection in villages.

Mr. C. B. Huli.

INSURANCE SOCIETIES.—There are very few villagers who have insured their life. Insurance business is almost restricted to towns. If insurance societies on co-operative lines are started, a good many villagers can be induced to insure their lives. This will find a profitable outlet for their savings.

CHEQUE HABIT.—Cheques are gaining in popularity year by year through the activities of the Co-operative Movement. The abolition of the stamp duty has given much impetus for making the cheques more popular. The use of cheques in vernacular scripts is essential in villages.

The village societies are gradually being accustomed to the use of cheques.

To encourage the rapid growth of the cheque habit it is suggested that the best way would be to allow the owners of lands to pay their land assessment or any Government dues by cheques if they prefer to do so in places where good co-operative banks are working. This concession coupled with the vernacular cheques will go a long way to popularise the cheque habit.

Oral Evidence.

14513. *The Chairman:* Mr. Huli, you are the Assistant Registrar of Co-operative Societies ?—Yes.

14514. Which districts are in your charge ?—Dharwar, Bijapur and North Kanara.

14515. I find from your statement that during the last four or five years the number of new societies registered has been small ?—We get something like twenty bad societies cancelled every year, and the number of societies registered every year is fifteen to twenty: Besides there is not much scope for organisations of new credit societies.

14516. Is want of scope the main reason and not deterioration ?—Quite.

14517. Has the Movement gone bad in some parts ?—There are some bad societies, but that does not come in the way of the development of the Movement.

14518. One witness told us yesterday that in Hubli *taluka* the Movement has failed because of the societies going bad ?—I do not agree with that.

14519. He said that societies had factions and only members of a particular faction got loans ?—I do not think so. It is only in some bad societies that such things happen. Only five or six societies in Hubli are bad.

14520. Do you get any complaints from members that they do not get finance because the chairman and members of the managing committee belong to one party ?—Only in six societies it may be so. I have received no complaints.

14521. In the other societies did you find that there is this discrimination ?—I have not heard complaints in that *taluka*. There were complaints in other *talukas*.

14522. What would be the percentage of societies in which there are such complaints ? Would it be a large percentage ?—I think it would be something like five to ten per cent.

14523. There are normal credit statements prepared; are there not ?—Yes; and the Department has given instructions to societies that names of all the people should be put in the normal credit statements, and if they do not want finance they must write in the remark column that finance is not wanted.

14524. Then why should he, being a responsible supervising officer, make such a sweeping statement ?—It is perhaps because he visited a few bad societies, and his visit was not successful, and he might have been disappointed.

14525. You said that there was not much scope. Does that remark apply to Dharwar only or does it apply to Bijapur and North Kanara also ?—As regards North Kanara, there is scope. On account of famine in Bijapur there is no scope.

14526. Still there are a large number of villages in this district where there are no co-operative societies ?—Not in Dharwar but in other districts. Though in the Kanara district the number of villages is large and the number of societies is small, most of the societies there are group societies, that is, five or six villages are included in a society. I do not think there is, therefore, much scope left even in Kanara for new agricultural credit societies.

14527. Are these societies very careful in selecting their members, or is it that members with little or no credit try to join the society ?—All people try to enter the society, and in some societies members are taken in recklessly.

14528. Is there no control exercised in selecting members ?—In some societies it is not done.

14529. Could it be done ?—It requires propaganda.

14530. People should know the danger ?—Now they are realising, and they are not taking bad people in their societies.

14531. Is that the result of propaganda ?—Propaganda as well as experience of bad members.

14532. Does your average membership come to 80 ?—Yes, in Dharwar district.

14533. Do you think, constituted as they are, the chairman and members of the managing committee are able to supervise the society properly ?—I think, when the membership exceeds 50, there should be another society.

14534. Are you in favour of smaller societies ?—Yes.

14535. Has any attempt been made here to concentrate the work in certain special tracts and to develop it in all directions taking a group of twenty or thirty villages ?—Yes ; in some *talukas* we have made a concentrated effort. In Ron and Gadag *talukas* we have made efforts to see that the societies work well. We have introduced *taluka* development societies.

14536. Are they working well ?—Yes, the members realise their responsibility.

14537. Is that because of the efforts made, or because of the fact that people are more educated ?—For efforts made, and, to a certain extent, people are also intelligent.

14538. With regard to the loans advanced by societies, are they given in lump to individual members, or are they given in instalments ?—For the last two or three years we have been insisting on societies not to give loans in lump sum but according to the normal credit statement in two or three instalments, but some members want in lump sum.

14539. Is half of the loan wasted in that case ?—Yes ; they waste money, *i.e.*, they use for unproductive purposes.

14540. Are there landholders, who do not join the societies, because they do not get sufficient finance from societies ?—That should not be the case, because we allow special

limits to big landholders. Especially in Gadag and other *talukas* people take special limits frequently.

14541. Are the arrears about 19 per cent. ?—Yes ; they are 19 per cent. of the outstanding loans and not of the working capital.

14542. How do you calculate the arrears ?—At the end of the year statements are submitted by societies. It is the percentage of arrears to outstandings, and we take statement of amounts to be recovered by the society.

14543. Is it 19 per cent. of the amount to be recovered ?—It is 19 per cent. of the outstandings.

14544. But that is not the way to calculate ?—That is true.

14545. So this does not represent the correct state of affairs ?—Quite.

14546. The overdues are not more than 19 per cent. ? It may be less ?—Yes.

14547. Do these societies charge penal interest ?—Yes, if extension is not given.

14548. Is that common ?—Nowadays extensions are given more freely than before, and when extensions are given, no penal interest is charged.

14549. Do banks charge penal interest to societies ?—Yes, when extensions are not given.

14550. Is that approved of by the Department ?—Now we ask the central bank to appoint good inspectors and do propaganda work instead of charging penal interest to societies.

14551. Have you any figures as regards indebtedness ?—I have not got them now. I have already issued circulars to all the societies, specially in the Dharwar district, because we have land mortgage banks, and some societies have sent and some have not sent the information.

14552. In the past there must have been some debt redemption schemes ?—From that we cannot work out figures for all the societies in the district.

14553. For how many societies have you figures ?—I have figures for about forty or fifty societies.

14554. Are you getting some more ?—Yes.

14555. So you have figures of forty to fifty societies and you will get some more figures. Will you send us the information about forty or fifty societies showing their indebtedness, the area of land held by them and the assessment thereon ?—Yes.

14556. Has your land mortgage bank started its work ?—Yes.

14557. Has it given loans ?—Not yet ; the loans are recommended to the Provincial Bank.

14558. What factors are taken into consideration in recommending these loans ?—The security of the man and his repaying capacity. We see whether within fifteen or twenty years he will be able to repay the loan in regular instalments out of his income or not, and then we recommend.

14559. As regards your non-credit work, have you some special staff ? —I have only two agricultural organisers ; that staff is very meagre, and if I am given more agricultural organisers, I am quite sure that I shall be able to show more work than now.

14560. Do you have a special officer for each kind of work or one officer does all kinds of work ?—I would rather entrust all kinds of work to one man.

14561. Have your banks branches ?—Yes.

14562. In all the three districts ?—Yes ; in the Bijapur district, the Bijapur Central Bank has one branch, the Dharwar Central Bank has three branches and the Kanara District Bank has also branches at two places.

14563. Do all banks insist upon normal credit statements ?—Yes ; as a matter of fact no loan is sanctioned unless normal credit statements are prepared.

14564. Do any banks refuse deposits ?—The central bank is sometimes refusing deposits.

14565. Why ? Do they not reduce the rate of interest ?—They have reduced. The Kanara Central Bank's rate is 4 per cent. for one year, and they cannot reduce it further. If they reduce it further, the existing deposits might be withdrawn.

14566. Can they not receive deposits at 4 per cent. and put in some other bank at 4½ per cent. ?—They have done it ; but at 4 per cent. they would not get much money.

14567. Have they long-term deposits ?—They have five years' deposits, on which they allow 5 to 5½ per cent. Nowadays the policy of the bank is to take deposits for one year only.

14568. Do you think that all the various agencies like the district bank, the credit societies and non-credit societies are sufficiently co-ordinated now ?—There is some co-ordination, but there is much scope for improvement in that direction.

14569. For instance, we were told that there is not sufficient co-ordination between sale societies and credit societies ?—It is only here in Dharwar district. In cases of some societies there was a difference of opinion between the sale society and the district bank. The Registrar came here and made arrangements for money from some other urban bank, and now the matter is alright.

14570. You say that people do not spend much money for land improvement. Is the remark applicable to all districts ?—What I mean here is that for the existing old debts, the amount spent on land improvement is small.

14571. Is there no desire to go in for land improvement ?—There is a desire and people are taking to land improvement.

14572. Do your societies help them ?—Yes ; some loans are taken from co-operative societies. In 1924-25 we gave Rs. 82,600 ; in 1925-26 Rs. 74,000 ; in 1926-27 Rs. 20,000 ; in 1927-28 Rs. 14,000 ; in 1928-29 Rs. 24,000.

14573. Is the *taccavi*, which Government have placed at the disposal of the Co-operative Movement, being made much use of by the members ?—Yes ; wherever it is wanted, members do take it.

14574. Are there many applications pending ?—Not many applications pending, but the thing is that our societies are in a position to grant loans direct without taking *taccavi*.

14575. *Mr. V. L. Mehta :* Would that be at the usual rate of interest ?—Yes.

14576. *The Chairman :* Why can they not take advantage of *taccavi* ?—We do encourage them to take *taccavi*, but the societies say that the members want money at once, and instead of asking them to wait for two or three months they would give up to Rs. 750 from the societies and make them payable within four or five years.

Mr. C. B. Huli.

14577. You say that about two crores of rupees would be required for current agricultural purposes in the Dharwar district. Have you worked out the figures ?—Nearly 62 per cent. of the members borrow loans and they require about fifty-one lakhs, and that is one-fourth of the capital required. From that I have calculated that about two crores would be required for all the agriculturists in the Dharwar district.

14578. Speaking about marketing of paddy, you say that storage is required. Is paddy sold here on any large scale in the market ?—In the *mallad* tract paddy is grown, but they have no facilities for storing it in the market places. We have a paddy society, but for want of storing facilities the society cannot keep it for a long time.

14579. So it is the society that wants storage facilities ?—Yes, and *dalals* also want facilities.

14580. Have the *dalals* no godowns ?—They have, but they are not suited for paddy. If paddy is stored and sold after the rainy season, it generally brings a better price.

14581. You say that the system of marketing of arecanut in the North Kanara district is also not good. Is the sale price not paid immediately to the cultivators ?—In Kumpta the price is paid the very evening by the purchasers, while in Sirsi they do not pay immediately.

14582. Does the society pay at once to the purchaser ?—The society does not pay immediately; sometimes it has not sufficient money. The buyers will require three months.

14583. Does the producer, when he brings the produce to the society, not get money at once from the society ?—If he wants advances when his goods are not sold, he may get about 60 per cent. of the value.

14584. If the goods are sold, does he get the money immediately ?—Sometimes he gets and sometimes not.

14585. Has the society suffered any losses ?—It has not suffered any loss, but there is a possibility.

14586. Do the *dalals* follow the same practice ?—Yes; and there are instances where *dalals* have lost money.

14587. *Mr. V. L. Mehta:* Have you considered the possibility of introducing some system of trade bills ?—I have not considered that question.

14588. *The Chairman:* Does that system prevail in the market ?—There is no such system. Now buyers are allowed three months' time.

14589. I think there was an attempt made to sell *pan* from here ?—At Hatimatu we had attempted to start a *pan* leaf sale society, but we could not get buyers in Karachi. We collected something like Rs. 1,200 share capital and we returned the amount; but people are still ready to organise the society, provided we get some customers in Karachi.

14590. You have dealt in your note with the question of finance of the producer. But do you know how are the middlemen, *viz.*, the *dalals*, financed ?—Some of them have their own capital, and they also borrow from outside.

14591. Where do they get money from ?—From big *zemindars* and *sowcars*. Sometimes they make arrangements with Bombay *sowcars*.

14592. At what rate ?—They get generally at 9 to 12 per cent. Some big *sowcars* in Bombay advance them money even at 6 per cent.

14593. You say that some of the individuals do not properly guard the interests of the cotton sale societies. Do you mean that they are opposed to sale societies ? —Yes ; formerly non-agriculturists were admitted to membership, and their interests are more with the *dalals* than with the societies. These members are sometimes troubling our societies. Now we have converted two sale societies into unions.

14594. Do any of the sale societies give finance direct to their members ?—It is only the Hubli cotton sale society, which advances money to the cultivators where there are no credit societies.

14595. What do you think of the system ?—I do not like the system because it is not the business of the sale society. That sale society also sees that it is very difficult to recover the amount, and sometimes people take the money and do not take the produce to the society, but they sell somewhere else.

14596. Do your sale societies grade the produce and then sell it ?—Yes, and members in consequence get better prices.

14597. You say that the buyers mix it ?—Yes ; the buyers mix it. In the case of sale societies, when the cotton is brought, it is graded in three classes, *viz.*, the first grade, the second grade and the third grade. The buyers purchase the higher grade of cotton from us and then mix it with the inferior variety.

14598. Does that bring down the reputation of your improved variety in the market ?—Yes, I think so.

14599. What do you think should be done in order to prevent that ?—That can be put a stop to if ginning and pressing rules are strictly enforced. Now there are adulterations in pressing and ginning factories, and if that Act is enforced more rigorously, it will put a stop to that. If we have a federation in Bombay for sale, it would be better.

14600. As regards weaving, do you know how far the efforts of the Department of Industries to introduce weaving as a subsidiary industry amongst the agriculturists have met with success ? Have they opened weaving schools ?—Yes ; in Dharwar there are some schools.

14601. Have the agriculturists taken to weaving as a subsidiary occupation ?—They take to weaving for one or two years, but then they give up, because there is no organisation to conduct their work and guide them properly and supply them yarn. And now-a-days there is not much profit in weaving.

14602. How do you think the cattle-breeding industry could be introduced here ?—We have sufficient experience. Our cattle-breeding societies have become very successful. We have fourteen cattle-breeding societies.

14603. Have your societies special grazing facilities ?—Yes ; generally the Registrar does not register the society unless the society secures a grazing area.

14604. Do you think that societies should get grazing areas at concessional rates ?—We want it at reasonable rates. In auction sale very high prices are given sometimes. Those prices should not be fixed for our societies.

14605. Do the societies not get this grazing area at a fixed valuation ?—When the Government has to give grazing land to the society, they consider what amount was recovered for a particular grazing area and they ask for the same amount from the society, but that would be very heavy for the society.

14606. Are there any other non-credit societies, which are doing well, besides sale societies and cattle-breeding societies ?—Dam construction societies have done very well in the Kanara district. We have three such societies ; they are working on co-operative lines. Formerly sea water used to go into the river water, and make the water saltish and make it unfit for irrigation. So the land on the either side of the bank became quite useless for cultivation. But since the dam is put there, the sea water does not go in, and the river water remains sweet and so it is used for cultivation purposes.

14607. Is there any scope for development of these societies ?—Yes ; but for want of an agricultural organiser this work is not pushed through. We have also fencing societies, but some members do not give their subscription. Some people have not joined the society, and they are reaping the benefit of the wall, but they do not join.

14608. Is it not possible to start societies unless they join ?—No ; there are some people in villages who would not join.

14609. What is your remedy ?—If 75 per cent. are willing to join, there may be legislation to the effect that the remaining 25 per cent. should be forced to join.

14610. Are the agricultural conditions different in North Kanara district ?—Yes.

14611. It seems from your note that finance there is available at a cheap rate of interest ?—Yes.

14612. Do the agriculturists require finance ?—Yes ; but the societies themselves are in a position to finance them sufficiently. I have not heard of any instances in which the members have suffered for want of finance.

14613. Do you think that there are any further facilities necessary for agriculture or trade in that district ?—For trade and agriculture our urban bank is well-developed. We are doing *hundi* business and encouraging the trade.

14614. What about the indigenous bankers ? Are there no indigenous bankers ?—There are some indigenous bankers.

14615. Are their rates of interest low ?—They are 6 to 9 per cent.

14616. Is there no flow of capital between these two districts, *viz.*, Dharwar and North Kanara ?—Some of the Kanara members have deposits in our Dharwar Bank.

14617. Is it because they get better rates of interest ?—Yes.

14618. *Mr. Kamat :* You said that during the last few years, some 20 societies were cancelled and about 15 to 20 societies were added every year ?—The number of societies cancelled in three districts is 26 and the number of societies registered is 27.

14619. Looking to your figures of societies registered from 1926 to 1929, it seems that the Movement has remained almost stationary so far as the number of societies is concerned, because the number of societies in 1926 was 460 and in 1929 it is 473 ?—That is the total number of agricultural credit societies. The total number of societies is 630, but urban banks and non-agricultural credit societies are not included here.

14620. Taking only the agricultural credit societies, the number of societies has remained stationary ?—Yes.

14621. So for nearly four years the Movement has remained stationary without much progress ?—The fact is that in Dharwar we registered 15 agricultural credit societies and cancelled 12 societies. We are now giving more attention to consolidation. We cancel societies which are hopelessly bad and beyond the stage of improvement.

14622. Does it mean that weeding out of bad societies and registering new good societies is going on side by side as the policy of the Department ?—Yes.

14623. If funds which are available for the Movement are to be utilised in a larger measure, would you consider that creation of new societies would be a necessary thing ?—We start societies at places where there are schools, but there are villages where there are no schools and the number of literate people there is small, and we cannot start societies at such places. Unless we have efficient staff, it would be very difficult to control the societies.

14624. How many honorary organisers have you in your jurisdiction at present ?—There are 20 *taluka* honorary organisers and 5 district honorary organisers.

14625. And you would probably also require inspectors and other staff ?—Yes, it is necessary. It is quite essential now-a-days to have more paid staff, because more intensive work has to be done, and if there are paid people they can devote their time to the intensive work.

14626. So far as your own views are concerned, do you think you would be able to select villages and bring into existence societies of a better calibre than those which have been started in the past, that is to say, would your future work be more hopeful than the previous material work ?—It should not be thought that we have started societies now without taking into consideration that they would be successful. Generally we do not register a society unless we are convinced that the society will be a success. But if the Movement is still to be developed, we want more paid staff.

14627. I follow that. But your view is to cancel certain societies. The very need for cancellation shows that in the beginning of the Movement societies were brought into existence which ought not to have been brought into existence. Circumstances were not ripe to bring them into existence. Would you agree to it ?—Sometimes it happens that in places where we have taken proper precautions that the society should be a success, the society failed for some reasons, for local reasons, such as factions, communal factions and so on. But what is wanted is constant advice to them, and for that we want a paid staff. Now the auditor cannot visit the society more than once a year.

14628. Do you mean to say that in the initial stages there was no proper propaganda ?—There was some propaganda done ; still the management went bad and the societies had to be cancelled.

14629. I am not yet quite clear why this need for cancellation has arisen ?—Because we are afraid that if these societies are allowed to be continued, they will do more harm to the innocent cultivators, because there is unlimited liability, and if they borrow recklessly and advance money recklessly, the principle of unlimited liability will have to be enforced. Now the Registrar's power is either to cancel or to keep them. There is no intermediary power. If the Registrar had power of suspending the managing committee members just as in the case of a municipality, so many societies would not have been cancelled.

14630. May I take it then that the present deterioration was not due to lack of care on the part of the Department but subsequent things, which led to the cancellation of some societies ?—Yes.

14631. Speaking about these factions, one witness suggested that if there are two factions, in order to satisfy both the parties, there should be two societies in a village.

What do you think of that suggestion ?—In the extreme we have to follow that ; but we do not want to encourage that. If societies are formed in that way, the Department would be held responsible for creating factions.

14632. Are these factions existing factions which were there even before the society was formed in the village, or do the societies themselves create these factions ?—In some cases it happens like that, but not in all cases.

14633. That is to say, in some cases the co-operative society is the very cause of creating factions in the village ?—It happens in some bad societies.

14634. In that case do you not think two societies for two factions would be better ?—When we see that it is necessary, we organise societies on the basis of factions also. We give one faction one society, but we particularly see that no member is a member of two societies and borrow from both societies.

14635. At present your membership is about 80 per society ?—Yes.

14636. Do you think that if the number is small, it would be good for the society ?—Yes ; I think so.

14637. Is 80 an unwieldy number ?—Yes ; it ought not to be at any rate more than 50. Now we have small societies with a membership of 20 or 30 ; there I find that the management is good, and members are in touch with one another and they realise their responsibility. But where the membership is 100 or 150, and in some societies it is 250, there I find that people do not understand their duties and responsibilities.

14638. This would be a better criterion than the other one. Instead of having a society for each faction, a society for 40 or 50 members would be better ?—Yes ; now we have framed a bye-law that membership should not exceed 50.

14639. You say that normal credit statements are not a success. Have you any suggestion to make ?—Everything depends on the staff. If more staff is given, we will see that normal credit statements are prepared by all the societies in time.

14640. Speaking about the land mortgage banks, you say that taking lands on lease at exorbitant rates is the root cause of debts ?—Yes.

14641. Is there a tendency on the part of the cultivator to take lands on lease at exorbitant rates ?—Yes ; that is the tendency. Some cultivators take lands on lease at exorbitant rates with the result that they are not able to pay the rent at the end of the year.

14642. So the fault is with the cultivator ?—Yes.

14643. Later on you suggest a Tenancy Act and you suggest that Government should regulate the rent ?—Not that Government should regulate the rent, but just as under the Usurious Loans Act, if there are grievances people will go to the court, similarly, if there is a Tenancy Act, people who are aggrieved might go to the court and have their grievances redressed.

14644. The cultivators themselves go and want to have lands on lease at exorbitant rates. How is that tendency to be checked by the Tenancy Act ? Who is to fix the rent ?—It is to be fixed together both by the tenants as well as the landowner. There should be some proportion fixed, say, three, four or five times the assessment, as the maximum rent.

14645. And the cultivator should not be allowed to pay more than the maximum ?—No.

14646. So that if the landlord is getting more out of land, he should not be allowed to do so ?—If it is at the cost of the nation, I do not think it is desirable.

14647. Regarding ginning factories, are you in favour of the principle which some witnesses inunciated that there should be a system of licensing ?—With regard to the individuals ?

14648. Yes. Supposing there are too many ginning factories, say, in Hubli, the Collector should refuse to license a fresh man coming in the same field ?—I have not thought over that. What we want is that we should have ginnning factories as accompaniments to our sale societies, and we also want press societies in the headquarter stations.

14649. Now your difficulty is only as regards finance, and probably management and organisation ?—We have succeeded in management and organisation. What we want is some facility. Sometimes our societies are boycotted. We want millowners to take our goods. A federation is needed to sell our goods in Bombay. We require more staff. As regards finance, we have sufficient money, the central bank has money, and even if the district central bank could not advance, we have the Bombay Provincial Bank. So there is no question of money. Only propaganda and co-operative ginning and pressing factories are required.

14650. If the present sale societies are not attracting sufficient cotton, how do you expect ginning and pressing factories to get more cotton ?—Our sale societies were started in 1917 and within these twelve years we have made a good progress ; and if within the next ten years we make good propaganda, we shall be able to become one of the powerful sellers in the market.

14651. About the weavers' societies, you say that they are not entirely a success. What is hindering their progress and what is your solution ?—Weavers do not get sufficient wages ; that is one thing. They do not get market for their finished articles ; that is another thing. Sometimes they would not get even four annas a day.

14652. So the trouble is not lack of finance for supplying raw materials, but the trouble is to organise them on the proper lines ?—Organise them and supply them with yarn and sell their finished articles, and sometimes the finished articles will have to be withheld, and at that time some finance also is necessary, because if they pay a high rate of interest to our bank, I do not think they will be able to hold up sales for a long time. If money is given by Government at cheap rates, if an arrangement is made for the supply of yarn at wholesale rates and if we have centres for the sale of finished article, the problems of the weavers will be solved to a great extent.

14653. If there is some co-operative organisation, it could do the work of supplying of raw materials and taking over the finished articles ?—We have some arrangements made ; but it is not successful, because we cannot get market for the finished articles. If we get markets, other problems will be solved.

14654. Why is there no market ?—There is competition of the mills, and besides merchants sell these goods on credit, which our societies are not in a position to do.

14655. When you say there is no market, the reason must be that probably the patterns are out of fashion ?—Yes, patterns are old. The weavers are conservative more or less ; still some of the weavers have taken to new designs, yet their articles are not readily sold.

14656. *Mr. V. L. Mehta:* Some witnesses have told this Committee that in this district very little finance in cash is required by agriculturists for cultivation purposes. Do you agree with that ?—No ; I do not agree.

14657. What do the cultivators require money for ?—For seed and manure.

14658. Have they not their own seed and manure ?—In Dharwar district cotton is grown on a large scale. Agriculturists do not preserve cotton seeds, but they borrow from the sale society. They also require manure.

14659. Do you agree with the view that if loans are advanced to them in cash earlier in the season, much of the money is likely to be misused ?—Yes ; if they are given earlier, money will be misapplied.

14660. When should it be given ?—They require money at least three times a year, and we have been working in that way now-a-days. We ask the societies to give them loans three times a year.

14661. About the question of limits, you say that there is no difficulty for the larger cultivator to get loans through the society, because you generally sancton special limits ?—Yes.

14662. Would you not like this kind of authority to be delegated to central banks ?—I do not think that it should be given to them generally, but in the case of efficient banks this power might be given to them.

14663. You stated it was the practice for societies in your charge to give out loans from their own capital for land improvement ?—Yes.

14664. And possibly for redemption of old debts ?—Yes.

14665. Could you give us some figures ?—I cannot give you the figures now.

14666. Is it given to a considerable extent ?—In the Kanara district they do give from their own capital and even for current agricultural purposes that they do not depend at all on central banks.

14667. When you undertake land improvement schemes with the *taccavi* loans, certain enquiries are made about the cost of land improvement and the effect it is likely to have on the earning capacity of a borrower and from this information you judge whether you will have to give a loan and whether the party can repay in certain instalments. When loans are given out of forward capital, do you think that all these points are borne in mind ?—Some societies do not bear these points in mind.

14668. Then there is likely to be some misapplication of the money ?—Yes.

14669. Would it be preferable for all land improvement schemes to be financed through the co-operative *taccavi* system ?—If it is a small scheme, I do not see any objection to its being financed by a bank out of its own funds : but if it is a big scheme, then *taccavi* loans are preferable after enquiries.

14670. About marketing of the groundnut crop you say : "The area under groundnut cultivation is rapidly increasing in the Dharwar and Bijapur districts." Some witnesses have said that it would be an advantage for the producer to decorticate the groundnuts so that he can sell the seed only. Do you agree with this view ?—Yes.

14671. How would you assist the producer in seeing that the groundnut is decorticated before it is sold ?—Our sale societies might keep on hire some decorticating machines.

14672. Would you be prepared to permit them to keep the machinery on hire ?—Yes.

14673. You said that there is need for greater co-ordination between the working of credit societies, sale societies and the central banks and so on. Where exactly is this co-ordination missing now ?—Sometimes the village societies do not realise their responsibilities and sometimes money is not given to them in time and sometimes the sale societies do not understand their responsibility to the central bank; and if there are representatives of sale societies on the central bank, I think much of this misunderstanding could be removed.

14674. About this suggestion of yours that Government should give a loan free of interest for weavers' societies, can you quote any precedents either Indian or foreign ?—If our weavers' movement is to be successful, this sort of help is necessary.

14675. You cannot at present think of any precedent ?—Nc.

14676. *Mr. Buckley :* We had it put to us yesterday that the average farmer has a fancy for changing his cattle. Do you think that they would be interested in cattle insurance ?—They do not understand the benefits of it. Practically we did try one or two insurance societies in this district as well as in the Belgaum district. For the first year they insured their cattle. In the next year they did not insure their cattle.

14677. So the societies had to be cancelled ?—Yes.

14678. About this question of storage of produce, do you think that local finance would be forthcoming ?—It is possible to get local finance, but the difficulty is with regard to the rate of interest. The rate of interest would be higher.

14679. Do you not think that something might be done to bring down the rate of interest so that capital can be found available for this purpose ?—It would be better if sale societies have their own independent godowns.

14680. Will there be a demand for these godowns all the year round ?—For our sale societies there will be a demand for the whole year. Now our sale societies deal only in cotton, but there is a tendency on their part to sell all kinds of crops.

14681. Have you had any experience of starting a co-operative store in connection with a sale society ?—We started one at Hubli, but it was not a success. Of course there was no co-ordination between the sale society and the store society. Now people think that it would be better if the co-operative stores society is within the precincts of the sale society so that when a cultivator from a village comes to the sale society he might buy his requirements from the store society out of the sale money.

14682. Do you think that the two might be run together ?—Yes.

14683. *The Chairman :* I find from a statement, which has been sent to us, that your members' deposits increased by about a lakh of rupees in the year 1925-26, but the increase in 1927-29 has been only Rs. 87,000. This statement is sent by the Karnatak Central Bank. What do you think this falling off in members' deposits is due to ?—People cannot save much because now-a-days they have taken to so many new things, for instance to motor-driving. They have become more extravagant.

14684. Do you encourage savings on behalf of your members ?—Yes. We have given them special bye-laws for this purpose.

14685. Have any societies opened savings bank account ?—Yes, they have big amounts. There are some societies which have Rs. 20,000 to Rs. 30,000 in the savings bank account.

Mr. C. B. Huli.

14686. How many societies do you think have savings bank accounts ?—It will be less than five per cent. of the total number of societies.

14687. Have you introduced the share system ?—Yes.

14688. Are your district banks suffering from a plethora of funds ?—They have surplus fund.

14689. Are they finding ways and means to utilize their surplus ?—For the present they have undertaken to give loans for the redemption of old debts below Rs. 750.

14690. But is not their long-term capital limited ?—Loans are given for smaller purposes from 3 to 5 years.

14691. Are they doing anything by way of advancing money on agricultural produce ?—No ; we have our co-operative sale societies.

14692. Where there are no sale societies ?—All the area in the district is covered by our sale societies.

14693. You do not think that it is feasible for central banks to advance money on agricultural produce ?—No.

(The witness withdrew.)

Mr. R. S. PATIL, Agricultural Organiser, Dharwar.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The existing sources of finance to the agriculturists of this district are professional money-lenders of the villages and towns, commission agents (*dalals*), petty dealers in trade, co-operative societies and Government. Of these, the money-lenders play an important part. They afford credit for agricultural operations, both of temporary and permanent nature, but they demand their own price to provide a large margin against any risks. The rates of interest run high varying between 12 to 18 per cent. as the case may be. If the security offered is not good, the rates may go as high as 24 per cent. The borrower is in some cases compelled to execute a loan bond for double the amount advanced. If he fails to return his loan which is advanced without caring whether it is for productive purpose or not, legal action is taken against him for the amount entered in the loan-bond and not for the amount actually advanced. Loans are advanced on personal security having taken the borrower's signature in the *khata* book or on passing a promissory note or on the security of immoveable property. They are not received in small and easy instalments.

In Mallad tract of Dharwar district, the practice of advancing loans in kind is prevalent and the rate of interest charged is 50 per cent. in kind. Cash loans are advanced and the borrowers are asked to return in kind when grains are very cheap.

This form of credit is not at all beneficial to the healthy growth of the agriculturists as agriculture is not a paying industry here. This problem has become serious on account of repeated occurrences of famine in the eastern part of the district. To make this system of credit congenial to the agriculturists, effective measures are necessary.

Varied wants of agriculturists in respect of their field operations and other needs are met by co-operative credit to a large extent though complained that it is cheap but not

adequate and timely. As a matter of fact, funds with co-operative financing bodies are ample and recently the system of preparing normal credit statement of members' requirements has been introduced. It is, therefore, expected to solve the difficulty of adequate finance in time. But to work it out fully, more branches of the financing bank and increase in its staff are quite necessary. However, with the spread of general education and co-operative knowledge, this want will be completely removed. The co-operative rate of interest varies between $9\frac{3}{8}$ and $12\frac{1}{2}$ per cent. The district of Dharwar is considered to be ahead of other districts in co-operation ; yet half its area is untouched by the Co-operative Movement.

Under the Land Improvement Loans Act, Government is making advances of *taccavi* loans to the agriculturists through co-operative agency and where it does not exist, loans are given directly. Loans for current agricultural purposes are stopped in areas touched by co-operative societies. But they are still advanced in area uncovered by the Co-operative Movement or if the co-operative banks refuse to take the responsibility upon their shoulders. However, Government system is limited in its application of *taccavi* loans.

In agricultural world, the joint stock banks or the Imperial Bank do not play any part in this district, except a few banks in urban areas which make advances of loans on the security of gold and silver. These banks do not consider it safe and easy to deal direct with the cultivators in distant villages and extend small transactions for want of sufficient local knowledge of security or dealings of the borrowers. With the spread of communication facilities and more number of joint stock banks this defect should disappear.

There is co-ordination between Government and co-operative agency so far as *taccavi* loans are concerned. Other than this, there appears to be no co-ordination between other financing agencies in respect of agricultural finance. If formed, use of more capital at easy terms may be made available to the agriculturists through co-operative efforts and capital lying idle at the co-operative banks may find accommodation.

QUESTION 2.—MARKETING OF PRINCIPAL CROPS.—The principal crops of this district are cotton, wheat, oil-seeds, paddy, chilli and groundnuts. Out of these, paddy is consumed locally and to some extent chilli and wheat are also consumed. Other produces are exported.

The existing facilities for marketing of these produces are in no way satisfactory to the agriculturists who are always needy owing to their adverse circumstances such as unhealthy competition to lease the land, uncertainty of rainfall, smallness of holdings and utter illiteracy. They are always in want of money for their agricultural operations and household purposes. All such circumstances force them to borrow money on condition unfavourable to them. They are either required to sell their standing crops to local agents or through their middlemen in a market place at a considerable disadvantage after crops are harvested. They are ignorant of market conditions and are entirely at the mercy of their middlemen who, on the other hand, are very careful and clever enough to take the fullest advantage of the difficulties and ignorance of the producer. In addition to the interest charged for the loan amount advanced to him and the commission for settling the bargain, he has to pay other charges such as *hamali*, godown rent, samples, deductions on account of weights of gunny bags, supplied by himself and taken by the buyer without paying anything, charity funds, shrinkage on

account of weather conditions, thickness of string used for stitching gunny bags and such other unauthorised deductions. There is no sufficient arrangement in market centres for warehousing the goods. Nothing is provided by means of insurance against any risk if it happens. The weights, measures and scales are not uniform and standardised. The weighing of the goods is not done as soon as it is brought for sale. The prevailing market rates cannot be understood by the cultivators. Transactions are settled between the middlemen and the buyers, and the producers cannot come to know of the prices settled. He (producer) is to pay from his pocket for his boarding expenses if required to stay until his produce is sold. If he has no cash, he must borrow from his middlemen. Under such unfavourable circumstances he is required to dispose of his produce which is mixed with inferior variety and sold in an adulterated condition earning a bad name in big market centres like Bombay for no fault of the grower. Ultimately he is the loser for the low prices offered. In this respect the cultivators too are to be blamed to some extent as they are not careful to bring clean stuff for sale, though it can be achieved by taking a bit of care at the time of harvesting and thrashing. However, for malpractices followed in market places, the grower is at a considerable disadvantage. To avoid all aforesaid charges some cultivators are inclined to sell their produce in their villages. But one serious disadvantage is that reasonable prices are not realised and the price of the stuff sold is not paid readily as it is done in market town. The weighing and the weights too are very rough.

In general, agricultural produce is sold at a great loss to the grower through a chain of middlemen to the big buyers or agents of exporting agencies in an adulterated condition. In case of cotton, mixing takes place in gins and pressing factories of market towns like Gadag and Hubli and in gins established in the interior of the district. The owners of such factories are sometimes middlemen, besides being village money-lenders.

Trade in market places is controlled by the middlemen to a great extent. Here financial help is given by big money-lenders like Mr. Keshavdas of Gadag, joint stock banks or the Imperial Bank to the traders on the pledge of goods. *Hundis* are accepted. Banking is organised in such places like Hubli and Gadag to some extent, though not on sound and systematic basis as found in Bombay.

Removal of defects shown above, *viz.*, want of standardised and uniform weights and measures, malpractices, is expected by the application of Bombay Market Act. Warehousing arrangement is badly and insufficiently provided. It has to be removed. Construction of more and better roads for easy transport of goods from the interior parts of the district is quite necessary. Opening of more joint stock banks and branches of the Imperial Banks in *taluka* places may help agricultural trade to a great extent. But the best way under all such circumstances is to start a co-operative sale society with the membership composed of agriculturists who are pledged to bring all their produce for sale to the sale society. The co-operative sale has been working well in this district with regard to cotton only. All the sale societies of this district have sold this year cotton produce worth Rs. 17,66,757. Co-operative sale of chilli crop is organised at Byadgi and the Society sold produce worth Rs. 39,640 during this season. While the Alur Paddy Sale Society sold quantity worth Rs. 29,218. Sale of oil-seeds is yet to be organised. It is advisable to ask the existing sale societies to deal with other agricultural produce or separate societies may be started.

As soon as the produce is brought to a co-operative cotton sale society, it is weighed and a receipt is passed having entered all particulars including weight. An advance

up to 60 per cent. of the value of the produce is made at cheap rate of interest. The produce is graded, similar grades are pooled together and sold to the best advantage of the grower in open auction sales. If desired to be sold by private treaty, it is sold in his presence guarding his interest always. Prices are paid as early as possible. Goods kept for sale is insured against any possible risk. Godown arrangements are made but insufficient. At the end of each year a part of the profit is paid back to the grower in the form of bonus. Pure seed is supplied at cost price. Gunny bags, if indents are given, are also supplied without any commission.

Though the system of co-operative cotton sale is working to the benefit of co-operators, the big sale societies of Hubli and Gadag, which deal mostly in D1 and G1 cotton respectively, have been able to sell only five thousand bales each out of an arrival of one 100,000 bales into Hubli market and 60,000 bales into Gadag market every year. This is attributed to the want of adequate finance to the members of the co-operative societies. No doubt this is one of the difficulties felt by the sale organisations, but really there should not be this difficulty, as a net-work of co-operative credit system is spread over a larger part of the district. The chief difficulty appears, therefore, to be to make it available in time. As already said above, it will be minimised by working out the system of normal credit statement fully. There should be complete co-operation between the Central Bank, sale societies and rural societies. Election of petty dealers on the Managing Committees of the village society should be completely discouraged. With all this arrangement, still a vast field will be left untouched in co-operative sale, as there are credit societies in 473 villages out of 1,100 villages with population in the district.

Ginning and pressing factories should be attached to the sale societies. A federation with warehouse arrangement assisted by Government help in its early stage should be established in big market centres from which cotton or other produce is exported. But to achieve all this in order to give full benefits to the co-operators an increase in Government staff to work sale movement and their specialisation in matters of highly organised trade is what is most needed.

Internal remittances take place by means of insured post, money order post, writing *hundis*, or payment of cash between parties. Co-operative societies are availing themselves of the revenue remittances. The opening of more postal and telegraphic branch offices with reduction in their rates and a net-work of co-operative and other banking facilities will lead to the wider use of such remittances.

Hundis are discounted both locally and in Bombay.

QUESTION 3.—In black soil tract the value of land varies between Rs. 150 and Rs. 200 per acre. In transition tract it ranges from Rs. 250 to Rs. 300 an acre. While in Mallad tract it is between Rs. 350 and 500 per acre if a piece of land is provided with irrigation facilities. Otherwise it is about Rs. 100 for one acre. In case of *mal* land it is even Rs. 25 for an acre. Near big towns like Dharwar and Hubli, an acre of land will fetch Rs. 400 to Rs. 500 if situated within an easy distance.

The factors affecting the value of a piece of land are soil fertility, irrigation facilities, vicinity of a town, nearness of a field to a village or its situation by the side of a road, number of cultivators, class of cultivation, rainfall and population. Of these soil fertility, rainfall and irrigation facilities need no explanation as crops are surely raised every year. If one of these three factors is wanting, value of land is again affected.

Vicinity of a town gives a grower all the advantages of a market and helps him to raise readily marketable crops for cash payment at higher rate of prices. A piece of land situated near a village derives benefits from village-washing and night-soil manure and is always within the easy reach of the owner to attend to his operations without loss of time. Being so, it fetches higher prices than the one situated at a considerable distance. A field by the side of a road affords the same facilities and is a bit higher in value than the one far away from it. If the number of cultivators is more than the number of total holdings in a village, there will be a great competition amongst them all as there is no other occupation than agriculture to follow in a village and thus the value goes higher up for such land. It is needless to say that even a good piece of land cannot fetch its real price when it lies in a depopulated village. On an average the value of land per acre is taken to be hundred times the assessment in dry tract and one hundred fifty times in tracts of sure rainfall.

(*a*) Value of land in Government auction for non-payment of revenue is not much. A piece of land is either useless for cultivation or without any one of the above-mentioned facilities and will therefore be brought for auction sale for non-payment of revenue assessment. If by special circumstances it is auctioned for this purpose, current prices are realised.

(*b*) Value of the land in the event of sale by court decree depends upon the number of bidders, upon the ability of the owner to get them and upon the dealings of the decree-holders. Generally normal prices are fetched.

(*c*) In case of purchase by private treaty, high or reasonable prices are realised as transactions take place after knowing the situation full well.

QUESTION 4.—The *watan* lands cannot be mortgaged beyond the life-time of a mortgagee *watandar*, as a result of which his credit is not much. He cannot take advantage of a Land Mortgage Bank unless permitted by the Revenue Collector. The Land Mortgage Bank has begun to work newly. Raddi Communal Bank raises capital by issue of shares and deposits and by raising loans. It is doing the business of a Land Mortgage Bank partially to a small extent for the members of the Raddi Community though it may be said to be an Urban Bank.

The working capital of a land mortgage bank may be raised by issue of debentures and the Government should guarantee interest in its early stage without minding a little loss in the beginning in the interest of agriculture which is the main industry of this country. Government may buy debentures of some value. Funds lying idle with the Provincial Bank should first be utilised. Debentures to an extent of twenty lakhs may be issued at 4½ per cent. and the District Central Bank may be given preference to make use of its idle capital in purchase of debentures issued. This amount together with the idle capital of the Provincial Bank may be sufficient to meet the demand of this district to a reasonable extent. Rate of interest to the borrowers should not go higher than 6¼ per cent., at any rate, as agriculture is not a commercialised industry to pay high return in this tract. The maximum period of instalments may be fixed at least 30 years in a famine tract and 20 years in transition and Mallad tracts where yearly crops are expected. While in famine zone once in three years a good harvest is expected.

QUESTION 5.—It is very difficult to give an estimate of existing indebtedness unless special study is made of it. But it can be said that the proportion of the amount of debt on personal credit and security of demand promissory notes is more than it is in any other way. The next in rank may stand debt raised by mortgage of immoveable property. Ploughs and other agricultural implements are not taken as security in this

district. The percentage of debt on account of earlier debts and famine conditions is more. Debts raised for the purposes of marriages, seed and assessment, etc., become accumulated due to the gambling nature of the season and thus become earlier debts. What a farmer saves in a prosperous year he loses in a bad year and incurs debt. For sinking wells and other improvements not a great percentage of debt is incurred.

Most of the above-mentioned debt owes to the money-lenders. Co-operative societies stand next in rank so far as current needs of the agriculturists are concerned. Co-operative rate of interest varies between $9\frac{3}{8}$ and $12\frac{1}{2}$ per cent., as already said. The penal rate of interest is $18\frac{3}{4}$ per cent. The *taccavi* loans are advanced at $6\frac{1}{4}$ per cent. to the society which may further charge from $6\frac{3}{4}$ to $7\frac{13}{16}$ per cent. In case of default loans are recovered through arbitration procedure helped by revenue agency. Though it is an effective measure there is much delay in disposal of cases. Steps for early disposal are therefore quite necessary. Instances are not wanting in which money-lenders get the bonds passed for amounts more than actually advanced. The lender has no tendency to receive his amount by easy instalments as co-operative societies do. If the interest is paid regularly he does not wish that the principal should be paid to him. Nor does he care for the use of loan for productive purpose by the borrower. He accepts the loan amount actually advanced if paid as agreed between the borrower and the lender. Otherwise he takes legal steps through a Civil Court for the amount entered in the bond. Sometimes he has an eye upon the debtor's landed property. Even at the time of court-sale he tries to get hold of it.

There is reason to believe that through the process of an enforcement of old debts and recovery, some land-holding cultivators are dispossessed of their landed property. This state of affairs can be easily ascertained in the previous history of some money-lenders owning a large acreage at present if it is viewed in any area of the district. It needs no proof, though this state is not much in an irrigated tract. This process does discourage even a good cultivator, who is not inclined to work in a field with the same interest with which he would work if it were in his possession. He is always in a dread of renting it by co-cultivators. He does not wish to manure it. In this way its productivity is much decreased in course of time.

QUESTION 6.—There are no small industries allied to agriculture at present in this district, except butter producing. Villagers of a neighbouring town take even to milk sale. In Mallad tract rice-pounding was followed. But the recent growth of hulling machines run on capitalistic concerns even in the interior of the district has thrown many people out of employment. So is the fate of plying of carts by the villagers as a result of motor traffic. *Gur*-making and sugar refineries do not exist here. Gardening is seen in few villages. Spinning and weaving is followed by the weavers as separate profession. Dairying, cattle breeding, poultry breeding, baskets, mats and ropes making, hand-spinning and weaving of coarse cloth, and fruit cultivation can be started on co-operative lines for the agriculturists as a subsidiary industry. The cultivators of the black soil tract have ample spare time of not less than four months in a year. They can take up to spinning and weaving. As cotton is largely grown in this tract sufficient cotton seed is available. If possible, ordinary soap-making may be started as a home-industry out of its oil, but technical skill will have to be provided. A co-operative sale organisation assisted by Government in infant stage seems necessary for disposal of co-operative products. A school for training the children of agriculturists in technical matters is also necessary.

Mr. R. S. Patil.

Dairying and cattle-breeding may be started if grazing facilities are freely afforded to the co-operative societies. Bulls of pure breed should be supplied at concession rates from Government farm until private people take up to this profession. In case of dairy society strict provision for sale of pure milk within the precincts of municipalities will give an impetus to their successful working. Poultry breeding societies also need encouragement in the form of supply of cocks by Government breeding stations and purchase of eggs by the Military Department in order to pay the labour put for production of eggs of higher value.

Cane is grown in a neighbouring district. Its scientific cultivation on an extensive scale and its supply at concession rate by the Forest Department for manufacture of boxes, baskets, ropes and other articles will provide a subsidiary industry to the agriculturists. Government may also help by purchase of such products if required. Such and other allied industries are badly needed for the agriculturists of the present day. Without them their standard of living cannot be bettered. Their productive and buying capacity will not be increased. Co-operative agency assisted by Government is the only best agency to help such industries. Technical skill will have to be provided by the Department of Industries in co-operation with the Co-operative Movement.

QUESTION 6.—The weaving industry exists in this district in places like Uppinbetgeri, Hubli, Gadag, Gajendragad, Betgeri (Gadag), Navalgund, Hosritty and so on. On account of competition of mill products this industry is not in a thriving condition. Only products used by women folk find their easy way of disposal. In case of the rest, considerable difficulty is felt. Even by the co-operative organisation this difficulty is keenly felt. The Industrial Department may help this industry by providing skill to manufacture cheap articles to the taste of the present generation and by finding a market. A cheap and handy machine to be used by a single man requires invention to solve the difficulty such as one found by the introduction of shuttle driven looms. Urban banks which find it difficult to utilise their funds fully should help such petty industries as they can, if such industries exist in their area of operation.

QUESTION 7.—It has been already stated in this note that no relation exists between the co-operative banks and joint stock banks and the Imperial Bank. There is co-operation between Government and co-operative institutions in matters of *taccavi* loans and land mortgage bank. Co-operative societies have achieved a good deal of progress in short-term credit. For long-term credit a land mortgage bank has already been started for this district. The Co-operative Movement has touched a small portion of the agriculturists, that is 24 per cent. (approximately) of a total population of 10,36,924 of the district providing a total credit to the extent of Rs. 46,00,000. While the agriculturists in the district require about 1,35,20,000 for their current needs taking on an average Rs. 200 to be the amount per family of five members in a year (out of the total population 20 per cent. may be taken as non-agriculturists, 10 per cent. agriculturists who may not need loan and 10 per cent. not eligible for a loan). A vast field is therefore left to the money-lenders to play their own part. By starting more societies on a sound and systematic basis it is possible to cover the remaining field. Small traders and industrialists are left untouched, except in urban areas where co-operative urban banks are helping small traders to some extent. Introduction of godown system by the urban banks may give further facilities to such traders. Owners of rice-hulling machines, groundnut sellers and flour mills are taking advantage of urban banks. But it is only possible to touch this class with the development of co-operative ideas and organisation of more urban banks.

Long experience, technical skill, business methods and knowledge of trade on the part of co-operators are needed if it is wished to bring big traders and industrialists within the scope of co-operative working. Arrangements may, therefore, be made to tackle the problem of small traders co-operatively.

SECTION II.

The indigenous bankers in this district are private money-lenders who do not receive deposits except one or two like Messrs. Jathar Bros. They advance loans. Some of them deal in *hundis*. Lending business of all sorts is done by them. Loans are advanced on mortgage of immoveable property, on passing promissory notes, on personal credit and on security of gold and silver. Big money-lenders of market town also discount *hundis*.

QUESTION 2.—Agriculture is financed by these money-lenders to 80 per cent. in all its stages. Trade of principal products until they are sold to big buyers in places like Hubli, Gadag and Byadgi is assisted by these money-lenders. The weaving industry is mainly controlled by them who are also shop-owners for these products. Loan is either advanced to the owner of a few looms or a large number of looms are owned by themselves. Labour is hired and articles produced are taken back and sent to the places where they are required or locally sold.

QUESTION 5.—Loans are advanced on passing promissory notes to the agriculturists and in certain cases as already said bonds are taken for higher amounts. But in case of traders who are intelligent bonds are taken for the amounts actually advanced. The system of cash credit is not practised by the money-lenders as understood in the Co-operative Movement. The interest should be paid regularly every year or soon after the season is over. They study the status of the borrowers being local. If they are not solvent nor their security is sound, loans are refused. Ordinarily money-lenders deal with their own capital. If they fall short of funds they approach bigger money-lenders or *marwaris* who get their credit in Bombay or other places. A promissory note is passed or gold and silver pledged with them is further mortgaged with big money-lenders on the same conditions on which they accept. Sometimes loans are raised on personal credit.

Mostly deposits are not received by money-lenders.

If the money-lender is a trader he insists that the advances should be repaid in goods sold through his agency. If he is a dealer in household articles the borrower is induced to make purchases through him.

18 to 24 per cent. is the interest charged to the agriculturist community. If in kind it exceeds 30 per cent. The rates of interest could be brought down by the spread of the Co-operative Movement. Reduction in rates is much expected by the starting of a land mortgage bank. The spread of joint stock banks and their adoption to advance agriculturists will bring the rate at once to 12 per cent.

As said before, agriculture is not a paying industry in this dry tract of the district. Unless the rate of interest is reduced and credit is provided without any embarrassment, an agriculturist finds it difficult to eke out his living. Reduction of rates may not help him to improve his living much. But he will at least go on with agriculture without any fear of losing his fields. To improve his living other factors are needed.

QUESTION 9.—All the demands in the district are not met for want of sufficient capital. The money-lenders try to meet them as far as possible by securing credit from

big money-lenders. The *marwaris* are the last sources in this respect. Higher rate of interest is one of the reasons for insufficient capital. A loan is refused if security is not sound, being very near money-lenders are in a better position to study the solvency of the borrower.

QUESTION 11.—A large amount of money is not kept idle by the money-lenders in this district. Demand on them is met from outside. Money from this district is not flowing to the Provincial capital for employment either for a long or short period. So the question of improvement in checking the flow does not arise here at all.

SECTION III.

QUESTION 1.—Banking resources are co-operative societies, joint stock banks, the Imperial Bank and money-lenders. Co-operative societies, postal savings banks and insurance companies are the institutions to encourage savings habit. Provident societies are not known in this district. In co-operative society compulsory and voluntary deposits are received from the members. Non-members' deposits are also received. In urban and central banks money from the Government servants and big landlords is largely attracted. As far as co-operative facilities are concerned, they are fully provided in the area in which the co-operative societies exist. But current deposits are not taken by rural societies as they find it difficult to make use of money and to meet the demand of returning them in time. The rural societies may induce their members to open current accounts with the nearest urban banks and Central Bank branch offices.

It is the tendency of every one in this district to buy a piece of land as he thinks it is a permanent source of income. If he can save something he wishes to buy gold and silver. He thinks it will be useful to him readily whenever he wants. He does not wish to go and take the trouble of depositing with a bank, a society or a postal savings bank. He buys gold with a little money he has in the first place. When it is sufficiently accumulated to buy him a piece of land, he at once tries to invest his money in it. To own some land gives him some social status. This therefore induces him to invest his money in land. This idea of buying some land is ingrained in his nature. This is slowly being changed in case of educated people who are taking into consideration the value of different investments. On account of famine conditions some are forced to take up to this sort of investment. But only co-operative societies are specially selected as they get higher percentage of interest than they get from agriculture or by investing in postal savings bank. The cultivators are quite ignorant of postal savings bank though it is a Government institution.

QUESTION 2.—Postal savings banks are not spread all over the district. Only literate persons take advantage of these. Agriculturists are ignorant to understand their benefits. It is not an incentive to the traders to invest their capital as return on the outlay is far less than in trade. The spread of postal savings bank will be a sort of inducement to increase savings habits.

QUESTION 3.—An agriculturist either buys gold and silver or thinks of marriage and other social ceremonies, before doing which he tries to pay his debt to the *sowcars* or other agents. He goes on bidding high rents and increases his cultivation with a hope of securing more earning from it. If he is fortunate, which is possibly not, he tries to buy even a small piece of land with his little savings effected after a course of 10 or 15 years. But what is saved by him in prosperous years is again spent in lean years which are frequent now-a-days. The farmers do not lend money unless they are big landlords doing the business of money-lending also.

QUESTION 4.—Cheque system is being encouraged amongst co-operators and outsiders are also making use of it. Abolition of stamp duty on cheques has popularised their use largely. Traders are taking advantage of it on a wider scale. Payment by Government Banks and Municipalities and such other bodies to their employees will further promote its use. Vernacular script is becoming popular and co-operative bodies are using it on a large scale.

QUESTION 5.—Banking and investment habits in this country are of slow growth mainly due to illiteracy. By the spread of education this habit will rapidly grow.

By the opening of new branches of the Imperial Bank, trade is facilitated to a great extent as many traders are raising money on the security of their goods.

Oral Evidence.

14694. *The Chairman :* Mr. Patil, you are an Agricultural Organiser of Co-operative Societies, Southern Division, Dharwar ?—Yes.

14695. Are you working in the whole district ?—I am working in parts of Dharwar and Bijapur.

14696. In what particular class of work are you engaged just now ?—I am engaged in all non-credit work and particularly in fencing societies and the sale movement.

14697. How many fencing societies are there at present ?—Eleven.

14698. How much area do you think they have covered ?—They cover in all an area of 35 miles when the remaining four societies erect their fences. The linear wall is 15 miles along the forest boundary line. Two societies were started to cover the area of two villages in a circular way. The length of the wall comes to 6 miles.

14699. What is the cost of wire-fencing per mile ?—Rs. 2,000 including a sum of Rs. 200 for repair fund.

14700. How much does it cost for stone wall per mile ?—The cost is the same. Formerly for wire-fencing the cost was more, but now it has been reduced.

14701. What advantages do people get from this wire-fencing ?—Formerly they were watching their crops and spending sometimes on this account for engaging night watchmen. Now on account of wire-fencing, they have been able to save something.

14702. Is there any area remaining uncultivated ?—Yes, for instance in Kurankop village, Kalghatgi *taluka*, 50 acres have been brought under cultivation because of wire-fencing.

14703. How much have they been able to save in this village ?—I think they have been able to save produce worth Rs. 1,500 a year.

14704. What was the cost of the fence ?—It was Rs. 5,000.

14705. How did people raise this money ?—They raised it in the form of shares. They bore one-eighth of the cost and the remaining seven-eighths was brought as loan out of *taccavi* grants to be repaid at ten equal yearly instalments.

14706. Are there other places where this experiment of fencing can be extended ?—All over the Mallad tract this can be done.

14707. Why has it not spread fast ?—We have difficulties from absentee landlords and they do not join. We moved Government through the Department once to take some legal steps by which we can coerce these people.

14708. What percentage of people are unwilling to join in this scheme ?—A small percentage only. If 75 per cent. of the people agree to start a scheme, the remaining 25 per cent. of the people should be forced to join it. The legal measures are under the consideration of Government.

14709. Besides fencing you say you are looking after sale societies. We have had some evidence about cotton sale societies. What are the other sale societies ?—There is one chilli sale society, and there is one paddy sale society.

14710. Are they doing well ?—Yes ; but the output is small.

14711. Why ? Do not people take advantage of the chilli sale society and the paddy sale society ?—The paddy sale society has been recently organised.

14712. Are you meeting with any difficulty in the case of the paddy sale society ?—Yes. The people are not loyal to bring their produce to the society.

14713. Do you expect the members of sale societies as also the members of credit societies to bring their produce ?—The members of credit societies should also bring their produce to the sale society.

14714. If they can get a better price or a better profit by bringing their produce to the sale society, why are they not bringing their produce to the sale society for sale ?—There are some other reasons. Much of the produce of non-members goes to the market through *dalals* and only a small part is brought to us.

14715. Why do many people take their produce to *dalals* in preference to sale societies, if through sale societies they can get more profit ?—Some of them are petty merchants. When they go to *dalals*, others also ignorantly follow them being induced.

14716. Are some of the big agriculturists themselves *dalals* ?—Some of them are petty merchants.

14717. Your contention is that they induce others to follow their example ?—Yes.

14718. Is there no propaganda to induce them to bring their produce to the sale society ?—We have been doing it.

14719. What about the chilli sale society ?—It is working well though the production is very small.

14720. Is most of the produce in this tract coming to the sale society ?—It is only from one *taluka*.

14721. Is there any other kind of sale society ?—There is a tobacco sale society at Nipani. Here also the produce is not much. We have not been able to do much propaganda because of insufficiency of staff.

14722. Are you in any way connected with cattle breeding societies ?—Yes.

14723. Is there good scope for cattle breeding ?—Yes, all over the Mallad tract.

14724. Are more societies being organized ?—They are organized in the area lying towards Mysore territory where there is a tendency for cattle breeding.

14725. There is some opposition to the introduction of the Cotton Markets Act ?—Yes, from merchants and *dalals*.

14726. Is there opposition from buyers ?—I do not know.

14727. Why do they oppose it ?—If we have standard weights and measures, they will come in their way.

14728. Do *dalals* get finance from outside when they want to buy from merchants ?—They get finance from big money-lenders, like Keshavdas.

14729. What rate does he charge ?—Big *dalals* are charged 8 to 10 per cent. and if they are petty *dalals*, they are charged even more.

14730. You say that in the case of sale societies there are petty dealers on the managing committees. Are they *dalals* themselves ?—No ; they are not *dalals* from the town but in the villages they buy the produce from villagers and take it to big *dalals* in the market.

14731. Have you looked into the question of organizing the sale of butter ?—No ; but once I tried in Mugattikhan-Hubli ; the people did not bring their butter.

14732. Why ? Was it a question of financing them before or was it the influence of other buyers ?—Yes, it was the influence of other buyers. The agents of other buyers are sent to villages who buy it at their very door.

14733. And your society was not able to do this business ?—I was not able to get members first to start the society.

14734. Who are these Jathar Brothers ?—They are indigenous bankers at Dharwar.

14735. Have they formed a joint stock bank ?—It is a private concern.

14736. Do they only do money-lending business ?—Yes ; and nothing else.

14737. *Mr. Buckley :* Is there any supervision on the part of the Municipality with regard to the milk supply ?—None.

14738. In your remarks regarding the weaving industry you say : " On account of competition of mill products this industry is not in a thriving condition." Have you any remedies to suggest ?—No. Only we may try an experiment with agriculturists and give them spunyarn to weave cloth during their spare time during the year.

14739. If you try this experiment on co-operative lines, do you not think that they will also be confronted with the same difficulties ? Have you thought of this question ?—No.

14740. About this tendency on the part of farmers to bid at unduly high prices for lands when agriculture is not a paying industry, what is your view as regards this question ?—While leasing the land, they compete with each other.

14741. Do you agree with the suggestion that some sort of a maximum price should be fixed ?—Yes, it is better to do so after a careful study in consultation with experts in agriculture.

14742. You say that the opening of new branches of the Imperial Bank has facilitated trade to a great extent. Have you heard of any complaints against the Imperial Bank ?—No.

14743. Is there no question of discrimination ?—I have heard no such thing.

14744. *Mr. Kamat :* Do cultivators find agriculture very remunerative ?—No.

14745. If it is not remunerative why should they go in for lands at exorbitant prices ?—They have no other business to follow and they think it is a social dignity to possess some lands.

14746. *Mr. V. L. Mehta :* Have you anything to do with the scrutiny of applications for *taccavi* loans ?—Yes, if the application is for more than Rs. 1,000 it must go to the Agricultural Organizer or to the Department of Agriculture, otherwise it will go to bank inspectors.

14747. Do you think there is any other staff to look into the applications that are coming up or does the scrutiny take much time because of the small number of

people available to deal with the work ?—Yes, it takes much time because of lack of sufficient staff.

14748. Are all these officers stationed at one place or are they stationed at different places ?—They are stationed at different headquarters in the district.

14749. You say that ordinary agriculturists are ignorant of market conditions and are entirely at the mercy of *dalals* and so on. Is it possible to keep them informed about markets and, if so, by what means ?—If our sale societies are developed and the weekly reports of Bombay market prices are published regularly and distributed by the sale societies through the supervising unions, the agriculturists can be kept in touch with the market conditions.

14750. Do you want the market reports to be published in the vernacular ?—Yes.

14751. Is it not being done now ?—It is being done now in English and supplied to the traders of big market towns only.

14752. Would you like these to be published more frequently ?—Yes.

14753. At these important villages, will there be people who can read this information ?—Yes.

14754. About poultry breeding, would there be any prejudice to taking it up as a subsidiary occupation amongst the usual agriculturist classes ? We were told that the *Lingayats* and *Reddis* have a prejudice against poultry keeping ?—Yes, it is so. Only in the mallad tract where there are Marathas and Mahomedans, they take to it but the *Lingayats* and *Reddis* will not touch it. This poultry breeding was tried by Mr. Naik in Bijapur District, but it has not been fully successful.

(The witness withdrew.)

Mr. M. M. BASRUR, Karnatak Co-operative Institute, Dharwar.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—(*a*) For expenses during cultivation the average agriculturist requires outside finance. This is secured in some cases from co-operative societies and in others from traders and *sowcars*. When the loan is got from a society the amount is invariably available on personal security of the borrowers and one or two sureties. In other cases, even if the loan is for a short period it is raised by pledging things. When the loans are for long periods they are available on the mortgage of property or valuables.

(*b*) Capital and permanent improvements are mostly taken up by persons who can afford them from personal resources, and rarely by small agriculturists who depend on borrowed money. They are either careless about them or are often not directly interested in the improvements. When such improvements are actually taken up by such agriculturists they avail themselves of *taccavi*.

(*c*) Loans for special purposes are not usually raised specifically as such. These are secured under the general head " current loans."

The rates in the ordinary transaction vary from 8 to 15 per cent. on good security ; but it goes up to 15 or 20 per cent. when the loan is not well secured.

Government advances *taccavi* only for agricultural needs. This is recently being directed through co-operative agency and hence it can be covered by the term " Co-operative Finance." The Imperial Bank does not deal directly with agriculturists.

So too, joint stock banks do not much finance the agriculturists for agricultural purposes exclusively. The remaining agencies play an important role in the matter of financing the agriculturist either against his crops, land or pledge of moveable property.

I consider that Rs. 2,65,92,000 may roughly represent the amount needed as loan on the different heads referred, every year, by the agriculturists of the Dharwar district. The figure is arrived at by the following calculation.

The population of the district is 10,36,000, which may roughly consist of (at the rate of 5 persons in a family on an average) 2,07,200 families each serving for a unit. Eighty per cent. of the population is generally taken to represent agriculturists. Hence 1,66,200, families may be taken as depending on agriculture. Of these, on the analogy of Mr. Darling's calculation in the Punjab 10 per cent. may not need outside finance while another 10 per cent. cannot expect it being more or less agricultural labourers. Hence 1,32,960 get finance. Taking Rs. 200 as the approximate loan to be raised by each the amount to be raised comes to Rs. 2,65,92,000. The defects observed in individual lending is this that due to absence of supervision or restriction on the lender and to ignorance of the borrower the latter is often at a disadvantage. Some legislation to limit the rates of interest may be welcome.

Co-ordination exists between Government and co-operative societies in the matter of *taccavi* advances, between Government and the Imperial Bank in many ways, but there is little co-ordination between other units referred to.

QUESTION 2.—The process of marketing may shortly be summarised as under :—

The agriculturists usually sell to local dealers at a disadvantage to themselves the chief crops which the dealer puts together and sends on to the market centres. These go to the middlemen and then to the exporters. But more recently the problem of marketing has been taken up by co-operators and some successful societies have shown the way for others to follow.

The formation of sale societies may be pushed on to the advantage of the agricultural classes.

The sale societies need not finance members by giving them advances against future produce. This can well be done by the agricultural credit societies which should further the sale through the sale society. They may pay against their produce brought to them for sale a portion of the expected realisation.

With systematic relations established between the sale organisations and the rural primary societies the need may be met to a large extent.

It is generally merchants and dealers that concern themselves with the sale of produce and they either purchase it outright or act as agents in the supply of other articles needed by the agriculturists.

Internal remittances are usually made between parties by postal money orders or by despatch of notes by insured post and at times by cheques and *hundis*.

Provision of warehouses will help to systematise and encourage business. Government may offer assistance by constructing warehouses or by advancing funds for the purpose to recognised bodies at concession rates. Co-operative organisations are ready to avail themselves of such help.

QUESTION 4.—*Watan* lands cannot be sold outside the family or mortgaged beyond the life-time of the *watandar*. All other land is amenable to such transaction. A land mortgage society has been formed for the Dharwar district, but work is just begun.

Of other banks the Raddi Bank is one which is doing similar work for members of that community.

QUESTION 5.—Correct and detailed estimate of the indebtedness of agriculturists in the district are not available either for villages or bigger units.

Majority of the amounts of debt are contracted with and stand payable to professional money-lenders.

There is reason to believe that through the process of enforcement of old debts and consequent recovery on the part of the *sowcars* a large number of efficient farmers have been dispossessed of their landed property. In irrigated tracts there is less chance for this as the agriculturist is ordinarily in better circumstances not having to depend on the vagaries of the monsoon, etc. This process acts as a discouragement to the actual cultivators.

QUESTION 6.—Small industries such as rice-hulling, cotton ginneries and sugar-refineries are not in evidence in this District except rice-hulling conducted as proprietory concerns by capitalists. Other industries referred to are carried on as part of the agricultural profession and are included in agricultural operations. These present scope for development on co-operative lines.

These industries can be arranged depending upon two things :—(1) Supply of capital and (2) Systematic disposal.

QUESTION 6A.—Yes. Weaving is an important industry in the Karnatak. There is much scope for giving assistance especially to this industry in a number of ways.

QUESTION 7.—The Co-operative Movement has so far touched only a small portion of the public such as the agriculturists and the small traders. A widening influence is possible.

SECTION III.

For encouraging savings the postal savings bank and co-operative banks seem to be more important institutions than others. Insurance companies touch the educated people more than the illiterate. Provident societies are not in evidence on this side. Facilities for investment of savings may be extended to interior places.

QUESTION 4.—Cheque is being encouraged amongst co-operators, and outsiders also are availing themselves of this method. Abolition of stamp duty on cheques has been given some impetus to wider use of cheques. The trading class and co-operative workers seem to be using cheques on a fairly large scale. Payment by Government and public bodies into banks will further promote the wider use of cheques as in the case of Railway employees. Vernacular script is used by co-operators in cheques on banks. It may be taken up by the general public.

QUESTION 5.—Banking and investment habit are of slow growth in India mainly due to illiteracy. Starting of new branches of the Imperial Bank of India has helped to widen the scope of transactions so far as the trading community is concerned. Agriculturists and small craftsmen do not seem to have much availed themselves of the Imperial Bank as a medium for their transactions.

Oral Evidence.

14755. *The Chairman :* Mr. Basrur, you are the Manager of the Karnatak Co-operative Institute, Dharwar ?—Yes.

14756. What is the main function of the Institute ?—Teaching and propaganda.

14757. Where do you do all this teaching ?—We do it in different rural areas for committee members and in some central places such as *taluka* centres for the secretaries. We have very recently a school at Dharwar where regular classes are being conducted.

14758. For whom ?—For those who intend to become secretaries and bank managers.

14759. For ordinary members of societies have you any training or propaganda ?—We do not hold any regular classes, but for the committee members' classes the local arrangements are quite enough.

14760. Do you not try to diffuse co-operative education by means of books ?—Yes, this is being done. There are at present something like four text-books which have been brought out in Kanarese to specially meet the needs of individual members. Also there is a magazine. At least one or two will be sent to each society and to all individual members independently.

14761. Do any of your members go round and preach or try to teach the principles of co-operation ?—Yes ; they also do it, but there are more frequent instances of propaganda work. What we do is, we organize a class at a centre fixing the time and the day in consultation with the Assistant Registrar and the Institute Committee or at least in consultation with the Institute Chairman and the Honorary Organizer of the locality. The Bank is also good enough to send its administrative officer or the inspector who may be in the locality. So when the programme is fixed, we give intimation in advance that such and such a place the committee members' training class will be held. Then all those persons of the Institute, the Bank, the Departmental head and the Honorary Organizer are represented and we talk of different subjects. And every time I go with a magic lantern and give them magic lantern lectures.

14762. Are you the only officer for this work in the whole district ?—Yes.

14763. Do you work in co-operation with the supervising unions ?—Now-a-days more and more co-operative supervising unions are being organized who fully co-operate with us and the Institute is trying to preach through the supervising unions than do independently.

14764. When there are disputes, do members of co-operative societies or co-operative societies avail themselves of the establishment of this Institute for settling the disputes ?—We had a few instances of this sort. I may say in the first instance they directly approach the Department and then the Assistant Registrar sends the papers on to us or at the suggestion of some local men they send them to the local Institute. We have also a legal committee to give them advice on legal matters.

14765. We are told that in several societies there are factions and the societies have deteriorated in consequence. Has this Institute been trying to do anything in this respect for getting these disputes settled ?—I have heard of this fact. In a few cases, it was found that factions were based more on sentiment than either on any fact or any regular complaint, and it was not possible to bring them round unless they gradually become wiser either by fighting it to the last or coming to terms.

14766. Settle matters ?—Yes.

14767. With success ?—At times ; and not always.

14768. Do you think there is a necessity for having a regular school for teaching the whole year round in a district like this ?—I am afraid the period may be lessened.

14769. Are most of the secretaries here properly trained ?—Yes. What I mean is that the regular school for 8 or 9 months has been only for one year now, and I cannot say anything more about it.

14770. But you have secretaries' classes ?—Yes. Every time we held a class, we had not less than 30 to 40 students who attended the class.

14771. In your statement you have calculated Rs. 2,65,92,000 as the amount required for current agricultural finance in this district ?—Yes. I present this figure subject to correction. It is not a definite estimate, but it is only a calculation more or less as a student would do. I have given also the method of my calculation.

14772. On what basis have you taken this figure of Rs. 200 ?—I had it worked myself. To some extent it is from the Departmental Report. The Assistant Registrar has also taken this figure. Apart from this figure I have tallied my total figure with some of the figures that others have worked. And their figure roughly comes to 2,85,00,000 whereas my total figures to 2,65,92,000.

14773. Does your Institute collect any statistics at all about co-operative societies ?—An attempt is being made. We have also some graphs and pictures.

14774. Apart from these graphs and pictures, does your Institute hold any sort of economic enquiries or enquiries into the working of the Co-operative Movement ?—There have been a few enquiries. The one about which I am speaking now, *viz.*, graphs and pictures, were submitted to the Institute in connection with the Royal Commission on Agriculture. But at that time they did not contain the accurate calculation or I may say a thorough enquiry because the time that was at our disposal was very little and we were asked by the inspectors to make some enquiry for information to be submitted to the Royal Commission. Five villages were taken—two to be without societies and three to be with societies. The whole population was not taken into consideration. We made a few selection here and there, just consulted the local people and requested them to give us a few names or houses of moderate people and well-to-do people and so on. So it was more or less a haphazard enquiry.

14775. Has anything been done since then ?—Mr. M. S. Kulkarni, a member of our committee, has made an economic enquiry at Hulkoti besides the one made by Professor Beri. Mr. Kulkarni has submitted his report.

14776. Is it in English ?—Yes. It has not yet come to the Institute in its final shape and he expects that it should go through the proper channel and it has been sent to the Department.

14777. Does the Institute do any propaganda in favour of investments and savings ?—We have introduced on this side what we call " Home Savings Safe " and I have been able to dispose off a dozen such boxes in Dharwar itself.

14778. Not in the rural areas ?—Rather its cost is thought to be prohibitive.

14779. What is the cost of a box ?—Each box costs Rs. 2-8-0.

14780. Could you not give it at a cheaper rate ?—The firm that supplies them from Calcutta perhaps cannot cut down their rates.

14781. Could you not do them at a cheaper rate in Dharwar than get them from Calcutta ?—Perhaps a little better skill is required.

14782. But still it has not made any progress ?—No.

14783. *Mr. Kamat :* It has been suggested to us that the appointment of a secretary should be subject to the approval of the Assistant Registrar. What is your view about

this suggestion ?—To say that the Assistant Registrar should approve of the secretary or the Department should approve of him perhaps would not be quite in keeping with the general democratic views that are prevailing now.

14784. Quite so; but the ultimate goal is to have good societies ?—Yes. The question about the appointment of a secretary comes up every year automatically. If you think that the committee would not be able to choose the right sort of man to be the secretary, there may be a wider sort of appointment which can be left to the general meeting. I do not think they should go anywhere beyond the general meeting.

14785. But is not the Movement really subject to certain checks on the part of the Department ?—Yes. Even without any specific power being given, there lies the power with the Assistant Registrar to call for explanations or to dissuade people from going along the wrong path or to take notice when a particular secretary is found to be either dishonest or useless. An officer's advice can freely be given in such matters and will in any case be accepted. For this purpose even if the Institute is given any power of appointment of secretary, it would still be impracticable because the local people will be able to say something about the secretary while an outsider would not perhaps be the best judge. So, both from the point of democratization of the Movement and from the point of view of practicability, the question should not be considered from the other standpoint.

14786. Have you found propaganda easier in a village where there are some literate men as against village propaganda ?—Very often literate people are helpful, but in view of the success they prove to be more tough than the ordinary people, because they might have their own views or their own propositions which come in the way of early expansion or success of societies in villages.

14787. It does not depend upon literacy ?—Not much. I mean people that are called literate should be so much educated as to really make a distinction between good things and bad things. Some people who may be literate are not able to grasp the good things and bad things or their self-interest may come in the way.

14788. Is it in literacy or is it in propaganda amongst the illiterate that the success of the Movement lies ?—I would say literacy is propaganda and propaganda must be supplement to this.

14789. Have you noticed anything about the connection of the village primary school master and the success of a society in such villages ?—The success has been very remarkable, especially where the school teachers have been called upon to work as secretaries.

14790. Do you note that societies which have secretaries with training are more successful than secretaries without training ?—I should say that secretaries with training have given better results, rather helpful to make societies successful.

14791. Would you like that the progress of the Movement should keep pace with the training if not with the literacy of the village ?—I would very much welcome this but for societies that are already existing. The other alternative is to train those people who are not trained in the Co-operative Movement.

14792. I mean should the opening of new societies wait till the training of your secretaries ?—If this opinion is given I would be committing myself to say that no more societies should be registered when there are a number of villages in the neighbourhood which would like to have societies and to run them successfully. I do not think they

should be debarred from running societies. We need not start societies in a very fast way. We would just wait and put more conditions, if necessary, before they are registered. In any way the progress would be gradual and systematic.

14793. Have you also noticed that a good society, which helps its members, is a proof of propaganda and it is the opposite thing in the case of a bad society ?—Yes; a bad society will impede the progress or rather it will take back the progress.

14794. Yet would you open societies where you cannot have trained people to work these societies ?—The school which we are running will prepare people who will be available to take up the posts.

14795. *Mr. V. L. Mehta :* You say : " Of other banks the Reddi Bank is one which is doing similar work for members of that community." You mean it is more or less doing the work of a land mortgage bank ?—Yes.

14796. Do you think that the lines on which it is doing this land mortgage credit work are such that it can be recognised as a land mortgage society ?—I have not gone so thoroughly into the working of land mortgage business, but I have gathered so much that in addition to the finance that they give for ordinary purposes they also finance in this way. In a land mortgage bank, while doing this work, there is no regular machinery for the valuation of lands just as we have a land valuer for the land mortgage bank. One who is not the servant of the society and who is not influenced by other considerations will have to be provided. The second question will be about finance itself. If this kind of business is allowed, in course of time there will not be enough money to finance members.

14797. They have put a proposal before this Committee that just as other land mortgage societies in the presidency are getting advantages of the investments made in debentures by the Provincial Bank, they also should be given some portion of that finance at a lower rate of interest. What would you say to this kind of proposal ? If this suggestion is accepted would it come in conflict with your societies or would you suggest any changes in its present methods of working which would entitle it to get this financial assistance ?—The first question that will have to be considered is whether they should have this finance. I think there will not be any conflict between our society and theirs because theirs being a communal society only all *Reddis* will be interested in their institution.

14798. Is your society open to *Reddis* ?—Yes; but they should make it a condition that their own members should not go outside. As for the finance to be offered, it will be a matter between the Provincial Bank and their Bank.

14799. Do you wish to suggest any changes in its present methods of working which would entitle it to get this financial assistance ?—At present I should not commit myself.

14800. What about the land mortgage society which you referred to just now ?—This was started very recently, say some six months ago, and it was registered recently.

14801. In these six months have you experienced any special difficulties with regard to the working ?—Yes. One thing is the valuation of lands. In connection with the valuation of lands people say that the market value should be taken and the land valuer at present has been ordered to stick to general orders of the Registrar in connection with *taccavi* and old debt redemption, *viz.*, that the land value should be only 100 times the assessment. The other thing is that a land mortgage bank is going to give only one-third of the total value of the land. People say that it is possible for them to go to others and get half.

14802. Your bye-laws provide advances up to half of the value of the land ?—Yes; but we have been guided at present by the Provincial Bank and their sub-committee's decision is that not more than one-third should be advanced.

14803. Your own committee agree that at present finance could be given up to half of the value of land ?—Yes.

14804. These are the two difficulties you felt so far ?—Yes.

(The witness withdrew.)

KARNATAK CENTRAL CO-OPERATIVE BANK, Dharwar.

Replies to the Questionnaire.

SECTION I.

THE EXTENT OF CO-OPERATIVE FINANCE AND ITS PROPORTION TO THE TOTAL FINANCE REQUIRED BY AGRICULTURE IN THIS DISTRICT.

The extent to which co-operation is financing agriculture at present in this district may be gauged from the figures relating to the amount of the working capital of all the agricultural societies. The following figures also show its sources and the rate of increase during the last five years. We are indebted to the Assistant Registrar, Co-operative Societies, Southern Division, Dharwar, for his courtesy in supplying us with these figures :—

Year	Number of Agricultural societies	Sources of the working capital			Working capital of all the societies	Rate of the increase of the working capital
		M. D.	N. M. D.	R. F.		
		Rs.	Rs.	Rs.	Rs.	
1924-25	432	10,06,886	5,18,080	3,62,593	44,39,199	....
1925-26	462	11,04,619	5,95,094	4,25,453	46,74,732	+5·3 (approx.)
1926-27	475	11,51,373	6,62,501	5,13,837	51,39,437	+9·9 ,,
1927-28	470	11,78,015	7,52,617	5,84,954	53,36,197	+3·8 ,,
1928-29	473	11,91,021	7,43,436	6,49,146	51,37,125	−2·7 ,,

Recently the share system has been introduced in some of the societies in order to enable a society to have its own permanent capital and increase the same at a rapid rate. It is very difficult to give accurate information as to how much of the working capital is spent on (*a*) current expenses of agriculture, (*b*) capital and permanent improvements, (*c*) special, *e.g.*, failure of monsoon and payment of land revenue and (*d*) redemption of debt as arrangements do not exist at present to classify in this way. However, if we deduct the outstanding amount of *taccavi* loans and that of redemption of debt advanced through and by our Bank as on 31st March 1929 from that of the working capital for the year 1928-29, we will have the whole working capital for the said year distributed as mentioned below :—

(*a*) Rs. 49,65,992 for current expenses of agriculture.

(*b*) Rs. 95,583 (approximately) for capital and permanent improvements.

(*c*) *Nil.* for special needs, *e.g.*, failure of monsoon (payment of land revenue being included in the current expenses).

(*d*) Rs. 77,550 for redemption of old debt.

It may not be out of place if I mention here the amount of loans advanced to the agricultural societies by our Bank. The total outstanding amounts were as following as on 31st March :—

1925	1926	1927	1928	1929
Rs. a. p.	Rs. a. p.	Rs.	Rs.	Rs.
23,09,274 12 4	25,77,725 6 0	24,80,654	26,32,749	23,73,499

As no statistics are available regarding the agricultural finance supplied by agencies other than co-operative agencies, it is difficult to give an accurate idea as to the percentage of the finance supplied by the co-operative agencies to the total finance required by the agriculturists. It is therefore possible only to make a rough (guess work) estimate on the following basis :—

In this district there are above 1,200 villages ; of these nearly half have got societies of one kind or the other, as there are 628 societies in all. But as out of these only 473 are agricultural societies (mostly credit), the proportion percentage of villages having credit societies is lowered approximately to one society for every 2½ villages. Taking 500 to be the average number of eligible members in need of finance in every village, it may be said that at the most about 100 join the society in case one is started and of these 80 may be expected to be financed by the society. Since, as said above, there is only one agricultural society for every 2½ villages, it means 80 people are financed out of every 1,250 agriculturists in need of finance in the district. That means only 6·4 persons are financed out of every hundred in need of finance. This percentage may also be said to hold good in regard to the percentage of finance contributed by the co-operative societies to the total agricultural finance needed in this district, on the assumption that the needs of all the members are the same. But as more normal credit is given to some members than to others according to their needs and security, the above percentage may be raised roughly to 10 per cent. Even making this allowance it would appear that quite a large portion of the field of agricultural finance is still occupied by agencies such as money-lenders, landlords, merchants, etc.

As to the percentage under each of the above needs for which loans are given, no statistics are available for the whole district ; but from general experience as well as the above-mentioned figures taken from our Bank, it can be said that practically the whole of the co-operative finance is advanced for current needs including payment of land revenue, very little being advanced for purposes such as permanent improvement and debt redemption.

Rates of Interest.—(*a*) Minimum and maximum rates of interests charged by the agricultural co-operative societies to its members are Rs. 9-6-0 and 12-8-0 respectively.

(*b*) Professional money-lenders generally charge from 12 to 24 per cent. according to the term of the loan and the nature of the security offered. Rates charged by Kabuli money-lenders in some parts of the district are hundred per cent. or more.

Since the spread of the Co-operative Movement the lending rate of the professional money-lenders has been reduced by 3 to 5 per cent.

THE VARIOUS INSTITUTIONS OTHER THAN CO-OPERATIVE SOCIETIES TAKING PART IN THE AGRICULTURAL FINANCE AND THEIR RELATIONS WITH THE LATTER.

(1) Government loans are strictly confined to *taccavi* loans only.

(2) The Imperial Bank does not advance loans directly to the agriculturists but only to *dalals* and merchants on the security of goods, ornaments and promissory notes.

(3) Few loans, for agricultural purposes, if at all, are advanced in the urban areas mostly on the security of ornaments by the few joint stock banks that exist in the district, such as the Dharwar Bank, the Dharwar Industrial Bank, the Ankalgi Bank, etc.

(4) The Co-operative Movement is financing agriculture up to 10 per cent. only, a point which has been extensively dealt with above.

(5) A few indigenous bankers in the district, as distinguished from the merchants and dealers on the one hand and the professional money-lenders on the other hand, are advancing loans to the agriculturists generally on the security of ornaments. Bigger bankers like Mr. Keshawdas of Gadag and others are advancing loans to merchants and *dalals* even on the security of promissory notes.

(6) Professional money-lenders continue to play a very important part in agricultural finance, for, as shown above, the co-operative organisation has been able to finance about 10 per cent. of agricultural needs, while the rest is mainly in the hands of these persons.

(7) *Adatyas* and *dalals* advance at the time of sowing especially in the area of commercial crops like cotton, wheat, and groundnuts that are extensively grown in Ron, Gadag, Navalgund, Bankapur, Haveri and other *talukas* for the sake of having the produce sold through themselves, on the basis of commission sales so as to make a profit for themselves.

(8) Some British companies are entering in the field of rural finance through their agents by supplying English manure and other requisites such as raw materials, seeds, etc.

Government should give more liberal long-term loans for the improvement of lands and undertake even current finance in famine areas. It should buy (up to 50 per cent.) debentures issued for the purpose of land mortgage finance.

The surpluses accumulating with the co-operative banks on the one hand and the Imperial Bank and joint stock banks on the other hand should be mutually exchanged with as in Bengal, in their respective busy and slack season, the busy and slack season for the former being generally slack and busy seasons respectively for the latter and *vice versa*.

There should be a Money-lenders' Act similar to that in the Punjab recognising their status and regulating their actions such as rate of interest.

There should be co-ordination between the merchants and *dalals* on the one hand and the co-operative sale societies on the other hand for carrying on the co-operative sale work smoothly without unnecessary hostility on the part of the former powerful classes.

(A sort of compromise seems to have been brought about between the Gadag Co-operative Cotton Sale Society on the one hand and *dalals* on the other to the effect that if any agriculturist, who has taken any advance from any *dalal* with the promise that

his cotton should be sold through him only, takes his produce to the cotton sale society instead of to the *dalal*, the sale society should be (morally) bound to pay off the amount to the said *dalal* taken by the agriculturist as advance from him and *vice versa*. This compromise seems to have smoothened the work of the co-operative sale of cotton at Gadag since 1926 when a wholesale boycott had been made by the *dalals*. But this is a private compromise and it seems desirable that it should be legalised wherever there are big societies).

The urban banks and the Imperial Bank come in conflict regarding the advances under godown system and in cashing bills, cheques and *hundis*. The central and urban banks would have done this business with more advantage to themselves, had it not been to the competition of the Imperial Bank.

QUESTION 2.—The principal crops in this district are *juar* and rice, cotton and groundnuts, wheat and chillies. The first two and the last one are generally consumed locally. It is the cotton and the groundnuts that play a prominent part in the matter of marketing. These can be said to pass through the channels mentioned in the following tabular form (taken from Mr. V. L. Mehta's memorandum submitted to the Royal Agricultural Commission) :—

	Grower.	
Village dealer.		Village dealer.
Market (through broker).		Travelling buyer.
Middleman (one or more) (Ginning here).	Exporter or mill buyer or merchants' agent (Ginning here).	Middleman (one or more) (Ginning here).
Bombay Commission agent (one or more).		Commission agent.
Exporter or mill buyer or merchant.	Exporter or mill buyer or merchant.	Exporter or mill buyer or merchant.

There are nearly four cotton sale societies in the district. Even paddy, chillies and tobacco are sold to some extent on co-operative method by the respective sale societies.

Particularly village dealers have been eliminated to some extent by the organisation of sale societies.

QUESTION 3.—The valuation of land is made by our Bank on the basis of assessment. If the assessment is Re. 1 the value of land is made Rs. 100. In the case of fertile land it may raise to Rs. 150 (frequently) and even to Rs. 200 (rarely).

DEFECTS IN THE AGRICULTURAL FINANCE THROUGH THE CO-OPERATIVE MOVEMENT.

According to the principle and rule laid down by the Department all the societies should prepare their normal credit statements in the months of March and April and get them passed in their managing committee and their general meetings. Then they shall have to be sent to their respective supervising unions for recommendation and afterwards to the Central Bank for ultimate sanction. But the bank (which must take into consideration the safety of its money) will send its Inspector to the applicant society for scrutiny and report and on the strength of the recommendation of the Inspector the Board proceed to sanction and advance the loan. In order to minimise the delay caused in this cumbrous passage the Board is now advancing the loans on the recommendation of the supervising unions, provided the Bank Inspector concerned has a good opinion of the society and has no objection for financing it. For the fulfilment of all these

formalities it will nearly require three months if the society wants to have the required loan in its hands without unnecessary delay. That is why rule has been made that normal credit statements should be prepared in the months of March and April only if the societies are to be timely financed in the months of June and July when they are in need of advances. But very few societies observe this rule. Many societies do not care even to prepare their normal credit statements. Through the pressure brought upon them by the Bank Inspectors and the supervisors, Secretaries of various societies take up this work though somewhat reluctantly. Moreover the supervising unions that have been established for this purpose are not yet working well. Many of the supervisors seem to be parading the office and forget that theirs is a practical work and not a pass on one. Many secretaries are indifferent towards this partly because they are ignorant of it and partly they themselves and the committee members are defaulters and, therefore, are unwilling to get other members also financed. It is up to the supervisor that such defects should be removed. Another disquieting feature is that they seem to be employed by the departmental officials such as Auditors in order to facilitate their (latters') work. This takes a good deal of their time. So, the supervisors should be left free to do their own work which ought to be done by them conscientiously. They should do the house-to-house educational propaganda work and also the recovery work in the harvest season properly. For the present the standard of the work done by the supervisors is very low and that is why the loans are not advanced adequately and promptly by the financing agency. This delay leads the agriculturists to prefer *sowcars* to the co-operative societies.

Another serious defect in granting extension to the members by the societies and to the societies by the central banks is that the bank will give extension for the whole amount to the society and in turn it will give extension to all the members without trying to recover any amount from those that repay either fully or partially. This system of granting wholesale extension either on the part of the bank or on that of the society will ultimately make those that can and will repay improvident and spendthrifts. So, wherever and whenever the necessity of granting to the deserving defaulter arises owing to such cause as of failure of crops or any other reasonable cause, a list should be drawn by the society of those that can repay fully, those can repay partially, those that can pay but reluctantly and those that are utterly unable to repay, *i.e.*, deserving defaulters. The supervisor should see whether each society applying for extension has prepared such a list or not; if not, he should get it prepared and make all possible recoveries from the first two prepared and make all possible recoveries from the first two classes and refer the cases of the third class people to arbitration and recommend those of the fourth class for extension. This system leads to the healthy development of the Movement and there will not be the possibility or heavy overdues even in those areas where the crops are liable to fail.

SECTION III.

The following institutions may be said to be in existence for encouraging savings and investment habit:—

(1) Imperial Bank.
(2) Joint stock banks.
(3) Urban banks.
(4) Postal savings banks.
(5) Co-operative societies.

The first three institutions tap the deposits largely from the urban people, while the latter two come in touch with the village folk. Generally the deposits even in the postal

savings banks are overflooded by the middle class and well-to-do people. The agriculturist resorts to the last institution, *i.e.*, co-operative societies for his investment. The large portion of the amount thus invested by him is not a voluntary one but kept in the society by compulsory deduction out of the advances made to him by the society. The Co-operative Movement may show an increase in the amount of the members' deposits ; but this I regret to say is not the result of the savings of the poor members but of the compulsory rule forced upon by the societies. The important point for consideration is not the quantitative measure of the aggregate amount of such investment but the qualitative measure of the saving habit of the people. With extreme regret I mention that the agriculturist's capacity to save is very little as the margin between his income and expenditure is very narrow. Moreover his income is decreasing year by year owing to the increase of sub-division and fragmentation of lands, loss of the fertility of the land on account of his being unable to return it by means of manure, etc., and the failure of timely rain. On the other hand his items of expenditure are increasing day by day. Some of the social and religious functions and growing litigation swallow up the greater portion of the *ryot*, and they do not allow a margin for his saving. To remove these obstacles in the way of the saving habit the co-operative societies for consolidation of holdings as well as producers' and consumers' societies with the efficient and honest persons for their management should be brought into existence and the quality of the personnel of the existing credit societies should be improved by reconstitution (wherever desired) in order to carry on their administration in such a way as not to allow the individual members to fall in the grips of the unnecessary social and religious functions and the tyrannous litigation.

Rao Bahadur PATIL, Chairman of the Karnatak Central Co-operative Bank, Mr. H. H. SINNUR and Mr. S. G. GODHI, Dharwar.

Oral Evidence.

14805. *The Chairman :* Rao Bahadur Patil, you are the Chairman of the Karnatak Central Co-operative Bank ?—Yes.

14806. This note which has been put in by your administrative officer represents the views of your Bank ?—Yes.

14807. There is one point made out from which it appears that the finance to societies is not timely which takes about three months before the application is sanctioned ?—This is the case in some cases.

14808. This is not the case in the majority of the cases ?—No.

14809. You will agree that unless the agriculturists get money in time, the whole of the Movement will go ?—I have two reasons to explain as to why this delay occurs. Firstly, the normal credit statement is too elaborate a thing for the agriculturists and secretaries of societies to prepare. It must be simplified.

14810. Have you or has your Bank made any suggestion in this direction about simplifying the normal credit statement ?—Not yet. I am going to make a suggestion to the Assistant Registrar. The next reason is that the Department is too much technical in this matter which often sends back the applications for amending defects.

14811. Do these applications pass through the Department ?—Yes.

14812. Above a certain given amount, they go to the Department, *i.e.*, if a society wants finance, it has to apply through the Assistant Registrar ?—No, not through him.

First of all it will be inspected by the Union Supervisor. If not, it will be inspected by our own Bank's Inspector and in some cases which are not below a particular given amount, they are sent to the Assistant Registrar. In some cases the Registrar's permission is necessary. My point is that the Department ought not to be very technical.

14813. In what sense ?—Even for trivial matters, they send the applications for correction or for amendment or for compliance of certain rules. For instance, if the rule requires that it should be signed by three members of the managing committee and in fact if it is signed only by two members, it will be sent back.

14814. The rule requires that it should be signed by three ?—Yes; but it is not a document that is executed. It is only an application. Therefore such ordinary technicalities ought not to be a ground for returning it.

14815. I want to know whether such applications pass through the Department ?—Yes, in some cases they do pass through the Department and out of those cases in a number of cases the Department is not responsible for expediting the matter.

14816. What percentage of cases pass through the Department. Is it safely a large percentage ? Do you say it is 50 per cent. ?—No.

14817. So you blame three people, the Department, the societies and secretaries for the delay ?—Yes. The Supervising Union is still in their infancy.

14818. I am coming to this question. You say that the society does not prepare the statement in time. Does your Bank inspectors go round and advise them to prepare it in time ?—Yes, they do so.

14819. Your third point is that as the supervising union is still in its infancy and as they are not working well, this delay takes place ?—Yes.

14820. How long ?—Sometimes one month or even two months.

14821. Is it the practice of the Bank to refer all these applications to the Inspector ?—Yes.

14822. Why is it necessary for the Bank to send applications to the Inspector ?—We have been following this practice for the safety of public money.

14823. How many societies do you finance ?—About 475.

14824. How many inspectors have you ?—We have seven field inspectors and one administrative officer. We have one agricultural inspector.

14825. What is the agricultural inspector doing ?—His appointment has been newly made. He is to carry on propaganda regarding subsidiary industries. He does inspection as well as propaganda.

14826. Are loan applications referred to him too ?—Yes; but he is not yet appointed.

14827. You say you have seven field inspectors to whom the applications are sent. I suppose 40 or 50 applications will be sent to every inspector in the course of a year ?—In the course of two or three months, he will be getting 40 or 50 applications.

14828. If an inspector were to get 50 applications within a period of two or three months, he must be taking some time before he can make report about them ?—My inspectors will have to dispose of so many in such a short space as two months, because we have in the mallad and yernad tracts several *talukas*. The season in the mallad tract is different from the yernad tract.

14829. How long can you say the inspector takes on an average to dispose of applications ?—Fifteen or twenty days.

14830. Afterwards this comes before the board. How long does it take to dispose of the application ? -We meet once or twice in a month.

14831. It means that after the application is received the Bank takes about a month ?—In some cases they are disposed off very early, but some must necessarily remain for the inspector at the close of his tour.

14832. And some may be taking more time than usual ?—Yes.

14833. My only point is that if this finance is going to be, as you yourself say, helpful, they must get it in time ?—Yes. We are going to appoint a few more inspectors also.

14834. Do you think that members get sufficient finance or have they to borrow from outside ?—They do not get sufficient finance.

14835. What is the reason ?—There are various reasons. I am confining myself firstly to the case of current needs.

14836. My question is with reference to current needs only ?—So far as my own personal knowledge of villages go, in many cases the finance supplied by the societies is not sufficient.

14837. Why is it not sufficient ?—Because there is a tendency in societies to distribute the money they get from central banks. Sometimes the inspector recommends for lesser amounts and the Bank sanctions that much only. When this amount is received by a society, they try to distribute it.

14838. Why not loans are sanctioned according to normal credit statements ?—It may happen like this that when the demand is for Rs. 15,000 they will have to disfribute Rs. 10,000 in place of Rs. 15,000.

14839. Does the bank cut down the limits of individuals or does it cut down generally ? On what basis does the Bank cut down the limit ?—All this is done by the Inspector.

14840. And which is approved of by the Board ?—Yes ; but the distribution is left to the society itself.

14841. And the society ought to know why this has been reduced ?—The tendency is this that every member ought to get something.

14842. They do not know exactly for what reason it has been reduced. Does the Bank correct the statement or does it correct statements in individual cases ?—It sometimes so happens that the directors of the Bank for the safety of their own money sanction something less than what is applied for. In that case the tendency is that all applicants should be benefited. For this purpose they distribute it. I think in such a case only there will be a few who will not be adequately financed.

14843. Should not inspectors form it a part of their duty in assisting societies in the preparation of the normal credit statements ?—If I am allowed to say, I say we are undertaking an impossible task and unless the general standard of education, *i.e.*, the percentage of educated people in villages goes up to 60 to 70 per cent., it is an impossible task for us to handle.

14844. The statement is prepared by the managing committee and the secretary of a society ?—Yes, but what is the education of the secretary ?

14845. You tell us what it is ?—I do not know. It is very low.

14846. In the case of the majority of secretaries ?—Yes.

14847. How many of them are trained ?—I am unable to tell you this. I am speaking from my personal knowledge.

14848. Of how many societies ?—I might have visited about 50 societies in the course of a year. I have been myself the Chairman of a society.

14849. Was your society not able to prepare the normal credit statement ?—I had to prepare everything.

14850. Do not chairmen of other societies follow your example ?—It depends upon their capacity.

14851. Could you suggest anything definite to reduce this period of sanctioning of loan ?—The Department should co-operate with banks.

14852. And do what ?—And the normal credit statement should be simplified.

14853. You are going to make some suggestions about it ?—Yes, if I am called upon to do so.

14854. It is for you to suggest without your being called upon to do so ?—Firstly the normal credit statement should be simplified.

14855. As regards the delay in examining the statements, have you any suggestions to make ?—The only thing is to increase the number of inspectors.

14856. You say the second reason is the Bank gives wholesale extensions and so the societies do the same. I can understand the society doing so, but why does a bank do it ?—It only comes to this that in societies they do not discriminate.

14857. They ought to discriminate ?—That is quite true.

14858. But why does a bank give wholesale extension ?—One year we tried like this that a particular society would be given time if it pays back a fraction of the arrears accrued due but not a single society came forward to repay.

14859. Was that a bad year ?—It was a famine year. We have left the matter to the discrimination of the society itself ; and we have issued a circular that they should make a serious effort in this direction.

14860. Have you given any large amount for debt redemption ?—Yes, we have been advancing money.

14861. Is any information available to say what the indebtedness of members of a society is or at least of members of societies which have been financed by you for debt redemption ?—Whenever we have to advance loans for redemption of old debts, we go into the history of his indebtedness and then we give loans.

14862. Do you find what amount he owes to others at the time of redemption ? Have you any statistics to show in the case of certain societies, which you have financed for redemption of old debts, what the indebtedness of members must be ?—It has a little history behind it. When a society will apply for loans, in this respect, the Department tries to insist upon them to prepare a scheme for the entire village and they never succeed. For some reason or other they are rejected. In very few cases they succeeded and whenever they came up to us, we made full enquiries and advanced loans ; and recently we have been ordered by the Department not to entertain any applications for redemption of old debts above Rs. 750 in view of the land mortgage bank which is going to be opened here. Once we ordered one of our inspectors to collect figures from Shiggaon which may be lying in the bank's office.

14863. Would you send us the figures about this particular *taluka* ?—Yes.

14864. I find from this statement, that you have sent, your working capital has diminished ?—This is not our bank's working capital. This is the finance which the societies in the whole district are receiving.

14865. You have a large surplus ?—Yes.

14866. How much is it now ?—It is about 12 lakhs.

14867. Have you thought of any scheme for utilizing the same ?—The general body have passed a resolution in this respect. We want to utilize the surplus by opening godowns ; and at the same time taking care that we do not come into conflict with urban banks.

14868. And sale societies ?—Yes.

14869. And on the pledge of ornaments to individuals direct ?—Yes.

14870. Can you do it now under your bye-laws or will you modify your bye-laws ?—The only difficulty is with individuals who are not members of the bank, whether we can have any dealings with an outsider.

14871. Can you have dealings with individuals through a society ?—Yes, but Rao Bahadur is not enough to allow us to carry on this business. We are also thinking of reducing the rate of interest on deposits.

14872. What is the rate now ?—We have different rates of interest for different terms.

14873. What is the rate for one-year deposit ?—5 per cent. We have also 5¼ per cent. interest on deposits and 5½ per cent. also. These two rates are for 2 years and 3 years' deposits.

14874. Do you do any general banking business, *i.e.*, giving of drafts against deposits and buying and selling *hundis* ?—Yes.

14875. Is this business increasing year to year ?—Yes, and it is also increasing our clientele and it has created much confidence in the bank.

14876. Do you get any facilities from the Imperial Bank in this respect ?—No.

14877. Do you have any dealings at all with the Imperial Bank ?—Only to a very small extent.

14878. There is no branch here ?—There is an outstation here.

14879. Does your Hubli branch have dealings with the Imperial Bank branch there ?—My Manager can answer this question.

14880. Do you have any difficulties in sending remittance at the Hubli branch through the Imperial Bank ?—*(Mr. Godhi)* : Now they have stated that they are not going to accept cheques.

14881. Do you have any dealings with the Provincial Bank ?—Yes.

14882. How do you remit your money ?—By remittance transfer receipts.

14883. Have you had any difficulties about remittance of money or *vice versa* ?—Nothing has come to my notice. The treasury officer raises objection. He says that the local bills are to go through the central bank and money should be remitted through the central bank instead of by remittance transfer receipts. He has withheld remittance now in the local area.

14884. Since when ?—Since 15 days.

14885. On what ground ?—He says that we must obtain a demand draft from the central bank.

14886. What reason has he given ?—He says that the work would be diminished in the treasury.

14887. What does your Board think about it ?—(*Rao Bahadur Patil*) : It has not been considered at all.

14888. So far as your remittance business is concerned, no difficulty is felt by you ?—(*Mr. Godhi*) : No.

14889. You say that some British companies are entering the field of rural finance through their agents by supplying English manure and other requisites such as raw materials, seeds, etc. Are they financing the purchase of fertilisers ? Do you know of any cases ?—(*Rao Bahadur Patil*) : There is nothing quite definite, but we find that agents of some British companies are advancing money.

14890. Are they advancing money or giving fertilisers on credit ?—That is also true.

14891. For what are they advancing ?—For canvassing business.

14892. Do they advance to merchants ?—Through their agents to merchants as well as buyers, that is, *dalals*.

14893. Are they supplying their own fertilisers ?—Their own merchandise, if any.

14894. In kind or in cash ?—In cash also. Their own men who canvass business for them ought to advance money.

14895. Advance money to cultivators ?—Ultimately it goes to the cultivator.

14896. For what purpose ?—For attracting their produce.

14897. Further on you say, " The surpluses accumulating with the co-operative banks on the one hand and the Imperial Bank and joint stock banks on the other hand should be mutually exchanged with as in Bengal. " Can you develop that ? What is being done in Bengal ?—There the seasons being different, they deal with businessmen : we deal with agriculturists. The seasons for them are different. In the slack season there will be more surplus money with us.

14898. What do they do in Bengal ?—They exchange their surplus.

14899. How ?—In our slack season they should take up our surplus funds.

14900. I wanted to know what the practice in Bengal is ?—It is only a lingering idea in my mind,

14901. I wanted to know if you knew any details of the way in which this system works in Bengal ?—I tried to find out the source of my information, but I could not get it. I am sure I have read it somewhere.

14902. You can send us, if you can get it ?—Yes.

14903. Which is your slack season ?—Our slack season is December, January, February and November.

14904. Do you get your money back by November ?—Our money will come to us in July-August ; it will remain in our chests till March-April.

14905. So your slack season comes back in June ?—The agriculturist requires money after June-July and even in August.

14906. When does he pay back ?—From January till April.

14907. Do you want money again in April for advances ?—There will be cotton season during the interval, *viz.*, May, June and July.

14908. What is the period when there is idle money lying with you ? Is it from January to July ?—Generally we can say like that.

14909. We were told by one witness yesterday that several of the societies here are not working properly because there are factions. Do you agree with that view ?—I totally disagree, but at the same time admit that factions may be existing in a few villages as they do exist in all parts of the Presidency.

14910. Does that affect the working of the society ?—That has an effect in a very few cases, but that is no index for judging the condition of the societies.

14911. We were also told that there are factions in your bank ?—That in only a crash of a bomb. I wish to make a statement in that respect. As regards the condition of the societies, to my knowledge in the generality of cases their working has not been affected by local factions, and the real difficulties in my opinion are due to the following reasons : India knows only the monarchical form of system and never the democratic system. It is very difficult for the villagers to imbibe the idea of a democratic institution like the co-operative society ; and they have been accustomed to rely upon the elder in the family and the State ; they do not know self-help. That is the reason why they are not showing sufficient interest in the Movement and in the working of these societies.

14912. What remedy would you suggest ?—As I just stated there are factions and sometimes the system is too elaborate for them, and the illiteracy is appalling. These are the real reasons why in some cases societies are not working properly. Now I would suggest some constructive programme. In our primary schools the school series should contain several lessons on co-operation so that our children might imbibe the principles of co-operation, and it must be done at an early date. Then some ocular demonstrations, just as dramas, are quite necessary for the village people.

14913. To show what by means of dramas ?—Perhaps you may be aware that in this district when there was a drama shown to the people, it had a tremendous effect on the villagers and it taught them a great deal and it left a permanent impression on their mind. Then special care should be taken for the education and training of the secretaries and they should be well-paid. Only in a few cases they are properly paid, and my suggestion is that we must devise something at this stage to fix up the scale ; it must be a sliding scale.

14914. His pay is fixed in the bye-laws ?—That bye-law should be removed. Even Government should come forward with money to train these secretaries. I have a statement regarding the establishment of *taluka* banks instead of branches of the district bank.

14915. Will you have independent *taluka* banks ?—I am against independent *taluka* banks ; I want branches of the district bank to be started.

14916. What is your objection to the *taluka* banks ? We can well imagine what a *taluka* bank is ; and my apprehension is that the working of the *taluka* bank would be quite inefficient.

14917. Why ? Do you think there would be no proper management or no proper personnel ?—Personnel as well as the staff ; and even for the maintenance of the necessary

staff the cost would be disproportionate. Then they would not be in a position to spread co-operative education. Also deposits are not likely to come in as they do in the case of district banks; and the confidence of the people is not likely to be as much as it is in the central bank. The *taluka* bank will not be in a position to take up such business methods as godown system and so on. Favouritism is likely to be greater in the case of the *taluka* bank.

14918. What do you think about the proposal brought to us that there should be centralisation of finance through the Presidency, that there should be one Provincial Bank with branches of that bank throughout the Presidency? The arguments which you put against the *taluka* bank may apply to a certain extent also to the present system, and, therefore, they say the centralisation should go still higher, and there should be one central bank for the whole Presidency with its branches in the districts. I want to know whether you would favour it?—Circumstances do not call for the establishment of such a centralised bank. I do not say that there would be any harm, but at the same time I do not think there is any necessity.

14919. *Mr. Kamat:* Do you agree that the normal credit statement as framed by you is too elaborate and should be simplified?—(*Mr. Sinnur*) *:* Yes.

14920. In what respects?—We are thinking about that.

14921. How many societies can an inspector efficiently manage?—Thirty or forty.

14922. And if you want to increase the number of inspectors, what would be the additional strength?—About five or six.

14923. Can the bank do that?—It is trying to do that.

14924. *The Chairman:* What are the qualifications of your inspectors?—Out of seven there are three graduates and one or two undergraduates and one has passed the supervising union class examination.

14925. Do they get any training in co-operation and banking?—Yes.

14926. Where?—They study books.

14927. After joining the bank?—Yes, and sometimes the bank inspectors will be sent to the Department for training under the auditors or under the personal care of the Assistant Registrar.

14928. *Mr. V. L. Mehta:* You said that there were considerable difficulties in the sanction of special limits because the papers had to go to the Assistant Registrar and sometimes to the Registrar. It has been suggested that this power could be delegated to the central banks concerned. Do you agree with that suggestion?—(*Rao Bahadur Patil*) *:* I do agree.

14929. On the other hand it has been represented to us that some central banks might be too keen in investing their money and they might go on increasing their limit recklessly. Do you not think there is that kind of danger?—The power of control of the Registrar and the Department does not go.

14930. When will their control operate in case the power is delegated to central banks? Will it operate at the time of audit?—Yes, and they should give timely warnings.

14931. Some witnesses in this district have told us that for cultivation expenses very little cash finance is required; on the other hand we understand from certain other witnesses who are connected with the working of societies that it is the practice of

societies to borrow fairly large amounts at the beginning of the season. What is your own view after scrutinising the normal credit statements ? Do you think much cash finance is required for cultivation expenses for cotton ?—Not for cotton crop ; but there are certain crops which require more initial expenses.

14932. What is your experience with regard to the issue of Government *taccavi* under the Land Improvement Loans Act ? Your bank is, I presume, an agency for the advancing of loans under the Land Improvement Loans Act. Do you think that the system works well, or have you any suggestions to make ?—It is working, but there are delays.

14933. Is there only delay, or is there any other complaint ?—Much advantage is not taken of these loans.

14934. Why ?—The reason seems to be the ignorance of the people ; many of them do not know that the system is now changed.

14935. Have they to go to the revenue authorities ?—Yes.

14936. That means only propaganda. Is there no other facility required as regards the staff to look into the applications ?—I might say here that there is nobody to take more interest in the advancing of *taccavi* loans.

14937. Several witnesses have suggested to us that increased co-ordination is required among the cotton sale societies, the credit societies and the bank. Have you any idea on the subject ?—I have not made any particular study about it.

14938. Do you want an Act to regulate the rate of interest for money-lenders, or do you want an Act like the Punjab Money-lenders' Bill compelling the money-lenders to keep proper accounts ?—I refrain from answering all questions regarding legislation.

There is one question which remains to be answered, *viz.*, the question about factions in the societies and factions in the bank, which was put by the Chairman. There is a fight for seats on the directorate and for the chairmanship. And each *taluka* or a group of societies desire to put their own men on the board, so that they may get finance and other facilities. And the second reason is that the membership of the bank has grown very much, and in the absence of elaborate rules for holding elections there is likely to be some disturbance.

14939. *The Chairman :* What remedy would you suggest ?—Immediately we must frame rules for holding elections, much better on the model of Municipal or local board elections. There is not a single instance in which this fight for seats on the directorate has affected the efficiency of the bank.

14940. *Mr. Buckley :* You say the items of expenditure of the agriculturists are increasing day by day. Apart from social, religious and litigation expenses, what are other items of expenditure the *ryot* is indulging in of late years ?—He spends on some small luxuries, though I am not prepared to call them vices. He spends now-a-days more on amusements.

(The witnesses withdrew.)

Mr. M. S. KULKARNI, District Honorary Organizer, Co-operative Societies, Gadag.

SECTION I.

It would not be out of place here to briefly consider the normal credit facilities afforded by the primary societies in rural areas. The poor agriculturist seeks the help of the society for the current expenses such as sowing of seeds, etc. He offers two sureties whose liability is personal. So far as the principle is concerned it is all right.

But various abuses are freely practised in actual practice. The sureties are often cheated by the borrower. Many a time the borrower deliberately deceives the sureties and experience has shown me that in some cases the helpless sureties have actually made payment of the loans. The most natural consequence would be that the borrowing member often loses his trustworthiness. The recalcitrant defaulter—I do not mean the *bona fide* defaulter—by deliberate design to deceive the sureties and to defraud the society, will ultimately overthrow and defeat the very object of a society of unlimited liability. Mutual trust is the very foundation of an unlimited liability society. I regret to see that after a quarter of a century of its inception, the Co-operative Movement should foster such vile practices. The sooner they are done with the better.

The most simple remedy I am going to propose is as follows :—

The rural societies usually prepare an estimate of all the assets of a borrowing member at the time of advancing loan to him whereby the borrowing capacity of that member is determined and the loan is advanced accordingly. Besides there are the sureties who declare the solvency of the borrowing member. I shall now illustrate how the sureties are duped. The borrower disposes of his property and stands penniless at the time of repayment of the loan. Of course abundant precautions regarding the character are taken before admitting to membership. But as money is at the root of all evil, many supposed honest members expose their wickedness afterwards. In such a case, the assets which determine the borrowing capacity of a member should be treated as already mortgaged to the society till redeemed. This should be made a clear povision in the Act. Then there will not be the least inducement to the borrower either to deceive the sureties or the society or the financing bank. When the borrowing member thus deceives the sureties, they will in their turn learn how to escape from liability and so ultimately the financing bank will suffer. In this way, such practices will affect the whole system of the Co-operative Movement.

Well, now, such a provision might evoke a serious objection and that is this. Occasions may arise and often do arise when a member has to meet unforeseen difficulties. In cases of financial stress, the member might be in fresh need of money. Really in such a case it would be entirely inequitous and unjust to bind him hand and foot. The society of which he is a member cannot certainly meet recurrent and unforeseen needs of its members. Punctual repayment which is the essence of co-operative finance might become impossible. So it would be wholly unjustifiable to choke the resources of the members. In case of such real needs he should not be prohibited to borrow elsewhere on the security of his assets. But the restriction that the borrowing member should take previous permission of the managing committee before he pledges his assets elsewhere should be imposed. If, however, he wilfully or negligently fails to take the permission, the assets which had formerly determined his borrowing capacity should be deemed as already mortgaged to the society.

The lending society should have a charge on the assets of a borrower in case of alienation by sale or mortgage of his assets.

The local *sowcar* or a joint stock company may raise a serious objection to such a safeguard by the co-operative societies. Though the functions of a co-operative society and a village *sowcar* are roughly the same as regards the lending of money, there is a wide gulf of difference between the motives of the two. If the one is interested in the economic uplift of the members, the other is concerned with exploiting money by usurious rates of interest. If one is rather humanitarian in its intentions, the other is

full of selfish intentions. Where is the injustice if the former is protected by special provisions ? Unfortunately, however, the Co-operative Societies Act did not think that unlimited liability carried with it any obligation against alienation. But if a member having pledged his unlimited liability to the society proceeds to encumber or dispose of his material possessions, what becomes of the security he offered to depositors and the financing bank ?

Another point I deem as important is as regards execution proceedings of awards passed by arbitrators and orders passed by liquidators. I think it a very important thing. I shall first state what is the present procedure of execution. Under the Co-operative Societies Act VII of 1925 awards passed by the arbitrators and orders of the liquidators are executed by revenue authorities and recovered as arrears of land revenue. I have nothing to say on clause (*a*), S. 59. During the process of execution under the Land Revenue Code under clause (*b*) of S. 59 of the Act, the land is often put to sale outright. There is no provision in the Land Revenue Code for lease auction as provided for Civil Court decrees and such a procedure will bring disastrous results on the poor *ryot*. So, in spite of the enormous facilities afforded to the *ryot* by the Dekkhan Agriculturists' Relief Act, he is often ruined by such a procedure. The lease auction should be immediately provided for. And I believe that will go a long way in contributing a substantial benefit to the poor *ryot*. No doubt the defaulting *ryot* has no right to claim mercy at this stage, but the loss will however be too much and the sale of land means a permanent injury to the *ryot*. Often the loss of land means the extermination of his principal resources for maintenance. So I emphatically say that a provision for lease auction will prove a lasting boon to the *ryot*. Government in the Resolution No. 1578, dated the 9th March 1916, Judicial Department, have provided for lease auction in recovering the decretal amount passed by the Civil Court decrees. I propose that the Government Resolution should be reconsidered and be made applicable to the execution of awards under the Land Revenue Code.

Oral Evidence.

14941. *The Chairman :* Mr. Kulkarni, you are District Honorary Organizer of Co-operative Societies, Gadag ?—Yes.

14942. You are also a landholder ?—Yes.

14943. What assessment do you pay ?—I pay Rs. 150.

14944. Do you cultivate your lands yourself or through paid labour ?—I cultivate my lands through hired labour.

14945. How much cash have you to spend per acre ?—For dry crop such as cotton or groundnut, it would come to Rs. 50 to Rs. 75 including the cost of good manure at the rate of 3 rupees per cart.

14946. Have you also *bagayat* land ?—Yes.

14947. What do you grow on *bagayat* land ?—Sugarcane and chillies.

14948. How much do they cost you ?—Last year my expenses were Rs. 700 for two acres—one acre of sugarcane and one acre of chillies.

14949. Suppose a cultivator has his own bullocks and works with his own hands and has a small holding which he can cultivate himself, how much money would he require for dry crop ?—Rs. 100 to Rs. 150 for 10 to 15 acres.

14950. But some people tell us that the cultivator requires very little for agricultural expenses, but that he may require something for maintenance ?—If capital is invested in agriculture he will earn more, otherwise not.

14951. How long have you been Honorary Organizer ?—For the last 22 years.

14952. How many societies are in your charge ?—91 societies.

14953. Do you think the Movement is progressing ?—So far as my *taluka* is concerned, it is progressing.

14954. Are members sufficiently financed ?—For current agricultural needs they are sufficiently financed.

14955. Do they require money for other purposes ?—Yes ; for debt redemption and for marriages, etc.

14956. Where do they go and get money now for marriages ?—They have to depend upon local *sowcars.*

14957. Do they go to *sowcars* for current agricultural needs ?—No.

14958. Is this the case with all the societies ?—In some of the best managed societies the members are adequately financed for their current agricultural purposes.

14959. We have been told just now that many of the secretaries are not properly trained, they cannot properly prepare normal credit statements and these statements are too elaborate. Do you agree with this view ?—No.

14960. Do your secretaries find any difficulty in preparing them ?—They are preparing them satisfactorily.

14961. Have you any supervising unions ?—Yes.

14962. Are they working well ?—Yes.

14963. Does it take a long time for the loan applications to be sanctioned ?—As far as my *taluka* is concerned, the societies are adequately and promptly financed.

14964. Who finances them ?—The Karnatak Bank.

14965. They have branches ?—Yes.

14966. Does the branch office sanction loans ?—Up to Rs. 5,000 the branch office will sanction, and over and above this figure applications will go to the head office.

14967. We hear you have made some investigation in Hulkoti with Professor Beri or independently ?—Yes, independently.

14968. Have you completed the enquiry ?—Yes, I have submitted it to the Assistant Registrar and I do not know what became of it.

19969. When was this enquiry held ?—In 1927.

14970. Have you acted as an arbitrator ?—Yes.

14971. You refer to two points in your note. One is about the surety suffering for the defalcations of members. How many cases happen like this ?—It is even less than 1 per cent. of the total number of loans advanced to members. This happened in 1928, but I brought this to the notice of the Committee so that we may have a safeguard. No doubt we are taking abundant precautions, but still money is such a bad thing ; and if a member has some unforeseen expenditure or marriage expenses he has to go to a *sowcar*, he mortgages all his property and thus becomes helpless later on.

14972. When he tries to cheat one of his brother villagers, is there no social opinion in the village to prevent him from doing so ?—There is.

14973. Do you think any special legislation is necessary ?—Though this may cause disturbances in the future so far as the movement of lending of co-operative societies is concerned, there is no objection to have legislation.

14974. You want all his properties to be made inalienable ?—No. A borrower may go to a *sowcar* if he wants extra money. I do not object to his doing so, but the chief thing is that he should inform the committee of his intention to do so and if the committee declines to give any more loan, in that case he may mortgage his property to a *sowcar*. I have no objection in that case.

14975. You make a second suggestion that when a man's land is put up for sale, it should not be sold outright ?—Yes ; because he Civil Court decrees which fall under the Civil Procedure Code are executed by holding lease auctions if the debtor is an agriculturist.

14976. Can this not be done under the decrees passed by an arbitrator ?—The arbitrator passes an award. In the execution of it there are two questions. In one case it is sent to the Civil Court and in the other case according to the recent Act it is to be executed by the revenue authorities and when the revenue authorities such as the *mamlatdar* or the *mahalkari* execute such an award it is naturally done under the provisions of the Land Revenue Code. There is no objection to their doing so. There is one Government Resolution from the Judicial Department No. 1578 of 5th March 1916 and if this Resolution is reconsidered and modified and its privileges are applied to the auction sale under the Land Revenue Code, this will remedy matter.

14977. *Mr. Buckley :* What is the local lending rate of interest charged by *sowcars* ? It is 12 per cent.

14978. Is that the maximum ?—The maximum is 18 per cent.

14979. Do you think that if the Dekkhan Agriculturists' Relief Act were repealed, it is possible that the rate of interest will go down ? This is what some witnesses have said, and from your experience can you say that it will go down if the Act were repealed ?—No. I have not made any special study of the Act.

14980. Do you think if more facilities are given to *sowcars* for recovery of debts, the rate of interest will go down ?—If there is no control over a *sowcar's* lending business, who can say that it will. When there is no system, I cannot say anything definitely now.

(The witness withdrew.)

Mr. NILAPPA SHIVÂPPA DODDAMANI of Mantani, Taluka Karajgi, District Dharwar.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—There are not many (sufficient) credit facilities.

A.—They borrow loans.

B.—Do the work by borrowing loans.

C.— Do. do.

THE PRESENT METHODS OF BORROWING.—They borrow from *dalals* (commission agents), *sowcars* and co-operative credit societies.

THE RATES OF INTEREST AT PRESENT OBTAINING.—12 to 18 per cent. per annum at the *dalals*, 12 to 18 per cent. at the *sowcars*. In co-operative societies the rate varies from $9\frac{3}{8}$ to $10\frac{1}{1}\frac{5}{6}$ per cent.

THE PERIODS FOR WHICH THE LOANS ARE GIVEN.—6 months to one year at the *dalals*, 1 to 2 years at the societies, up to 3 years at the *sowcars* are the ordinary periods obtaining here.

DALALS' CONDITIONS.—They lay it down as a condition of the loans that the borrower shall sell his produce through them and get the borrower to sign on their cash book or else they get the borrower to pass to them promissory notes.

THE SOWCARS' CONDITIONS.—Bonds, mortgage or conditional sale of landed or house property, pledge of ornaments, promissory notes or *yadis* are executed by the borrowers to the *sowcars*.

SOCIETIES' CONDITIONS.—The co-operative credit societies working in some villages give some amounts on personal security by getting a bond on condition that the loan shall be repaid with interest (after a fixed period or in some fixed instalments).

INSTITUTIONS OTHER THAN GOVERNMENT AND CO-OPERATIVE BANKS.—They do not take any part. Even (the Government and co-operative banks) the two types of institutions abovenamed help the agricultural industry only to a small extent and do not help it adequately.

THE DEFECTS IN THE PRESENT SYSTEM OF SOWCARS' FINANCE.—As the mortgage and the conditional sale deeds are got passed for amounts higher than those actually advanced, the expenses incurred on account of stamp duty and registration fees increase and even if the *sowcars*' debt repaid is the actual amount and the interest accrued, the higher rates charged by the *sowcars* and the abovenamed expenses (stamp duty and registration fees, etc.) involve heavy cost to the cultivator.

THE DEFECTS IN THE DALAL'S SYSTEM.—As the farmer has not only higher rate of interest to pay but also to sell his produce through the (credit providing) *dalal*, he has to suffer loss.

THE DEFECTS OF CO-OPERATIVE SOCIETIES.—They do not provide agriculturists with (adequate and timely) proper financial facilities and even then if there is default made in payment, the agriculturist has to pay penal interest at compound rates.

THE WAYS OF IMPROVING MATTERS.—The Government should establish big banks, exempt (agricultural finance from) stamp duty and registration fees and provide agriculturists with funds at low rates of interest.

QUESTION 2.—THE METHODS OF MARKETING PRODUCE ADOPTED BY CULTIVATORS WHO TAKE THEIR PRODUCE TO THE MARKET.—The farmers sell their produce to merchants on the spot (field or village) or at market places through *dalals* (commission agents) and to a small extent now-a-days at the market place through co-operative sale societies.

WHAT METHOD OF MARKETING WILL BENEFIT THE CULTIVATORS.—Pooling together on a large scale and selling through co-operative sale societies will be beneficial to agriculturists, and if some of the societies now in existence give loans to cultivators in cash and in the form of seed and if more such societies are established and better prices are obtained for agricultural produce it will be profitable.

THE PARTIES THAT TAKE PART IN THE DISPOSAL OF CULTIVATORS' PRODUCE.—The banks take interest and the *sowcars* also take interest and commission on sales and the merchants make profits.

Mr. Nilappa Shivappa Doddamani.

CREDIT FACILITIES AVAILABLE TO AGRICULTURISTS DURING MARKETING.—The cultivators have to borrow as above either by mortgaging their assets or borrow half the value of their produce on the security of goods deposited with them (the selling agencies).

THE IMPROVEMENT NECESSARY IN THE SYSTEM.—When the cultivators' crops are ready for harvest, the sale societies should extend to the cultivators finance at low rates according to the area under (different) crops sufficient for harvesting the crops and carrying them to the market (for sale).

THE SYSTEM OBTAINING IN THE U. S. OF AMERICA.—It is possible to introduce the system of licensed warehouses in this province. The State, however, should extend its helping hand in this matter.

QUESTION 3.—THE VALUATION OF LANDS PER ACRE IN OUR DHARWAR DISTRICT.—Black soil free from weeds Rs. 400, if there are weeds in the black soil area Rs. 300. Madikat land free of weeds Rs. 300 to Rs. 400, red soil mixed with sand Rs. 200. Mardi hill side land which is in low-lying region Rs. 100, too much hilly mixed with stones Rs. 25 to Rs. 50.

Note.—These prices stated are for lands situated in small villages. If the lands are situated near railway stations and near big towns the prices obtained are from 1½ to 2 times the above quoted values.

A.—Forfeiture or sale of land for defaulting payment of land revenue is rare in our side.

B.—There is a possibility that lands sold under the decree of a civil court will bear lower prices than when sold by private treaty.

C.—The prices per acre quoted above are for sale of lands by private treaty.

QUESTION 4.—Government and *jat inam* lands can be mortgaged. Other *inams* such as service *inams* and other lands (like lands given for occupation under restricted tenure) cannot, however, be freely mortgaged. On our side there are no credit institutions which advance long-term loans on easy terms to agriculturists (landholders) on the security of mortgage of land. Such institutions should be established.

If the debtors fail to pay up the instalments, the bank which has the land mortgaged to it should instead of selling the land outright, keep intact the borrowers' right to redeem the debt and in the meanwhile should take possession of the property mortgaged and lease it out to others till the debt is repaid.

QUESTION 5.—The total indebtedness of any village, division or district on our side cannot be definitely ascertained by us. The village officers of each village can give information on the point.

The total indebtedness of my village, Mantagani, *taluka* Karajgi, district Dharwar is about Rs. 50,000.

The debt secured against mortgage or conditional sale of land and houses is Rs. 15,000.

Rs. 10,000 secured against pledge of ornaments.

Rs. 10,000 borrowed on condition of selling produce through the creditor.

Rs. 10,000 borrowed on promissory notes and *yadis*.

Rs. 5,000 borrowed on personal credit without any acknowledgment in writing thus the total debt comes to Rs. 50,000.

The total population of the village is 650. The total area of the land is 1,300 acres, and assessment Rs. 1,920.

The cultivators of this village, moreover, cultivate about 500 acres of land in the adjoining villages. This is a village solely dependent on agriculture.

The causes of debt are mixed and consist of the various causes enumerated in question 5.

THE AGENCIES TO WHOM THE DEBTS ARE DUE.—Co-operative (credit) societies and professional money-lenders.

THE RATES OF INTEREST ON THESE DEBTS.—As described in reply to question 1, simple interest is calculated from 1 to 3 years.

THE METHODS OF RECOVERING DEBTS.—If the borrower does not repay within the stipulated period, the civil court decree is obtained and debt recovered by execution of the said decree. As the execution proceedings result in the passing of lands from the agriculturists to *sowcars*, the cultivators are turned into tenants and the zest to cultivate carefully the lands and to produce more is lost among the cultivators.

QUESTION 6.—There are no small cottage or subsidiary industries alongside agriculture on our side. It is possible to develop the dairying operations, carding and spinning of cotton by hand and to carry on certain operations in connection with unshelled groundnut here. If the cultivators over here are taught to stop selling the raw produce grown in the tracts and further if they are taught to carry on certain operations to convert this raw produce into finished products as far as possible to enable them to obtain better prices, and if the cultivators are provided with the means of carrying on these operations and taught to use them, the time now spent without employment by the cultivators will be well utilised and lead to their economic advantage.

QUESTION 7.—The Co-operative Movement in our district has not so far been able to provide the legitimate credit requirements of agricultural industry and of the small trader and industry.

SECTION II.

There is to some extent the practice of indigenous bankers insisting on borrowers to take the loans in kind sold by them and further to insist on the repayments being made by sale of (goods or) produce through them.

The rates now given by cultivators to *sowcars* varies from 12 to 18 per cent.

If these rates are reduced, the agriculturists will be benefited, their income will increase and they will be able to effect improvements (on their lands).

QUESTION 8.—If the State enjoins on a definite system to be followed by the *sowcars*, the agricultural industry will be benefited.

The defects in the present system adopted by *sowcars* are : " to charge higher rates of interest and to take bonds for higher amounts than those actually borrowed." Even if the *sowcars* take back only the actual amount lent out by them with interest, the increased expenses on account of stamp duty and registration fees have to be borne by the borrowing cultivator.

QUESTION 9.—If the *sowcars* are to be rendered useful credit agencies for providing cultivators with loans, they should be made to feel that the loans advanced by them on security of promissory notes and ordinary *yadis* will be safe or secure in law. Legislation should be enforced reducing the rate of interest on loans.

Mr. Nilappa Shivappa Doddamani.

Oral Evidence.

(Summary of Oral Evidence in Kanarese.)

I am a landholder owning 70 acres. I am paying Rs. 100 as land revenue assessment. I cultivate my own lands. Also I lease the lands of others. I have paid labourers. Sometimes I myself cultivate my lands. I am from the transition tract. The cost of cultivation for five acres would come to Rs. 100. I say that unless money is spent, much profit cannot be made out of the land. I have to manure to a great extent. In the case of a small cultivator, he would not require so much money because he has his wife and children to do labour. The net cash he will require will be Rs. 50. The important crops in my tract are cotton and groundnut. I sell my produce through the Haveri Cotton Sale Society. The other people in my village used to go to *dalals* up to the last year because they had taken loans from them. They say that this year they will go to the Sale Society. The society in my village does not finance members adequately because it is working on a small scale. People therefore have to borrow from outside also. This year my society has already borrowed Rs. 10,000 and a certain area has been reserved for the Cotton Sale Society. The loan is taken from them on condition that the crop grown in this area will be sold through them. There are no factions in my society. There might be some factions in the surrounding societies, but I do not know about them. In my village there are something like 20 big cultivators. In the figures I have given about indebtedness, I have used my imagination to a certain extent. I have ascertained from these 20 big cultivators as to what would be the amount of indebtedness of my village, as a result of which I have given these figures. I know the state of affairs of these 20 big cultivators.

Even though I take lands on lease, this kind of business is not remunerative to me because the lease rent has become very high. I did not take lands on lease recently. When the price for cotton was Rs. 400 or Rs. 500, at that time I rented on lease some lands. So that period is still running. Though the price of the land has gone down, the lease rent has not gone down and there is a great competition amongst cultivators. If the sale society were to give adequate finance to cultivators, it will stop cultivators from going to *dalals*. The *dalals* do not advance much, but what they do is they advance at the time when money is needed by cultivators. In the case of cotton or any other crop, generally they advance double the amount of assessment. This is on condition that the crop should be sold through him. It is possible for cultivators to sell their crop through cotton sale societies if they do the same thing as *dalals* do provided the cultivators are redeemed of their old debts. Even if a sale society gives us double the amount of assessment, and if we do not get money for other purposes we will have to go to *dalals*.

As ordinary village societies are not in a position to give loans for redemption of old debts, I suggest that Government should establish big banks in villages for this purpose. If arrangements are made to finance cultivators through a sale society or some such institution connected with it, then there is no necessity for big banks in villages. I want long-term loans at a low rate of interest. If *sowcars* also reduce their rate of interest it will be beneficial to agriculturists. Legislation is necessary if there is a possibility of the rate of interest being reduced. Also I want legislation for *shroffs* to regulate their accounts.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Monday, the 17th February 1930.

Monday, February 17th, 1930

DHARWAR.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. B. S. KAMAT. | Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. D. K. GUNJIKAR, B.Com., Manager of the Southern Maratha Urban Co-operative Bank, Ltd., Dharwar.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—Where rural co-operative societies exist, the agriculturist usually puts in an application stating the reason for which a loan is required and obtains the money from the society, but it has been invariably found that the credit afforded by the co-operative societies is not enough and in many cases even dilatory. The delay is caused sometimes by his own mistake in preparing the normal credit statement; sometime by the delay in the office of the officers who usually scrutinise them and also sometimes by the financing agents. Primary societies do not possess their own funds. They usually borrow from the district central agency but as obtaining of credit from the central financing agency means delay, the agriculturist usually borrow from the village money-lender who affords him the necessary funds even at the shortest notice. When he gets the loan from the society instead of utilising it towards the repayment of temporary liability he has created, he uses this amount also for his current needs. And at the harvest time the money-lender usually recovers his loans with interest. But the recoveries of the societies suffer because the agriculturist is afraid that the society may not advance him again that year as there is already a burden whereas as he knows that the village money-lender will advance him again as long as he pays his interest regularly.

For capital expenditure he usually borrows from the co-operative society to which he belongs and such loans are usually spread from about 5 to 7 years. Sometimes he has also recourse to *taccavi*. The rates of interest charged in villages varies according to the nature of the amount, time and security given. The smaller the amount and the shorter the period, the rate of interest is heavier. It usually varies from 18 to sometimes even 50 per cent. Even on the security of gold for small loans of about Rs. 20 or thereabout, the rate of interest charged is about 25 per cent. and usually for bigger amounts the security given is land or house. In such cases the interest charged varies from 18 to 24. But owing to the existence of the Dekkhan Agriculturists' Relief Act, the money-lender is afraid that his capital will be locked up for a long time in the event of a dispute and hence he usually gets the loan bond for double the amount advanced. If the loan is repaid regularly and satisfactorily, well and good. If not, the borrower has to pay double the amount and interest at double the stipulated rate.

Except for the *taccavi* Government plays absolutely no part in agricultural finance. The same may be said about the Imperial Bank of India and the big joint stock banks. But the co-operative banks and societies play an important part in financing the agriculturist during the period of cultivation ; but if it be possible to arrive at an accurate estimate of the help rendered to the agriculturist for his expenses of cultivation by the co-operative agencies on the one hand and by the professional money-lenders and dealers on the other hand, I am sure that the figure of the second type will be immensely larger than the first. The reasons for this may in short be stated as follows :—

(*a*) Quickness, (*b*) Secrecy, and (*c*) Human element. These qualities do not exist in corporate bodies, much less in co-operative societies.

One way of arriving the total amount of capital required for the various purposes would be as follows :—

(*a*) For costs of cultivation.—

Preparing statistics about the total cultivated area for each kind of crop in the district. This varies year by year ; but variation can be eliminated by taking the average figures of last ten years and multiplying it by the average cost of cultivation per unit for each kind of crop as supplied by the Agricultural Departments in their bulletins or by the cost account kept by the various demonstration farms. This may be a theoretical estimation, but in my opinion this would be the most reliable one.

(*b*) For capital and permanent improvement and for old debt redemption.—The only way of arriving at an estimation of the total amount of capital required for these would be to call for permanent improvement schemes and old debt redemption schemes from each villages in the district and thus getting the total amount required for each schemes.

At present there is no co-ordination among the various credit agencies, the only way of improvement would be for the Government to stop advancing the *taccavi* directly to the agriculturists and distributing the same through the co-operative societies only on their recommendations. Such societies may be insisted to maintain qualified staff for scrutiny of such schemes, and they may be allowed a fair margin to meet out these expenses and leave them a reasonable profit.

QUESTION 2.—The foreign trade of India is in the hands of a few big exporting houses with their head offices outside India and thus they are able to secure the financial backing of the International Money Market. They can also discount their documentary bills, with the local banks. No such established facilities exist for the internal trade of a distributary nature. For internal remittance the existing facilities to-day are :—branches of the Imperial Bank of India and other joint stock banks, post offices, co-operative banks and *shroffs* dealing in *hundis*. The co-operative banks are doing a fair amount of internal remittance business. In this connection, I would like to put the following suggestions before the Committee :—

At present wherever the branches of Imperial Bank of India exist, all treasury work of that place is entrusted to them. In the same way I suggest that the present accounts departments and treasury work of each district and *taluka* should be separated from the control of the Collector and his subordinates and the work entrusted to the local branches of the future Central Bank of India. What I mean is, the present treasury work of each *taluka* and district should be handed over to the branches of the Central Bank, *i.e.*, each *taluka*, and district must necessarily have a branch of the Central Bank and besides doing the Government treasury work should also work as the balancing and clearing agent for that *taluka* and district. They should have powers to advance and receive deposits from the recognised bankers only in their jurisdiction and free

clearance of cheques and drafts for outside branches should be made possible. For this purpose district, Provincial and Imperial clearances should be separately established under the control of the Central Bank. This will not only materially help internal remittances but also accelerate the mobilisation of money from place to place. Though this may seem fantastic, I am sure that unless some arrangement on this line is established on an all-India basis, the banking development in India will be much hindered.

And for the more extensive use of bills I have to suggest that the forms of different types of bills should be standardised and printed in all the vernaculars, and it should be made compulsory by a statute that all sorts of bills must conform with these standard forms and in case where they do not conform, they should be declared null and void. This arrangement will not only familiarise people with forms of the bills but will also eliminate local customs which people of another part may not be able to know and understand. Coupled with this, if substantial reduction in stamp duty on bills is granted, I am sure the use of bills will be much popularised just as was the case with cheques.

The Negotiable Instruments Act should also be translated into the various vernaculars and also the various forms of negotiable instruments. This will familiarise these forms among the illiterate class and popularise their use.

There are vast possibilities of operating licensed warehouses but these should be built by Government and leased out to the local, central and urban co-operative banks and the business done through those banks.

Just as the Provincial Bank acts as the Apex Bank for all credit institutions, I would suggest the formation of apex institutions for non-credit societies also, *i.e.*, a Provincial Sale Society, a Provincial Purchase Society and a Provincial Weavers' Society, etc., to which each society of its type in the province must be affiliated. It should also be made compulsory on the credit societies to get themselves affiliated to these non-credit institutions of their division and it should also be made compulsory on the members of the credit institutions to sell their produce through the non-credit societies to which their own societies are affiliated. On the slightest evasion of this rule all future credit must be stopped and the loans already granted must be recovered immediately. The chief problem in co-operation to-day is to teach members loyalty and unless we adopt very stringent measures, they will not be taught. The reason why many of our sale and produce societies are languishing is in my opinion the want of proper connection and representation in the bigger provincial markets and the above suggestion will eliminate this weakness.

SECTION II.

QUESTION 2.—Postal cash certificates are very popular in these parts among the middle class people, and the rate of interest is fair. I do not think that there is any competition in any way with the local banking institutions with regard to these certificates and I have nothing to say against them.

QUESTION 3.—With regard to the facilities to be extended to small investors in Government securities, I would suggest the printing of securities of smaller denominations—say of the size of an old hundred rupee note,—of three types Rs. 10, 25, and 50. These may also be printed in all the local vernaculars of India to familiarise and popularise them among the provincial vernacular people. And to facilitate their purchase and sales, each local branch of the future Central Bank of India should be allowed to issue them and also to act as a branch of the Public Debt Office. This work should be undertaken free of costs.

QUESTION 4.—After the abolition of the stamp duty on cheques the cheque habit is very steadily growing and even petty merchants of local town are takeing to them. In this connection I would like to refer the Committee to my answer to Question No. 2.

QUESTION 4A.—To-day, when a purchaser wants to examine the title-deeds about landed property which he intends to purchase, he has to go to the village officer under whose jurisdiction the property lies, come back again to the sub-registration centre and get the purchase deed registered there. This may take about a week of his time. And after its registration the particular village officers concerned are informed by the registration officer about their transfer in the title of the property who then register those changes in their books. This takes anything from one month to three months and even then I have known cases where the fresh charges created on the property have not been registered in the books of the village officers for nearly six years. When they are registered say after a month or two the field is still clear for dishonest sellers to create other charges on the property because for nearly about more than a month the property register of village officers show the clear record. To eliminate all these troubles and to facilitate the examination of the Record of Rights and title of ownership regarding landed property I suggest that ledger accounts of each individual survey number as well as their *pot-hisa* numbers should be maintained by the registration officers themselves under whose jurisdiction the properties in question come. And joinder of one property in the jurisdiction of one registration officer with another in another jurisdiction should not be allowed unless the officer in charge of other Registration Division sends a certified copy of the ledger account of the property in question. It should also be incumbent upon such registration officer not to issue such certificates unless he hears from the officer about the fate of the certificate which he has already sent. Such certificates should be issued only when required by registration officers and for a nominal fees. This will save a lot of worry and expense for both purchaser and seller and also concentrate very valuable information at just the place where it is necessary.

I hope serious attention will be paid to this very practical suggestion and some arrangements on these lines established in the near future.

The working capital of the proposed mortgage bank should be derived largely from long-dated debenture bonds and if the need for further money is felt, from Central and Urban Co-operative Institutions who should be allowed to deposit money on a certain fixed scale and in proportion to their share capital plus the reserve fund and the amount of their uninvested funds. And even after these two conditions if money is still required long-term deposits from 5 to 10 years may be called for. But in my opinion this may prove very dear because long-term depositors from 5 to 10 years may demand anything from 7 to 9 per cent. per annum and if we allow 2 per cent. as the margin, the money will reach the borrower ultimately at about 9 to 11 per cent. This is very dear money to an agriculturist and it will not be of any great help to him. It will also be very dangerous to grant long-term loans on the strength of short-term deposits because in the event of a run the bank may find itself in difficulties without there being any possibility of ultimate loss.

It will be enough if such debenture bonds carry Government guarantee about the rate of interest say at 5½ per cent. And to guard against any future loss to Government, Government should have voice in the administration of such banks and they should be audited by the special auditors of the Co-operative Department. All the money raised by the sale of debenture bonds should be handed over to such institutions by the Government and interest recovered thereon yearly by them. And the banks should be allowed

a margin of 2 per cent. to cover the costs of management and the money should ultimately reach the borrower at about 7½ per cent.

QUESTION 7.—At present there is absolutely no connection between the co-operative banks and the other banks in the country. An urban bank is linked to the district central bank the district central to the Provincial. And each type of these banks has got its own problem of surplus funds. Fortunately many of these urban and central banks by sound and honest management have earned a reputation for steadiness and strength and deposits are steadily but surely pouring into them : and in the absence of any local industry they find this money lying idle on their hand. Hence up-to-now they have had no necessity to seek the help of the other banks.

SECTION III.

QUESTION 11.—Among the Brahmins of this part it is compulsory on the part of the parents of the bridegroom to give the bride a certain amount of gold at the time of marriage. This varies from about 10 tolas to nearly 200 tolas according to the social status of the parties. This locking up of a standard metal is an economic loss to the nation and a waste. This system is gradually percolating among the other caste and even if a rough estimate of the total gold held by the society in form of ornaments is made, I am sure the figure will surprise us by its enormity.

Instead of this gold being held by the society in the shape of ornaments it should be at the command of a Central Banking Institution. In this connection I would like to suggest that the future Central Bank of India should be authorised to accept gold deposits just as the Federal Reserve Bank of America issues gold certificates ; simultaneously the Indian currency should be based on the gold standard. What I mean is, instead of the parents of the bridegroom giving the bride gold ornaments at the time of marriage they should deposit that much amount of gold in the nearest local branch of the future Central Bank of India and take out a receipt in the name of the bride. And such deposits should be given a fair rate of interest. But one of the reasons for giving the bride gold ornaments is that it becomes her *Stree-dhan* and is of great help to her in time of disaster. There is an element of truth in this statement and I therefore suggest that the future gold receipts issued in the names of women should be given the legal status of *Stree-dhan* by a statute. This will stop the economic waste of the gold resources of the nation and make them available for national purposes and also offer a fair return to the depositors. I know it is very difficult to change the social customs and habits of Indian community, but this difficulty should not deter us from a bold line of action. Steady and intensive propaganda in its favour may give us surprising results, if not now, at least 20 years hence and 20 years is not much in the economic life of a nation.

Oral Evidence.

14981 *The Chairman :* Mr. Gunjikar, you are the Manager of the Southern Maratha Urban Co-operative Bank, Ltd. ?—Yes.

14982. Does your membership consist of all classes of people ?—Yes.

14983. Is most of your finance given to traders ?—Yes.

14984. What class of traders and merchants are financed by you ?—Both small as well as big traders. The *dalals* consume about 30 per cent. of the total outstandings.

14985. Do they lend out to others ?—They may be doing.

14986. What is their business ?—Their business is to purchase and sell.

14987. Do they actually purchase and sell ?—Most of them do both. They do it on their own account and also on account of their customers.

14988. Do they buy mainly during the busy season ?—Yes.

14989. You say that the credit given by co-operative societies is not adequate ; are you referring to urban areas or rural areas ?—Both ; but the problem is not so very difficult in urban areas as it is in rural areas.

14990. Why ?—Because there are certain limits laid down.

14991. Depending on the credit of the man ?—Yes.

14992. If the man's credit is fixed at, say, Rs. 1,000, it means he is not fit to borrow more than Rs. 1,000, and he borrows another thousand rupees from the *sowcar*. Does it not come in the way of your recovery ?—If the limit fixed is sufficiently high, he has not to borrow outside the society.

14993. Do you do the same kind of business as joint stock banks do ?—Mostly.

14994. Do you also do *hundi* business ?—Yes.

14995. Have you any difficulty about remittance of money ?—Very recently the treasury authorities are objecting to our remitting money free. Their contention is that we earn commission and ask the treasury to work without any commission.

14996. What does your board think about it ?—Our contention is that the concession was given to us for doing internal remittance work. The matter is under consideration.

14997. Are these *hundis* that you buy or sell *darshani hundis* ?—Mostly.

14998. Are there any *mudati hundis* ?—Not much ; most of these *mudati hundis* are accommodation bills, so we are rather chary about doing that business.

14999. Some of your clients, who have limits fixed, might prefer to deal in these *mudati hundis* rather than take a loan ?—They might ; but that does not give us that much safety as a loan would, because a higher amount of loan is always secured by the collateral mortgage of property.

15000. How much of your loan is advanced on mortgage of property ?—Out of total lendings about 60 per cent. is on personal security and out of that about 60 per cent. is on mortgage of property, because 40 per cent. of our total outstandings is on gold.

15001. Do you sometimes find it difficult to recover this money which is advanced on mortgage of property ?—Not up to now ; our overdue last year was less than 16 per cent.

15002. Sixteen per cent. is fairly high for an urban bank ?—That is true.

15003. Have you to sell property sometimes ?—Yes.

15004. In how many cases ?—About 5 to 10 per cent. of the total overdues.

15005. Is it 5 to 10 per cent. of the property mortgaged ?—Of the total overdues.

15006. What percentage would it be on the amount of mortgage ?—Between one and two per cent. ; but the usual difficulty comes in the court when we have to sell the property. When awards are granted by the arbitrator, for execution we go to the civil court and not to the revenue authority. At the time of the execution of awards, first a notice is issued and after the execution of the notice the *bailiff* comes for the first and second auction, and it is difficult for the bank to get the full price.

15007. Has any property been purchased by the bank ?—Yes.

15008. How many ?—Three properties.

15009. What have you done with the proceeds ?—We have sold one. We purchased it at Rs. 4,000 and sold it at Rs. 5,400, and adjusted the borrower's account.

15010. What do you do with the balance of Rs. 1,400 ?—We carried it to bad debt account.

15011. You suggest that the future Central Bank of India should be authorised to accept gold deposits just as the Federal Reserve Bank of America issues gold certificates. Are these certificates repayable in bullion or gold coins ?—Bullion or standard coin.

15012. Do you propose that these deposits should carry interest ?—Yes ; otherwise there is no attraction for keeping those deposits.

15013. What interest would you suggest ?—Somewhere between 5 and 5½ per cent.

15014. Will the gold lie in Government coffers ?—The Central Bank may utilise it.

15015. The whole of it ?—Yes ; it will be the central reserve fund for the Government of India. The cry at present is that people are hoarding.

15016. Is it correct to say that there is much gold hoarding in this district ?—There is as ornaments.

15017. Is there much of bullion buying ?—I do not think so.

15018. What do people do when the prices of cotton are high ?—They purchase gold and when the prices are low they sell gold.

15019. As regard the Record of Rights, you want ledger accounts to be maintained by registration officers. How can that be done ?—What I have suggested is that the whole record should be transferred to the registration office.

15020. Who will maintain it ?—The staff that is working in the village.

15021. You say there is no special staff ?—It may be created, if that is a convenience.

15022. Do you advance money against produce ?—We have started it since the last two months.

15023. Is the demand increasing ?—Yes.

15024. Where do you deposit the produce ?—In rented godowns.

15025. Do the people not keep in their godowns ?—They do.

15026. Who keeps the watch ?—We do.

15027. Who pays for watchmen ?—In case of private godowns it is the lookout of the owner of the godown. We lock it and seal it, and it is practically within the shops of merchants themselves. They have their own godowns. There are separate compartments, and one of them is filled with produce and handed over to us.

15028. Do you charge 8 per cent. on these advances ?—Yes.

15029. Do you know what the Imperial Bank charges ?—It all depends on the bank rate. The Imperial Bank in Belgaum is charging 6 per cent., so the Belgaum Pioneer Bank also had to reduce their rate to 6 per cent.

15030. *Mr. V. L. Mehta :* Have you experienced any difficulty about this new system of making advances against produce and articles in godowns ?—Up to now we have had no difficulty except that of godowns.

15031. Is it your practice to lend any amount, or is there any restriction ?—For the present we have put down the limit of ten thousand rupees to one party.

15032. Is it sufficient for the time being ?—At least for the time being it is sufficient.

15033. You say that there is no competition between postal cash certificates and the urban bank deposits ?—Yes ; that is what I think.

15034. Is that a general feeling amongst the local people here also ? It might be so because yours is an established bank, but what about other new banks ?—I do not think even if the postal cash certificates are withdrawn, people will go to newly established banks. It is all a question of confidence.

15035. What do you pay on deposits for five years ?—We do not take deposits for five years.

15036. You suggest something about the issuing of Government securities through the proposed Central Bank of India ?—Yes.

15037. In the meantime would you like the Imperial Bank to undertake this kind of business ?—Yes.

15038. Does the Imperial Bank not do this kind of business at present ?—I am told it does the business of purchase and sale of Government securities on account of customers.

15039. That is what a Central Bank can do ; it cannot do anything more. Do you mean to suggest that all throughout the year it can go on issuing certificates for old loans ?—What I suggest is that the district office of the future Central Bank ought to work as the Public Debt Office.

15040. You suggest that the rate of interest on loans through the land mortgage bank might be 7½ per cent. after leaving 2 per cent. margin to cover the cost of management. Do you think that would be a fair rate in this district ?—Yes.

15041. You suggest that the future gold receipts issued in the names of women should be given the legal status of *stree-dhan* by a statute. Do you think that would be acceptable to the general public ?—It will ; but it will have to be first taught to the people.

15042. Do you think some propaganda would be necessary ?—Yes.

15043. Do you allow your cheques to be drawn in the vernacular and signed in the vernacular ?—Yes, we do.

15044. Is there any restriction ?—No.

15045. Are endorsements also allowed in the vernacular ?—Yes, in Kanarese, or in Marathi if the customer is a Maratha.

15046. Do you have any difficulties about these endorsements or verifying of signatures ?—Sometimes we have ; and in such cases we have to call them and get them correctly endorsed.

15047. What is the difficulty ?—Supposing the endorsement is in English " G. R. Kembhavi ", the gentleman writes " Govind Ramrao Kembhavi ".

15048. Is there no difficulty in the verifying of the signatures ?—No ; up to now we have had no difficulty.

15049. *Mr. Kamat* : Have you given any loans to people carrying on small industries ?—Yes ; we have given loans extending from one year to three years.

15050. Against what kind of industries ?—Small soda-water factories, small rice plants, grinding plants. We have also advanced to an ice factory here.

15051. Do you take any risk in giving such loans as regards the management and the success of the business ?—We do.

15052. How do you safeguard yourself ?—We advance against the mortgage of real property.

15053. Do you think if such small industries require finance, banks like your Urban Bank could help them ?—We can, but we shall have to keep experts in that line to advise us, because banks are not expert in judging whether a particular industry would succeed in a particular place or not.

15054. Would the only method be to finance against some actual things which these people have ?—Yes.

15055. Supposing the industry is not in that stage to give you finished articles but require finance in the initial stage, would you not be able to finance it ?—No.

15056. That is the real stage when they require finance ?—That is why we want an expert who could give us the advise whether a particular industry would succeed or not.

15057. On the strength of such expert's opinion would you venture to give such loans ?—I think we can.

15058. Are you financing *dalals* at present ?—Yes.

15059. And the *dalal* in his turn finances the agriculturist ?—Yes.

15060. And in addition to the *dalal*, the agriculturist borrows probably from the village money-lender and also from the co-operative society ?—Yes; and many other people besides.

15061. Do you think these multiple agencies for borrowing are in the interests of the agriculturist ?—No.

15062. Do you think it would be possible to cut out the middleman, this *dalal*, as one more source of borrowing ?—It will, if the finance that is required by the agriculturist is fully met out and at the time he requires.

15063. The *dalal's* business ought to end ordinarily as soon as he brings himself in touch with the producer ?—Yes.

15064. The *dalal* in this part of the country is interested more as a financier than as a commission agent ?—He is a financier because he has to be a commission agent. He finances the agriculturist during the beginning of the agricultural season, because he wants to have a hold on the customer.

15065. We have to look at it from the interests of the agriculturist ?—It is against the interests of the agriculturist.

15066. And, therefore, if we can stop his borrowings from the *dalal*, there will be no hold of the *dalal* on the agriculturist ?—No; when we started financing on agricultural produce, there was a grumble in *dalals* that their business would suffer. We had to call a committee and explain that we would lend not only to the agriculturist but to every one who held the produce. For about two months in the beginning we could not do anything, but after that we have commenced the business.

15067. Have you anything to suggest how to eliminate the *dalal* as financier ? Let him remain as a commission agent ?—My suggestion would be to co-ordinate the work

of sale societies and credit societies. There must be an apex sale society which should remain in touch with all the big foreign markets and other sale societies and their branches should be affiliated to the apex sale society. Just as the credit societies have an apex bank, so there should be an apex sale society.

15068. Do you think that will help in eliminating these *dalals* who are commission agents *cum* financiers ?—Yes.

(The witness withdrew.)

Rao Saheb V. P. CHAVDI, Gadag.

Replies to the Questionnaire.

QUESTION 1.—Agriculturists get their loans from Government (as *taccavi*), from the co-operative societies, the village *sowcars* and *dalals* in market centres. The rates of interest on loans are usually as under :—

Co-operative societies	..	..	..	9 to 11 per cent.
Dalals	..	..	..	12 to 18 ,,
Village *sowcars*	..	..	..	12 to 24 ,,
Marwari	..	..	..	12 to 36 ,,

In old times, the village *sowcars* used to lend money with the stipulation that the borrowers should sell their produce (cotton) at such time at such rates. It has now been much reduced. Some give loans on documents and some on mortgage of lands.

It is not possible to say definitely as to what amount is needed in this part. In the present financial condition agriculturists find much hampered in many ways. Their disadvantage has been magnified since the advent of the Dekkhan Agriculturists' Relief Act, as the lender usually takes a bond for double the amount of loan advanced to the agriculturist ; this amount with the high rate of interest makes it almost impossible for the borrower to fully repay.

QUESTION 2.—Agriculturists on this side sell mainly cotton, wheat, *juar* and ground-nut. These things are given to *dalals* for direct sale or for stocking. Cotton has been recently sold through the sale societies in these parts. The organisation of cotton sale has reached a good stage. The cereals need marketing facilities. Agriculturists selling through sale societies cannot yet approach the outside market, but have to look to the exporters to export the commodities. If this arrangement comes into force, these societies should secure much advantage to the agriculturists. The agriculturists cannot, however, wait long to recover their realisations. Therefore they need to be financed and will be benefited if an arrangement be made to do so.

At present, internal remittances are made by postal money orders, cheques, *hundis* and remittance transfer receipts. Because cheques have not come into much use, there is at times trouble and inconvenience in reaching money in time and to the proper person. Agriculturists should be encouraged to use cheques to a greater extent, *darshani* and *mudati hundis* are in general vogue in sending money outside. These two kinds of *hundi* require that the party should be ascertained. At times money is immediately paid in the case of *darshani hundis*. It is the practice to charge commission on *hundis* from the party on whom these are served. Traders can raise money on the articles in their possession. Railway receipts also can be used. But there are instances of these receipts having been fictitious. Care should be taken against this.

Business will be encouraged if warehouses are built and if on the articles deposited finance is supplied as is done in the United States of America. Government should help in this by providing plots free and offering other conveniences.

QUESTION 3.—On our side land fetches even upto Rs. 1,000 per acre depending on the quality of soil and the rainfall. Garden lands fetch maximum price. Other lands fetch a lower price.

Land auctioned for non-payment of assessment fetches lowest price.

Land auctioned by court decrees brings better price. That bargained in other ways brings the best price generally.

QUESTION 4.—Whenever a mortgage-deed is registered, there should be arrangement to send the particulars from the registering office to the village officers to make the necessary entries. Also when sale is effected through a court by its decree, etc., information should be sent to the villagers concerned and also Government should be requested to supply information to the banks. If amounts remain unpaid, the expense incurred in effecting collections should be recovered from parties concerned as is done in the Co-operative Movement.

QUESTION 5.—It is not possible to gauge the amount of loans of agriculturists and the sources of these loans.

QUESTION 6.—In the matter of subsidiary industries such as rice hulling, dairying, etc., these industries to be taken up need the backing of Government, *e.g.*, supplying needful grazing land and other plots. Garden cultivation is found to exist in some parts of the district. But with greater facilities, more garden cultivation can be taken up. The proposal of constructing a canal on the Tungabhadra river needs consideration. Agriculturists have generally work in their field for the whole year. There seems little time left to them to mind other things. For other small industries, co-operative bodies can offer needful help. I devised a few methods to offer help through the bank with which I am connected. These have not proved successful. It seems that nothing is possible till people take to them honestly.

QUESTION 7.—There is an impression that there is no relation at all between the co-operative banks and the Imperial Bank. In this district, co-operative banks and societies have offered needful help to agriculturists. But due to the uncertainty of rain, there is not much progress. With a view to meeting the difficulties of agriculturists, a land mortgage bank has come into existence in this district. This may help agriculturists considerably, but the repayment of instalments will necessarily depend a good deal on good rains.

QUESTION 8.—I think that Government should make some provision to prohibit exorbitant rates of interest. If the Acts in vogue in England and in the Punjab have benefited the poor people, I fully approve their being adopted here in our Presidency.

Rao Saheb V. P. CHAVDI, Chairman, Gadag Sale Society, and Mr. V. A. SHETTI, Manager, Gadag Sale Society.

Oral Evidence.

(*Summary of oral evidence in Marathi.*)

"The Gadag Sale Society distributes seed always in cash both to members as well as to non-members, but the rate is a little bit higher in the case of non-members. Some members bring their produce to the society for sale and some do not. Generally members

borrow money from the *sowcars*, and, therefore, they have to take their produce to the *sowcars*. We advance money only against goods. We have godowns both open and closed, but they are not suitable for preserving the goods for a long time. We are constructing some godowns out of our profits every year. We have to pay 8 per cent. at present, but if we get loan from Government at, say, 4 per cent., our work will be facilitated. We will require about Rs. 50,000. We have not to pay any rent as they are our own godowns. Some people sell their goods immediately and some keep them in our godowns. We advance money to those who keep goods in our godowns. We borrow money from the central co-operative bank during the season at 8 per cent. which is too high. We charge Rs. 9-6-0. If we get money at cheap rate, we will be able to advance at cheap rate.

There is an office of the Imperial Bank but not a regular branch. They advance money to agriculturists at 7 to 9 per cent.

Our Society does not do any *hundi* business; there is no necessity for it.

We have a co-operative ginning factory. It is working well. Last year it made a net profit of Rs. 4,000. The capital is Rs. 17,000. Most of the agriculturists sell *kapas*, and a few petty merchants bring lint. The cultivators sell *kapas* and not lint, because they are sure that they would get a better rate for their pure *kapas*, whereas the lint is mixed up by merchants, and the cultivators cannot fetch proper price for pure lint. We may get better price for the lint provided the consumers buy directly from us. If there are more ginning factories, ultimately it will pay better to get *kapas* ginned and to sell lint, because there will be less charges for cartage, etc.

Formerly there was a boycott, and our society had difficulties in the beginning, but now it is working well. We have started our ginning factory, and we have in view to have a press. In case there is a boycott again we shall get the *kapas* ginned and pressed and send it to Bombay direct to consumers to avoid the boycott. At present the consumers buy in auction, and the middlemen purchase our superior cotton at higher prices because they mix it with inferior cotton and then sell the whole lot. We sell only the improved cotton by auction.

The question as to whether holding on is profitable or not depends on the market. For the last three or four years it has not paid because the market has been gradually going down.

After the boycott in 1927 we sold 8,000 *dokras* of cotton, in 1928, 14,000 *dokras* and in 1929, 20,000 *dokras*.

Our society can take up the work of grain sale society. I do not think there will be any difficulty in doing that. The agriculturist is occupied throughout the year. Even if there is one crop, he has to carry out improvement of land.

We have tried to finance small industries, artisan societies and weavers' societies, but they have not been successful.

We do not think it is necessary that new ginning factories should be opened only after obtaining the license. There are a good number of ginning factories in Gadag and Hubli, but, as they combine, the rates charged by them are high and the cultivator cannot get the benefit of competition. To break their combination either new ginning factories should be started or some law should be passed. At present ginning factories are run by merchants, and the charges of ginning *kapas* are high. If these factories are run on co-operative lines, the agriculturists in the interior will be benefited.

We have started a ginning factory to help us in times of emergency. We encourage members to gin their cotton there and then sell the lint. It would be better if we have a pressing factory too.

As regards fluctuations in prices of cotton, the tendency of the market is closely watched by the cultivators in the interior. During the season we receive telegrams from Bombay, and we send post cards every week or twice a week.

The land mortgage bank has been recently started. We experience difficulties in the beginning. The rate of interest should be low, and the period of instalments for repayment should be increased. At present the land is valued at hundred times the assessment, which is not correct. The land should be valued according to the quality of soil. There is a great difference between the valuation as at present calculated and the market value of the land, because in fixing the assessment no consideration is taken of land improvement, etc.

When members of the credit society bring produce to the sale society, we recover the money on behalf of the credit society, but the members do not like it, and we cannot, therefore, enforce it in all cases, otherwise it might prevent members bringing the produce to us.

(The witnessos withdrew.)

The Committee then adjourned and re-assembled at Belgaum on Tuesday, the 18th February 1930.

Tuesday, February 18th, 1930.

BELGAUM.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

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Replies to the Questionnaire.

SECTION I.

AGRICULTURAL FACILITIES.—Finance for agriculture in this part of the country is obtained mostly from private money-lenders. There are co-operative societies here and there, but they hardly touch the fringe of the problem of agricultural finance. In Belgaum and Satara districts agriculture is the main industry and large tracts are under cultivation and intensive cultivation is done. The private money-lenders play an important part. To make a rough estimate of current agricultural expenses for each of the two districts, it will come to not less than ten to fifteen millions. This estimate is based on the experience gained in villages having co-operative societies. The co-operative societies in Belgaum district advance money to the members to the extent of Rs. 9,53,469 every year and in Satara district the total amount advanced to members for current operations is Rs. 7,62,942. The total membership in the former district is 20,856 and in the latter district is 17,518. It is not here suggested that societies are able to finance members fully and that no member goes to *sowcar* for loans for his current agricultural expenses, but the cases where the members borrow both from societies and *sowcars* are comparatively few.

For expenses during cultivation the agriculturists borrow from money-lenders and their *adatyas* where they do not borrow from societies. The *adatyas* or *dalals* who mostly live in centres of trade advance money to agriculturists for all sorts of purposes if the relations between them are very close. They advance money to agriculturists living in remote villages only for current agricultural expenses either through their sub-agents or on the recommendations of some prominent person known to them. When this is done, the *dalals* make themselves sure that the crops are in good condition and that the money would be realised on the harvest. In advancing this money, the *dalal* has a double motive: firstly, he earns interest on the money advanced and secondly, he gets the *adat* on the produce sold through him. In cases where the agriculturists are living near him and where he knows the financial condition of his clients thoroughly well, he advances money even for other purposes such as marriage, land improvement, repayment of petty debts and so on; but he insists on adequate security being given for such advances.

The rate of interest also differs according to the security offered and the amount borrowed and the status of the borrower. The rate of interest for loans advanced during cultivation is 12 to 18 per cent. In cases of loans for other purposes, the rate of interest is also ranging from 12 to 18 per cent.

The occasions for borrowing from *sowcars* for capital and permanent improvements are few. The small agriculturists generally undertake such works if they have surplus funds with them or they get *taccavi* loans at a cheap rate of interest. They borrow small sums to supplement funds in their hands when they are sure of their increased income to be derived from the land improvement. Big landlords and landholders sometimes undertake costly works of land improvement with borrowed money and sometimes the enterprises fail and land them into heavy debt. I know cases of big landholders running into heavy debt due to miscalculated undertakings. When special needs arise the agriculturists first look for *taccavi*; but if help from that source is not forthcoming, they have to go to *sowcars* and to borrow at heavy and exorbitant rates of interest. The *sowcars* demand very harsh terms such as sale of land or a deed for double the amount borrowed and so on. If there is a co-operative society, the members get accommodation from it in times of stress if the credit given to them is not already utilised fully.

The part played by co-operative societies in agricultural finance is already indicated above. The Movement has made some progress in recent years in financing current needs. As regards capital and permanent improvements, the loans advanced so far are very small. Very few societies have taken the advantage of the *taccavi* funds kept with the Bombay Provincial Co-operative Bank; but otherwise the volume of business done in this branch of long-term loaning is very small.

The major portion of money-lending is carried on by village money-lenders and *dalals*. In certain villages well-to-do agriculturists also carry on this money-lending business, but the amounts are very small. Similarly the part played by joint stock banks and Government and other outside agencies is small. It may happen that the *dalals* who borrow from the *shroffs* in Bombay and who take sub-agencies of companies trading in fertilisers are bringing capital from outside to finance the agriculturists in the marketing season.

In the Konkan districts, the cultivators borrow from *sowcars* and traders mostly on condition of repaying the amount in kind with interest. The amounts required are small and the rates of interest are heavy.

No information is available as to the extent of finance provided annually in kind.

The problem of agricultural credit is one of organisation. The Co-operative Movement has achieved some tangible results in agricultural finance; but much remains to be done yet. The defects in the present system may be summarized as follows:—

(1) Want of mutual trust between the lenders and borrowers;

(2) The prevalence of high rates of interest in rural areas induces everybody having a small capital to engage in money-lending business on his own account;

(3) Want of facilities for investors in rural areas to deposit their money for short or long-term periods;

(4) Prejudices and misunderstandings about the Co-operative Movement among the village money-lenders; and

(5) Want of co-ordination between the several lending agencies.

In proposing remedies I shall confine myself to the possibilities of extending credit facilities through the Co-operative Movement. One great difficulty in the expansion of the movement is the inelasticity of its methods of financing. There is no close touch between the Central Bank and the societies on the one hand and between the societies and the members on the other. It is necessary that the branches of the central bank should be started everywhere at least for every *taluka* centre and local people should be associated with their working. The central banks should grasp the opportunities afforded to them, study the methods of agricultural finance and interest themselves in all that tends to the welfare of the agriculturists. Unless such a broad and progressive outlook is maintained, the central banks' and the societies' business will be looked upon as merely glorified forms of *sowcari*. I am not here entering into details. If an organised body is inefficient and unprogressive, it becomes not only useless but brings discredit to the whole system under which it is brought into being. If the Co-operative Movement is to play, as it should, an important part in providing agricultural finance, it must grow strong in all directions. The banks and societies must be able to lend at a low rate of interest. They should be able to accept whatever security the agriculturist is able to offer. They must be able to keep a close watch over the borrowers and see that money is directed in useful channels. Financing must be prompt and adequate. They must be able to carry on propaganda and educate members and those responsible for the management. They must be able to inspire confidence of the depositors and investors. The banks and societies must be able to build strong reserve. In fact, the people engaged in the Movement must specialize in the particular branch and convince the agriculturists that the Movement is theirs and it is a strong weapon in their hands to effect improvement in their conditions. Some co-ordination between the various credit agencies is possible. The Government has placed some funds with the co-operative banks for advances to members of societies for long-term purposes. As the Movement progresses, the central bank will be required to discount agricultural paper with the Imperial Bank and joint stock banks. If the central banks are well developed they may also be considered fit to use idle funds in sub-treasuries and District treasuries of Government.

The principal crops in this part of the country are :

(1) Cotton, tobacco, groundnut, chillies, *gur*, rice, turmeric, etc.

With regard to most of these the petty traders collect the produce from agriculturists in villages and send the same to big market towns. If the quantity is large, the agriculturists take the goods themselves to the markets. There are possibilities of pooling and co-operative organizations for sale in cases of commodities which are exported out of India, *e.g.*, cotton, groundnut and other oil-seeds. There must be some wholesale agency which will advise the small institutions about the sale of the produce.

The petty traders get capital from the *adatyas* and other money-lenders. The *adatyas* get their capital from local bankers and co-operative banks and the *shroffs* in the provincial capital. The *adatyas* get the money at 9 per cent. The number of petty traders is very large and as they quote the rates prevailing in bigger markets, the villagers find it convenient to sell the produce locally. When the petty traders have to borrow from local money-lenders they have to pay sometimes very high rate as the sum is advanced for short periods. If the petty traders incur sometimes losses in their business, then they feel the difficulty in returning the money.

The facilities required by small traders and merchants are those of funds to enable them to stock produce with a view to selling the same when the rates are more advantageous. As they have not sufficient funds, they have to dispose of the goods at once and cannot

take advantage of the rising market. Sometimes the cultivators who take the produce to the commission agent wish to wait for better prices and approach the latter for advances on the security of goods. The commission agents require funds on such occasions also. The co-operative urban banks are trying to increase the credit facilities to small traders, but something more ought to be done.

To a casual observer, the problem about marketing especially of goods which form the bulk of inland trade presents itself thus : When the harvesting is over, the agriculturists are required to take their produce to the market immediately for disposal and as all agriculturists take their produce almost at the same time, there is often a glut in the market which leads to lowering of prices and consequent losses to the cultivators and perhaps to the local traders also. If the agriculturists are enabled to store the goods and sell them later when there is a brisk demand, they will derive some gain. To facilitate such storing, funds are required and also storage facilities at market centres. Co-operative banks ought to be able to undertake this part of the work.

Internal remittances are made mostly by sale and purchase of *hundis* drawn on the banks and bankers in the provincial capital. The co-operative urban banks, branches of the Provincial Co-operative Bank and district central banks also carry on *hundi* business and help the movement of funds. The co-operative banks want the remittance transfer receipts facilities to be continued as these facilities have contributed in no small measures to the enhancement of the prestige of the co-operative bank in the estimation of the commercial world. That a co-operative bank is able to draw *hundis* to any extent on some outside agency and to handle large funds, is sufficient to secure the confidence of the public in the credit of the bank. Further when the funds are required from Bombay, the banks are required to purchase *hundis* sometimes at great inconvenience and with great difficulty and it would be a move in the right direction if the banks are allowed to sell their cheques on the Provincial Bank or the Imperial Bank to sub-treasuries and to obtain funds. It is also urged that facilities for remittances between two places through post offices where the sub-treasuries are not near at hand may be given at concessional rates.

There are no legal impediments to mortgage of lands in the *ryotwari* tract except where the lands are *watan* property and the occupants cannot alienate the property. This suggestion deserves some consideration. In Belgaum district, the number of *watandars* is large and it becomes difficult for co-operative societies and banks to deal with them as in the event of default the lenders cannot easily recover the money. I do not know how far this restriction on the freedom of disposal of property acts as a handicap to the borrowers themselves in getting the necessary credit from the bankers and money-lenders. Suggestions are often made in regard to the organisation of land mortgage banks and banks which could advance money to landlords and others for redemption of old debts. One finds the biggest borrowers are those who have no full rights of mortgaging and selling the property.

Similarly the credit of cultivators in Ratnagiri district is vitiated by the *khoti* system under which a tenant cannot mortgage or sell his lands without the consent of the *khot* or superior landholder.

There are at present no land mortgage banks in the four districts in my charge, *viz.*, (Belgaum, Satara, Ratnagiri and Kolaba). The societies are financing members both for long-term and short-term purposes. The loans under the former head are fewer and

granted only when the societies have some owned capital of members. In few cases they have borrowed from the financing agency for redeeming the debts of members. The total amount under this head will be nearly Rs. 39,979. So also *taccavi* loans are granted to a few members.

The necessity is, however, keenly felt of a land mortgage bank in the Belgaum district as well as Satara district for redeeming old debts of agriculturists and for promoting land improvement schemes. The individual money-lenders scarcely interest themselves in encouraging schemes of land improvement or such other productive enterprises and the rate of interest and the terms on which they are accustomed to lend money prove a damper to all ambitious schemes of land improvement. It is also the experience that the ordinary co-operative societies are not in a position to take up the responsibilities of land mortgage business. Hence some institutions like land mortgage banks are necessary.

The working capital of such land mortgage banks will have to be largely derived from funds from central institutions. It is true that there is no agitation by agriculturists themselves for the establishment of land mortgage banks. They have very little opportunity of learning the scope and methods of land mortgage banks, and the leaders among them do not study the needs of the agriculturists and think of the remedies.

Even casual enquiries with rural conditions will notice the large amount of debts weighing heavily upon the agriculturists. Some enquiries are being made about the indebtedness of people of a few villages in each district and an estimate of indebtedness will be submitted to the Committee in due course. Though no accurate statistics of indebtedness for the whole district are available, some guess work could be made from enquiries made into villages. I would estimate the indebtedness of agriculturists for Belgaum district as not less than 2 crores and almost the same figure for Satara district. As regards classification of debts according to the nature of the security, it may be said that the amount of debt which is concealed in the form of a judicious sale to circumvent the provisions of the Dekkhan Agriculturists' Relief Act will be found to be very large. Equally so the debts secured by mortgage of lands. The amount of debt which is incurred against moveable assets is not large so far as the agricultural classes are concerned. As regards others who live upon income from rent of land, they generally borrow in a larger proportion by pledging valuables.

Classification of debts according to purposes for which they were incurred will be made in the cases of villages where special enquiries are being made and the results will be placed before the Committee in a fortnight. The enquiries are in progress and will be completed soon.

The bulk of the debts are due to private money-lenders and indigenous bankers. The total debts to societies by their members are Rs. 19,51,455 in Belgaum district, Rs. 15,24,766 in Satara district, Rs. 1,70,290 in Ratnagiri district and Rs. 49,201 in Kolaba district at the end of March 1929.

At present there is not much direct connection between the different kinds of banks. The position is one of isolation and whatever relations exist between the indigenous banks and bankers and organised banks in the capital of the province, no points of contact are visible in the *mofussil* centres.

Sometimes money-lenders do keep money in co-operative banks if the banks inspire confidence and this tendency on the part of the money-lenders to place some part of their capital as deposit with co-operative banks is noticeable in certain places. If the co-operative banks make it a point to bring about occasion for mutual consultation and

social intercourse between themselves and indigenous bankers and money-lenders and try to explain to the other party the principles and methods of their working, there will be greater inclination in the public to place larger amounts as deposit with the co-operative banks.

The co-operative societies are so far mostly concerned with the short-term finance as the bulk of their deposits is for short term. The only long-term capital is the share capital and reserve fund. The total of such long-term capital for all kinds of societies and banks put together would come to Rs. 13,26,224. The urban banks have not felt any need for long-term capital for they engage their capital in making loans to traders, wage-earners, salary earner and also agriculturists. They are not dealing much in industrial finance. In most of the urban banks the capital raised by them is fully utilised. There are only one or two urban banks where the problem of surplus funds has arisen. In the cases of others the difficulty is about raising the required capital. This question of finding money for the business of urban banks is not purely one of finance but of good management and all that can help to create confidence of the public. The urban societies in smaller places find it difficult to get sufficient capital for their business. Being limited concerns they do not get ample funds from the central banks which advance money only to the extent of the share capital collected by the borrowing banks. The traders in whose interests the urban banks are organised, are anxious to borrow and to have greater credit facilities in order to expand their business and do not reciprocate the feeling of trust by opening current account in the bank and keeping their idle funds when they are not required. The question of attracting sufficient capital depends on the influence of the directors of the banks. It is difficult to give any fair estimate of the capital required for these banks, but there is no denying the fact that they do not get all the capital required for financing the members.

The same difficulty for getting capital to the agricultural credit societies has so far not been felt. The question here also is not merely one of demand and supply but one of creating a demand and bringing the people round to an appreciation of co-operative financing in preference to the present methods of *sowcari* business.

The Co-operative Movement has been slowly making its influence felt wherever the co-operative institutions are established. As the rule about punctual repayment of debts is more strictly enforced by societies than *sowcars*, the societies in the famine tracts soon come into bad repute for defaults and they forfeit the confidence of the central financing agencies and other creditors. Some central banks do not hesitate to levy penal interest from the defaulting societies even when it is known that the defaults are due to famine conditions. If the Movement is to help the people in parts liable to famine, as it is in those parts that the need of co-operation is most felt, some measures of Government assistance is necessary. What exact form that assistance should take will require some consideration.

The extent to which the Co-operative Movement has met the financial needs of the agriculturists may be gauged from the figures given below. The total number of members in the agricultural credit societies in the two districts of Belgaum and Satara is 38,374. The petty traders living in the villages are financed by rural credit societies. The total number of members in urban banks is 14,612. The information about the class or profession to which the members belong is being collected. The petty traders most of whom belong to the agricultural class and live in villages find it convenient to borrow from the

rural credit societies, and they have done so especially in Satara district. These members require sometimes larger credits than are usually given in village societies and it is possible to give them special credits.

There is a widespread belief that the Dekkhan Agriculturists' Relief Act has adversely affected the credit of agriculturists very much and that the Act has outlived its usefulness. Owing to the disabilities under the Dekkhan Agriculturists' Relief Act, the creditors dictate very harsh terms to the borrowers. Bonds are taken for double the amount advanced. The question of modifying the Dekkhan Agriculturists' Relief Act needs consideration in the light of the experience gained of its working.

SECTION II.

It is a matter for pride to the co-operative banks that though in the past the country has witnessed many cases of failures of banks and banking concerns formed on the joint stock banking system, there have been no such failures in the cases of co-operative banks. This has helped to gain the public confidence and support to co-operative banks. The urban banks have with few exceptions shown signs of continuous and steady growth and in recent years the progress has been very rapid. Owing to the want of trained men to conduct the banking side of the business, these banks have not been able to exert their full influence in the development of trade and industry, but to judge from the present tendencies one can hope to see them grow in course of time and to play an important part in financing trade and industry. These are still in their infancy and they have to learn many things by experience. Government might encourage the opening of urban co-operative banks at important towns and market centres and also help in organisation of associations and federations of these urban banks to co-ordinate their activities and to guide them.

The constitution of the urban banks should be so devised as to allow representations to different interests in the places where the banks are established and if that is done, these banks will be able to utilise the experience of the indigenous bankers. It will perhaps become necessary to have two classes of urban banks. One for small artisans, petty traders and other members of the urban classes and another bank for big traders and merchants and industrialists. This latter type of banks should be run more on commercial lines and attempts should be made to rope in the indigenous bankers in such big banks. The enlightened *shroffs* and bankers might be appointed as agents of these banks with a share in the profit earned on the business secured by them and for guaranteeing the advances made by the bank. I am not discussing the details here, but I have no doubt that urban co-operative banks will be able to fill an important role in the financing of trade and industry of the country.

Oral Evidence.

15069. *The Chairman :* Mr. Bhagwat, you are the Assistant Registrar of Co-operative Societies, Belgaum ?—Yes.

15070. Which districts are in your charge ?—Belgaum, Satara, Kolaba and Ratnagiri.

15071. You say the Movement in your charge has only touched the fringe of the problem ?—Yes.

15072. Why is this so ?—Because their requirements are very much and we are not able to cover them.

15073. You have more funds than you require at present ?—Yes.

15074. Why is it that you are not able to develop or expand the Movement ?—There are so many difficulties in the way. Firstly, we are not able to make recoveries in famine tracts. Secondly, in *talukas* like Khanapur, the people are very illiterate. Nobody knows how to read or write. In the Konkan also there are difficulties. The people are illiterate and their requirements are greater. Unless we keep a close watch over their transactions and are able to understand their affairs, it is not possible to start societies. We have confined ourselves to starting societies in tracts which are fertile and where rainfall is assured, also where people can understand things.

15075. So illiteracy, famine conditions and want of proper facilities for supervision are the three main reasons for not expanding the Movement ?—Yes.

15076. But in tracts where there are these facilities, is the Movement being expanded ?—Yes.

15077. Which is the best district in your charge ?—Satara and Belgaum.

15078. Are they equally developed ?—Yes.

15079. Do many people go to *sowcars* in these two tracts ?—No, not for current finance.

15080. Are you doing anything for long-term finance ?—Yes; we are lately doing something for long-term finance.

15081. Is this for land improvement or for debt redemption ?—It is for debt redemption.

15082. Have there been any debt redemption schemes ?—There have been a few solitary cases in Walva *taluka*. Upto Rs. 750, advances were made for redemption.

15083. What has been your experience in the past with agriculturists who have been redeemed of their old debts ? Are they free from debt or have they again gone back into debt ?—They do not go back into debt.

15084. Do they borrow from outside ?—No.

15085. In which part of your charge has this been your experience ?—In some parts in the Mallad tract and in some parts of Chikodi.

15086. We have been told that in famine tracts people, who have been redeemed years ago, are in the hands of money-lenders and *sowcars* again ?—The explanation is that we are not giving much money for debt redemption in the famine tracts.

15087. You estimate the cash requirements for each of the two districts as 10 to 15 millions. On what basis have you calculated this figure ?—I have taken Rs. 100 as the average amount of loan given to a member in a society and multiplied this figure by the number of cultivators in all societies.

15088. Is this enough ?—Yes.

15089. Can you say that the member of a society is an average holder ?—Yes.

15090. In some places outside your charge, we have received complaints that the finance supplied was not adequate nor was it timely. How far does this complaint hold good in your societies ?—It holds good in some societies. In Satara district by the introduction of normal credit statements we have been able to give adequate finance. In Belgaum district this system is being introduced since last year, but the people have not yet understood the full significance of normal credit statements. It will take some time before this holds good here.

15091. At present people have to go outside ?—To some extent.

15092. You say that *adatyas* and *dalals* finance agriculturists. Do they do it for cultivation purposes ?—No; when the crop is standing they finance. I mean during the raising of the crop they finance.

15093. Do you know how *dalals* get their finance ?—They get money from bankers and from big *sowcars*.

15094. Do they get money from indigenous bankers ?—Yes; also they have partly their own capital. They borrow partly from *sowcars* and partly from Bombay.

15095. From whom ?—Either from their own agents or from banks.

15096. Have you any idea as to the terms on which they get this finance ?—They have to pay 12 per cent.

15097. Do *dalals* have to pay 12 per cent ?—They have to pay from 9 to 12 per cent. This is according to the standing of the borrower. On an average they have to pay 9 per cent. interest. And these people give at 12 per cent. in their turn.

15098. Do any of your societies advance on the security of gold and silver ?—No.

15099. Not even urban banks ?—One urban bank in Belgaum district is doing so.

15100. Do you think there is much scope for business in this line ?—Yes.

15101. Only in urban areas ?—Yes. Even in the rural area it can work if you solve some of the practical difficulties.

15102. Will you allow them to keep the gold ?—I would suggest that the societies should keep gold with central banks. The societies should only act the medium. The members should be directly in touch with the financing agency.

15103. Have you come across any pawnshops in any of these four districts ?—In America I think there are regular shops.

15104. Are they only pawning gold and silver ?—Yes.

15105. Do they also pawn other articles ?—I do not know.

15106. Do you know of the system of Government pawnshops in Java and Dutch East Indies ?—No.

15107. The Government pawnshops not only advance against gold and silver but they also advance against other articles. Do you think that any such scheme is feasible here or have you not thought about it ?—No, I have not thought about it.

15108. As regards land improvement, is much being done by way of advances by co-operative societies ?—We have done very little. We have tried it. Somehow it has not become popular so much.

15109. Why ?—We have several difficulties and especially the procedure is rather cumbersome for advancing for land improvement, because the present system is to give money out of the *taccavi* which is kept in societies.

15110. What are the other difficulties ?—Firstly the information which we ask for is very elaborate. The supervisors are not able to send correct information. There is again the question of getting proper expert advice on the scheme and lastly it is to go to the Assistant Registrar.

15111. And it takes a very long time ?—Yes.

15112. Have you to suggest any means by which the system could be improved ?—I think if the central bank were to have a long-term loan department along with the short-term loan department, the difficulty can be solved.

15113. They will have to keep sufficient staff ?—Yes.

15114. There is large scope for land improvement, is there not ?—Yes.

15115. Are you in touch with the Agricultural Department so far as improvements are concerned ?—Yes, but somehow we cannot get prompt disposal of things.

15116. Do you think that people are not carrying out these land improvements because they have no finance ?—Generally their tendency is not to take to these schemes unless they have money of their own.

15117. What is the sort of scheme they are taking up now ?—Mostly *tals*. The big schemes are very rare.

15118. As regards *tals*, there is no risk ?—No. At least it is not the habit of a cultivator to go in for costly schemes unless he has some funds of his own. These schemes can be pushed if we explain the things to him.

15119. Propaganda is wanted ?—Yes.

15120. Speaking about joint stock banks you say that they have not played any important part here ; how many such banks are there ?—In this district there are only two at present. One is a branch of the Union Bank and the other one has been recently started, but it has not commenced its work.

15121. Does the branch of the Union Bank finance trade on security of gold ?—It mostly finances on the security of gold.

15122. What is the capital of the new bank ?—I do not remember.

15123. Is it a big concern or a small concern ?—It is going to be a big concern.

15124. Is it purely a local bank ?—Yes.

15125. Do you know how far the branch of the Imperial Bank here is useful to traders and merchants ?—I have no idea.

15126. Does it help agriculturists at all ?—No.

15127. Do you know whether it advances against the security of produce ?—Yes, to merchants and not to landholders.

15128. Do you know whether they do business on the security of gold and silver ?—I do not know.

15129. Speaking about the Co-operative Movement you say : " One great difficulty in the expansion of the Movement is the inelasticity of its methods of financing. There is no close touch between the central banks and the societies on the one hand and between the societies and their members on the other " ?—What I meant to say was when I referred to the central bank I referred not to the Provincial Bank as at present but to the district central bank.

15130. Have they any staff which goes round the district ?—They have not got adequate staff but they have been appointing some recently. At the time when I wrote this, there was no trained staff and also not a sufficient number of branches.

15131. Do directors go out ? Are they in touch with the working of societies ?—Very few of them are so.

15132. Some of them must be representing societies ?—Yes.

15133. You say further : " As the Movement progresses, the Central Bank will be required to discount agricultural paper with the Imperial Bank and joint stock banks ". Will you develop this a little ?—The societies now take loans from banks and if they want more funds they can pass promissory notes to the central bank which could be kept with the Imperial Bank if more funds are required for short-term finance.

15134. Is this not being done now ?—As far as I know, at present their needs are not great.

15135. Have most of the district banks surplus funds ?—Yes.

15136. Speaking about marketing, the principal crops are cotton, tobacco, groundnut, chilli and *gur* ?—Yes.

15137. Is it true that most of the produce is sold locally to petty traders ?—Except tobacco, groundnut and cotton, others are sold locally.

15138. Does even a small agriculturist take these crops to the market ?—Mostly petty traders go to villages and buy them.

15139. Are there sufficient godown facilities in the market places ?—No.

15140. Is there the system of advance being given against produce ; or when the cultivator takes the produce to the market, he is compelled to sell it for lack of godown accommodation ?—He is compelled to sell it for lack of accommodation.

15141. Do you think that the provision of godown facilities would be a step in the right direction ?—Yes.

15142. If this is so, why does not private enterprise come in ?—If they find that the system of holding goods is good, some people might erect godowns.

15143. Do not *dalals* have godowns of their own ?—They have godowns, but they have not sufficient accommodation.

15144. You have some sale societies ? Have any of them godowns ?—Yes, they have which are for keeping goods for a week or so.

15145. Do they advance against the security of such goods ?—Yes.

15146. Have people lost or gained by holding up the goods for some time ?—They hold goods only for a very short time after they are brought into the market.

15147. Is this because the accommodation is not sufficient or people do not want to hold their goods ?—People do not want to hold up their goods.

15148. Would you encourage them to hold such goods ? Is it not risky sometimes ?—Usually if they hold on their goods, it is profitable to them.

15149. What is your definite suggestion for increasing godown accommodation ?—Even in rural centres if we have some godown facilities, the cultivators can take advantage of them and can get advances temporarily against their produce.

15150. The question is how to provide these facilities and who is to provide such facilities ?—I think the central banks will have to take up this work.

15151. Are any of your urban banks advancing money on the security of produce ?—Yes.

15152. How do they manage about godown accommodation ?—They take some godowns on hire and advance money on it.

15153. Would you be in favour of the introduction of the Cotton Markets Act anywhere in your charge ?—Yes ; in Bailhongal.

15154. Is this the only place where a regulated cotton market could be started ?—At Athni and Gokak also, they can be started.

15155. What are the remittance difficulties you feel now ?—I shall write you later on on this subject.

15156. You say : " Classification of debts according to the purposes for which they were incurred will be made in the cases of villages where special enquiries are being made and the results will be placed before the Committee in a fortnight. The enquiries are in progress and will be completed soon ". Do you think it will be possible for you to make a fair estimate about the total indebtedness of the district ?—No.

15157. But you have certain statistics about some villages where there are societies ?—Yes.

15158. Will this be a fair estimate to make ?—Yes.

15159. Could you show what is the amount of assessment paid on the lands held by members at the same time ?—Yes.

15160. So that the debt could be compared with the assessment ?—Yes.

15161. You say : " If the Movement is to help the people in parts liable to famine as it is in those parts that the need of co-operation is most felt some measures of Government assistance is necessary." Have you any definite ideas as to what sort of assistance is required ?—The only possible thing is to guarantee the interest charges on the lines of banks. Government should give some assistance in order to inspire confidence.

15162. You said in the beginning that the economic condition in these parts is such that you do not expect co-operative societies to work successfully ?—Yes, but it is only in these parts that the Co-operative Movement could do real good if it is successful.

15163. Do you know of any economic enquiries being made in these parts to say how far the economic position is sound ?—I have made enquiries in one village. The general economic condition is not very bad. What happens is they have to borrow one year and go on paying for several years.

15164. You mean that the finance for agricultural purposes should be based on a cycle and not on a year ?—Yes.

15165. You want co-operative banks and indigenous banks to co-operate ?—Yes.

15166. You say that enlightened *shroffs* and bankers might be appointed as agents of urban banks. Have you tried this scheme anywhere ?—No ; I have suggested this point because some of the urban banks are not able to know the real state of affairs.

15167. You do not want urban banks to finance people outside their own area ?—No.

15168. You want these *shroffs* or indigenous bankers to be within the urban area itself ?—Yes. I mean where the needs are very large, the bank is not in close touch with the local conditions in which case some risk could be shared with these bankers.

15169. You say that they could be appointed as agents of the bank ?—Or as guarantee brokers.

15170. Surely an urban bank ought to know its position ?—It is so, but at times they are not able to keep a very close watch over a person which the indigenous bankers can have.

15171. It means that a guarantee broker will have to be paid something and the rate of interest will be higher to the borrower ?—But a small part of the profit will go to him. I do not think that the borrower will have to pay a higher rate of interest.

15172. *Professor Kale :* You have given the figures with regard to finance for current agricultural needs. You say that you take Rs. 100 per individual member. What do you think is the total population of the cultivators in this district ?—The cultivating families are nearly one and a half lakhs.

15173. You multiplied this number by one hundred and you arrived at that figure ?—Yes.

15174. This is only for current needs ?—Yes.

15175. In Belgaum, if, for instance, the total membership of societies is 20,000 and odd and the cultivating population is 1½ lakhs, then it comes to Rs. 50 or 60 per head ? How did you arrive at the figure of Rs. 100 per head ?—I have only taken those societies where the members are properly financed. In other societies it may come to even Rs. 25.

15176. You have not based your conclusion upon this figure ?—No. I have based my figures on some societies which are doing business well.

15177. What evidence have you for saying that members of societies do not also borrow from *sowcars* ?—Because the *sowcars* do not like to give loans to members of credit societies and because the liability is unlimited.

15178. We are told elsewhere that a large number of members also borrow from *sowcars* ?—This is the case in the case of societies which are not working well.

15179. What would be the proportion ?—Nearly 50 to 60 per cent. are given adequate loans. About 40 to 50 per cent. of members borrow from *sowcars*.

15180. You have supervising unions ?—Yes.

15181. How many have you ?—For Belgaum there are six unions.

15182. Are they doing their work satisfactorily ?—Not satisfactorily.

15183. Why do you expect central banks to appoint inspectors and why should you not rely upon the supervising unions ?—Because the bank is more concerned with finance and the union should concern itself with education and propaganda but not with finance.

15184. Do you not think that this is a multiplication of agencies ?—But the duties are not fairly demarcated.

15185. Is it right that you should give the power of supervision to central banks and is it not much better that unions should have a closer supervision of societies ?—We want unions to examine and compare the accounts whereas the bank would state the methods of finance and would see that societies get finance in time and that the security is adequate. All these matters can be done by the bank whereas the supervision, account checking and education should be done by supervisors.

15186. You say that the rate of interest ought to be lowered. How can you reduce it ?—I think an attempt should be made for reducing the rate of interest.

15187. Is the rate of interest allowed on deposits going down ?—Yes.

15188. And corresponding with it, do you think the lending rate also will go down ?—Yes.

15189. But the present rate is in the neighbourhood of 10 per cent. ?—Yes.

15190. What is your idea of a fair rate of interest ?—9 per cent. is a fair rate to members.

15191. But we are given to understand by some witnesses that agriculture will not be paying unless it is lowered down still further ?—In some areas they will not be able to pay any interest. This is not my view. I take the normal state of things and I say that 9 per cent. is a fair rate of interest to members.

15192. If a central bank can borrow at 4 per cent., should not a cultivator be able to borrow at 6 per cent. ?—It is only when they are able to attract fixed deposits at 4 per cent.

15193. What is the present situation ?—They have to pay 5 to 6 per cent.

15194. But is there a tendency for this rate to go down ?—Yes.

15195. And in a few years time you expect the cultivator to borrow at 6 per cent ? Yes ; after 10 years or so.

15196. If there is no other disturbance ?—No.

15197. Is the Imperial Bank competing with urban banks in this district ?—To some extent.

15198. In what way ?—In financing the traders.

15199. Why are not the urban banks taking up this work ? Why are they leaving it to the Imperial Bank ?—They are taking it to some extent, but the rate of interest offered by the Imperial Bank is tempting and better than the rate offered by an urban bank.

15200. Do you say that the Imperial Bank is unfairly competing with urban banks ? —I cannot say this.

15201. What is the rate of interest at which the Imperial Bank lends now ?—6¼ per cent.

15202. Are not urban banks in a position to lend money at the same rate ?—Their present condition is such that they cannot do so now.

15203. Has an attempt been made to lower the rate of interest to the level of the Imperial Bank's rate ?—Yes.

15204. Has it succeeded ?—Yes.

15205. Why should not a further effort be made to eliminate the Imperial Bank's branch altogether if co-operative banks can undertake this business ?—I do not think that the co-operative banks can ever compete with the branch of the Imperial Bank.

15206. But can you not find whether the Imperial Bank's rate is fair or unfair ? If it is unfair then you can complain. Now it is 7 per cent. You cannot say it is unfair or unreasonable ?—All banks cannot lower their rate of interest. Some urban banks which have large funds can do so, but in that case it will be unfair to other borrowers because if they lend money at a lower rate of interest to some borrowers on the security of gold or some such thing, the other borrowers on personal security will be hard hit.

15207. Is there any complaint in this district that *dalals* and middlemen commit certain mal-practices with regard to the quality of cotton ?—I do not know whether any bad quality is mixed up, but I have heard of complaints from cultivators and not about the merchants' mal-practices.

15208. What is the complaint of cultivators ?—That they do not get a fair rate for their cotton and that the *dalals* with whom they keep their cotton sometimes do not give a proper weight, etc.

15209. Have you heard of complaints of buyers about bad quality of cotton being mixed up with good cotton ?—No.

15210. Do you think it would be worth while to carry on propaganda amongst cultivators with regard to a land mortgage bank ?—Yes.

15211. But you are aware that cultivators under the present system are mixing ideas about productive debt and unproductive debt and if they come to know that there is an agency which can give money liberally perhaps the money might be misused ?—We have to control credit. We have to watch the proper utilisation of loans. It might lead to some abuse but it will not be general. The agriculturists think that whenever a society is started it should be able to give them for all purposes. They do not distinguish between long-term capital and short-term capital. They should understand the distinction between the two.

15212. *Mr. Kamat* : About these long-term loans, you say that existing debts amount to two crores of rupees in one district alone. If land mortgage banks are started, how will you proceed. Will you wipe off these existing debts first ?—I do not think that all the two crores will be wiped off, but some part of it will be wiped off.

15213. Speaking roughly, what would be the total amount of capital required for repayment of existing debts and for probable improvements ?—I think in the beginning we will have to start with a capital of twenty or twenty-five lakhs.

15214. Would people come in asking for loans for improvements first or for wiping off debts first ?—Mostly for wiping off debts.

15215. The general clamour would be to wipe off the debts, so that land improvement would suffer ?—I think to some extent that would suffer, unless we carry on propaganda to encourage members to take loans for land improvements.

15216. About short-term loans for current purposes, is there any truth in the complaint that the finance is inadequate ?—To some extent it is true ; but, as I said, it is only in a few cases that this complaint is true.

15217. From your examination of normal credit statements, do you think that they are framed very reasonably ?—Yes : at least for short-term finance they are framed reasonably.

15218. Judging by your figures for the Belgaum district, you say that the loans given for current purposes are something like Rs. 9,50,000 for the total membership of 20,800, which comes to about Rs. 50 per member. Do you think that amount is adequate ?—I do not think all the societies are able to finance adequately.

15219. Though the finance may be in a sense inadequate, you said that it was reasonably adequate. I ask you whether Rs. 50 per member is adequate ?—If you go by averages, it would not be adequate.

15220. As for money-lenders placing a part of their capital at the disposal of the co-operative banks, is it a desirable thing to bring in the money-lenders into co-operative societies ?—Yes, as depositors and investors.

15221. But their interests are more or less adverse. Do they make good members or good depositors ?—I think what I meant was that if the money comes in an organised bank the money-lenders will also be saved the bother of lending money to individuals and the bank will be able to make a better use of that money. I think the money-lenders would not be affecting the bank.

15222. In this part of the district have you noticed a spirit of factions in the working of credit societies or the banks ?—There are factions.

15223. That is also a common feature of this district as we heard in some other districts ?—Yes.

15224. Is the spirit of faction due to personal ambition or to any other causes, communal or otherwise ?—I may say personal ambition. There are other factors also and communal factor is there to some extent, but the most important is personal ambition.

15225. Is it possible to eliminate this feature by mere propaganda ?—I do not think propaganda alone would help in eliminating it.

15226. How would you reduce this undesirable feature of factious spirit ?—When times change, I think, the factions will disappear.

15227. Your solution is "wait and see". Would you visualise the time when there should be central banks and their branches throughout the *taluka* towns ?—Yes.

15228. That would be your method of expansion of the banking system ?—Yes.

15229. Would you like to have a few joint stock banks in the districts side by side with co-operative banks ?—Our central banks will only finance societies, but joint stock banks might finance individuals direct.

15230. As a matter of principle, if you leave the field open to the strongest party, and if the joint stock banks come in and compete, they might elbow out the co-operative societies; or if the co-operative societies are popular, they might make it difficult for joint stock banks to exist. As a matter of laying out a programme, which would you like to have ?—I would like to have a central bank with their branches.

15231. Which means you would not like the branches of joint stock banks to come in at all excepting in big places like Karachi ?—Yes.

15232. And the rest of the field should be open only to co-operative banks ?—Yes.

15233. You want to have two classes of urban banks in the interior, one for the small tradesmen and the other for the bigger urban classes. Why do you want to have this bifurcation ?—One thing is that these bigger banks should be run on commercial lines where they can take security and give loans either on produce or valuables, whereas in small urban society the only security is personal security.

15234. For these bigger banks on commercial lines, as you call it, the joint stock banks can serve the purpose ?—When I state the bigger banks I do not exclude the idea of joint stock banks. But I say that if these two could be separated, it would be better.

15235. You said that you would prefer co-operative banks rather than joint stock banks in the interior, and then again you want to classify them in two classes, one type for small artisans and the other for bigger class, the mercantile people. What is the idea underlying this bifurcation ?—What happens is that if we mix up both the small and the big banks together, we cannot have different rates of interest for different classes. Smaller banks can charge higher rates of interest to small traders and petty merchants, who generally borrow on personal security. Whereas big banks should run on commercial lines and charge lower rates of interest. For that reason I thought that these two classes could be separated.

15236. Do you want to bring in indigenous bankers in these bigger banks ?—Yes.

15237. Would they not be a thorn in your system ?—Not exactly a thorn ; but we want to organise the banking system, so that there may be no overlapping of finance.

15238. *Mr. V. L. Mehta :* You say that Government might encourage the opening of co-operative urban banks. That is what they have been doing. What more do you want beyond what they have been doing ?—My suggestion is that we might have special officers and special organisers.

15239. To study their problems and help in the starting of banks ?—Yes, and by encouraging federation of urban banks and giving them subsidies.

15240. You refer in your statement to the marketing of various crops. Have you studied the question of marketing of paddy in the Konkan district ?—No.

15241. You have also referred to the groundnut crop. Is it a paying crop here ?—Yes.

15242. In Dharwar and other places a suggestion was made to us that it would be a good idea for the producer to decorticate the nut and sell the seed only. Has that been tried here ?—We have tried that in some districts ; but there is not much advantage in doing that except in saving the cartage.

15243. Another suggestion has been made to us in different centres that if in places like the Konkan the larger landholders and agriculturists stand out of the ordinary credit societies with unlimited liability, they might be grouped together under a society of their own like the *zemindari* bank of Sind for a wider area ?—I think I endorse that idea.

15244. Do you think that might work if the area is as wide as a *taluka* ?—Not as wide as a *taluka* ; it might be a group of four or five villages.

15245. What is your experience of the working of weavers' societies in this district and the Konkan district ? Do they want any special help or facilities ?—They want facilities for selling their products.

15246. Do the societies not undertake it at present ? They are now in the clutches of *sowcars*.

15247. Even where the finance is provided by the societies ?—They cannot make arrangements for selling their articles, because the society has no funds to buy them and sell them.

15248. Do you not arrange to make advances on the security of finished articles ?—We have tried, but nobody takes advances, because the weaver himself has to find a purchaser, and the buyer will have to go to the urban bank, and then the produce will be released.

15249. If that difficulty is got over, could you do it ?—Then we can do it.

15250. Speaking about societies in famine and other areas, you say that co-operative banks and societies must be able to lend at a low rate of interest, and they should be able to accept whatever security the agriculturist is able to secure. What is it exactly that you mean ?—For the present what the *sowcar* does is that he gives money for current finance on personal security, and when he gives money for marriage and other purposes he takes landed security. I want that the society should follow his methods and for small sums they should accept personal security and for big sums they must take landed security, and for urgent needs when they want money, they should be given on the security of valuables.

(The witness withdrew.)

Rao Saheb V. V. SHIRGAOKAR, B.Ag., of Belgaum.

Replies to the Questionnaire.

SECTION I.

General characteristics of the tract to which the answers to the questionnaire are applicable. This tract is known as Mallad. It comprises of the Belgaum *taluka* (including Chandgad Mahal) and Khanapur *taluka*. This tract receives from 35 to 80 inches of rain per annum. The general level of the plateau is about 2,000 feet above sea-level, while the strip which is crossed by ranges of hills is a 1,000 feet higher. Forests occupy a large proportion of the area. This tract is not liable to famine. There are very few co-operative societies.

Though the Co-operative Movement has not achieved the expected success, its future development will depend to a large extent upon removing the illiteracy of the masses and the education of co-operators in the real spirit of the Movement.

A good many changes in the social customs will have to be brought about by education or even by the introduction of legislations on models of the Sarda Billl to prevent unnecessary expenditure on marriages and other social functions.

Fragmentation of holdings into extraordinary small and uneconomic pieces should be prevented. In our tract we come across plots (holdings) which are a *guntha* or smaller in area.

Ninety per cent. of our cultivators are indebted to a smaller or greater extent.

Rice forms the most important crop. *Nachni* and *sawa* (*vari*) are next in importance. Sugarcane occupies the first place amongst the garden and money-making crops. Sweet potato occupies the next position. (Myrobalan) *harda* is of importance in some places.

I.—(1) There being very few co-operative societies, the cultivator depends upon the local *sowcar* and to a certain extent upon the commission agent for financial assistance.

(*a*) Cost of cultivation of the inferior millets is very low and for this a cultivator depends upon his own labour, very little outside labour is needed the cost of which he can very easily meet from his own resources or works in exchange for others.

Cost of cultivation of rice is heavy. Most of the cultivators stock their own seed. Some have to go to the local *sowcars* or other well-to-do cultivators. Seed is returned in kind and generally the cultivator has to return 20 to 50 per cent. more in six months, *i.e.*, the rate of interest comes to 40 to 100 per cent. Weeding requires about

20 rupees an acre. This want is met by local agencies or co-operative societies where they exist. Labour during harvest is always paid in kind and hence the cultivator has no difficulty in paying such labour. During the last 20 years the area under sugarcane is increasing. It is only recently that fertilisers have come into use. Commission agents supply these fertilisers on credit. Potato-seed is a costly item and many of the potato cultivators are dependent upon the commission agents either for the supply of seed or the necessary sum. They have to sell the produce through the agent.

(*b*) *Taccavi* loans to a limited extent are advanced by Government either through the Revenue Department or the co-operative societies ; otherwise it is the local *sowcar* who advances the necessary sums.

(*c*) For special needs a cultivator has to sell his surplus stock of paddy or animals. Some get advances from *harda* contractors on condition of selling their stock of *harda*. For marriages the man has generally to serve a number of years till the loan is paid off.

RATES OF INTERESTS.—Sums not exceeding Rs. 25 and for periods not exceeding six months are given on personal credit. Rates of interest for such sums vary from 12 to 30 per cent. Sums exceeding Rs. 25 and below Rs. 100 are generally given on promissory notes, rate of interest being below 25 per cent. These sums are given for a year or two. For long-term credit the rate of interest charged varies between 6 and 15 per cent., the two extremes being rarely met with. Lower rates of interest are charged when land is offered as security. Village houses are not considered as good securities. When either seed or loan for seed is given, it is given on the security of the crop. Commission agents (*dalals*) advance sums on standing crop. Such sums are advanced mostly on the pesonal credit. Sometimes signatures are taken on the ledger books, the only condition for such transactions being that the produce is to be sold through them. Rates of interest charged by *dalals* vary between 12 and 25 per cent.

Crop as a security is accepted by the *dalals* and to a smaller extent by the local agency when advancing seed.

The part played by Government is mainly in advancing *taccavi* loans either through the co-operative agency or the Revenue Department. Suspension or remission of revenue by Government or opening of famine-works helps the cultivator, but such occasions are very few in our part.

It is only recently that a branch of the Imperial Bank of India has been opened here. Some rich landholders take advantage of the bank, but not in their capacity as agriculturists. There are no joint stock banks in our part.

The District Central Co-operative Bank deals through the village societies, who satisfy the needs of their members. A minor part is played by urban banks in advancing loans in urban areas. Village societies give loans for all sorts of purposes, agricultural as well as non-agricultural.

Most of the financing is done by local bankers who pay little attention to the purpose for which loans are taken as long as their sum is safe. The poor classes are very hard hit from the months of July to October (when harvest of crops begins). In the interior parts grain is borrowed either from *sowcars* or well-to-do cultivators and return 20 to 50 per cent. more in six months. Very few provision supplying merchants allow credit, such credit never going beyond Rs. 20. It is only at the time of marriages that a few cloth merchants allow credit. These are mostly on personal credit. Generally a person known to the merchant stands as a security. Such credit does not generally exceed

Rs. 100. In such cases the cultivator has to pay a higher price for his goods in addition to the rate of interest charged.

There are few Pathans who advance small sums to persons who have very little credit, the rate of interest (common) being 1 anna per rupee per month. To some bad characters sums are lent at annas 4 per rupee per month. The indirect effect of this is in giving stimulus to crime and vice. The ways of recovery of interest or capital by the Pathans is most objectionable, obnoxious, tyrannical and barbarous. He takes advantage of his good physique.

Companies dealing in agricultural machinery and fertilisers deal through their agents or distributers who generally do not deal on credit. Cultivators depend upon *dalals* for obtaining such goods on credit.

The amount of credit necessary for expenses during cultivation of two crops only, rice (77,000 acres) and sugarcane (2,500 acres), comes to about Rs. 46,00,000.

Taccavi loan is not utilised for its legitimate purposes. Part of it is spent for other purposes than for which it is sanctioned. In the absence of the necessary technical knowledge on the part of the Revenue Authorities there are a great many chances of proper estimates of the work not being made. Of late, since the co-operative agency has been utilised for advancing loans, the Agricultural Department is supposed to give its opinion on the technical aspect of the scheme. An agricultural graduate unless he has specialised in agricultural engineering cannot give expert advice. Once a scheme is sanctioned, there is not sufficient and proper supervision over the work. Village society-members do not seem to take the necessary interest in their own affairs. Before the advent of the co-operative agency, a cultivator used to get a loan quicker and at a lower rate of interest than at present. Divisional Boards of Agriculture are supposed to sanction all *taccavi* loans. At present the Boards do not seem to be consulted. Even after the elimination of one step (Divisional Boards of Agriculture) the process of sanctioning is a lengthy one. In many cases, the cultivator does not get the loan in time. Inclusion of the Bombay Provincial Bank in the agency adds to the delay and a little extra interest. Specially trained officers in the branch of agricultural engineering such as the Bunding officers in S. D.) should be appointed to make estimates and supervise the work.

Licenses should be granted to money-lenders, and their account books should bear Government stamps. The account books of money-lenders should be open to the inspection of the borrower. The money-lender should necessarily give copies of accounts to his clients.

There is not proper co-ordination between the various agencies giving credit. A village money-lender should not be treated an enemy of the village society. Both could work to mutual benefit by giving information about defaulters, etc.

2. Rice is the principal crop of our tract. It occupies about 40 per cent. of our total cropped area. Paddy never finds its way to the market. Dealers in paddy have to go to the villages for buying paddy. A cultivator sells his paddy when he is in want of money. Otherwise he waits for a good rate. There are some cartmen who obtain advances from *dalals*, and go from village to village buying paddy, and sell the paddy at some profit to the *dalals*. *Dalals* mill the paddy by manual labour and sell rice.

Recently a few rice milling plants have been installed. The cartmen take the paddy to the rice mills direct, and sell rice directly or to the *dalals*.

Rao Saheb V. V. Shirgaokar.

Sugarcane, though it does not occupy even one per cent. of our total cropped area, is an important crop and a money-making crop. *Gur* is always sold through *dalals*. Very little is sold direct to merchants or consumers.

Sweet potato is another money-making crop. Recently the trade has passed into the hands of the *dalals*. A few years back, petty merchants used to go to villages to make direct purchases.

Harda (Myrobalan).—This trade is in the hands of Bombay firms, who have their agents in Belgaum, whose sub-agents in different centres buy direct from the cultivators.

Advantage of the advent of the motor traffic could be taken for the transport of milk and vegetables. There is a large trade in eggs to Bombay. Most of the produce could be sold either by forming pools or establishing sale societies. Importance should be given to grading of goods.

Dalals advance sums on standing crops of sugarcane and sweet potatoes. The *dalals* as a matter of fact never know the area or even the outturn from the plot on which they advance the sums. It is only the personal contact for a certain number of years, which is their guiding factor in advancing sums. *Harda* contractors advance sums on agreement forms. In the real sense it is on the personal credit that such sums are advanced. Non-credit societies working in collaboration with credit societies will be of great use to the cultivators. Loans should be advanced on standing crops of paddy.

Produce having a foreign market enables a cultivator to obtain advances more easily.

A model of a licensed warehouse was exhibited in the 1926 Poona Agricultural Show. The system of grading goods and issuing receipts (which were negotiable) to depositors seemed very good. If such licensed warehouses are started in our tract, they will be of very great help to the cultivator.

3. The price of rice land varies from 200 to 1,000 rupees for an acre. The price of garden land varies from 400 to 700 rupees an acre. Price of *mal* lands round the villages and receiving the benefit of village washings sell at 100 rupeess an acre. *Mal* lands far away from a village may not even sell for Rs. 10 an acre.

Factors which govern the price of land are as follows. The quality and fertility stand first in importance. Next in importance are proximity to a town, village, road and market. The number of tenants in a village also affect the price. Facilities for watering rice crop are one of the determining factors. The rent from rice land is secured. Very few cultivators possess the necessary capital and skill to cultivate garden lands, hence a landholder is doubtful about renting land on a reasonable rent.

Many people do not get proper prices for their land by private negotiations. When a buyer wishes to make a cheap bargain, he is always careful not to let others know about it. Respectable persons generally prefer to sell lands without advertisement, hence lesser competition.

In public sales, whether in the event of a court-decree or by Government for non-payment of revenue, there is always a certain amount of competition which enhances the price. Buying land in the event of a court decree, or forfeiture by Revenue Authorities, always gives the buyer a security from further litigation. In private transactions there is always a certain amount of risk.

4. The Dekkhan Agriculturists' Relief Act is a very great impediment to land or agricultural holdings being mortgaged. There are no land mortgage banks in our tract. The District Central Co-operative Bank is the only agency that gives loans on long-term

credit, but it cannot be styled as an agricultural bank. The capital of this bank is raised on similar lines to those of other co-operative banks.

There is a great tendency for utilising *taccavi* loans for non-productive purposes. Such a thing should be put a stop to. A cultivator must be educated to utilise or take loans for productive purposes, make saving from the extra returns and then utilise the surplus for non-productive purposes. Intensive farming for taking the maximum returns from land must be taught to the cultivators. Means for providing the extra expenditure on manure and labour will have to be found out. Burdens (including Government cess) on the agriculturists are very heavy. The high rates of interest including those charged by co-operative societies are more than what the industry can bear. A well-managed farm with some garden land does not usually return a higher percentage of interest than 10 per cent. to the owner, much less to a tenant. The current market rate of interest is high and unless the cultivator's market rate of interest is high and unless the cultivator gets a better price for his commodity, this burden will be always heavy. The rate of interest on *taccavi* loans is not so high. Instalments for repayment of debts (*taccavi*) should extend over 10 to 15 years. The determining factor for fixing instalments should be the extra income a cultivator would derive from such improvements. In order to pay back the loan, a borrower must be able to earn over and above the interest on the sum.

The names of all claimants to an estate from a joint family should be shown in the Record of Rights. The fee of annas 10 per hour for looking into village records should be reduced. Suggestions as how to raise the working capital for mortgage banks rests with authorities on financial matters. Capital from outside will have to be utilised for a time to come.

Cultivators will have their doubts about the good intentions of land mortgage banks if they have no share in the raising of the capital. Cultivators of this tract are too poor to raise capital for any kind of society. Any attempt to raise capital will have to be extended for a few years. Cultivators find it difficult to contribute in cash, but will not find it difficult to contribute in kind at the time of harvest. There are many temples with substantial incomes. Part of such incomes should be diverted to co-operative purposes. When sums from such institutions are lent, they are usually punctually returned by the borrower and rigorously collected by the village *mahajan*. Advantage should be taken of such religious beliefs by starting societies in the name of the temple-deity.

In order to attract capital, debenture bonds should carry Government guarantee for principal and interest. (Similar to the guarantee given by the Madras Government.)

If money-lenders are sufficiently protected by judicious legislation against losses and future harassments by agriculturists, capital would be forthcoming to supply the needs of agriculturists.

5. Mr. Keating's "Rural Economy in the Deccan" gives a general idea of the cultivator's position. In this connection it is worth while studying Rao Bahadur P. C. Patil's books on "Data of Cost-production". Mann's book "Land and Labour in a Deccan Village" in chapter VI deals with this question. But the enquiry is not a complete one, and in this connection it is worth while quoting the concluding paragraph of the book: "But the study we have made and the results to which we have come are such as to cause profound suspicion that the condition, at least of our dry agricultural villages, is much less satisfactory than has been usually considered. The

next need is for further enquiry." The condition of the agriculturist of our tract is nearly the same, or probably worse.

From our enquiry into one village we find that only 40 per cent. of the loans given by the village co-operative society were used for agricultural purposes.

Land is gradually passing into the hands of absentee landlords, and the original farmers are being turned into mere tenants. This process is responsible to a certain extent for taking away the incentive to produce more and in an efficient manner. With the advent of money-making crops like sugarcane, some cultivators have made money. Such people pay higher prices for land than what the absentee landlords or mere landholders actually pay. Illiteracy and poverty of the cultivating classes, more than anything else, is responsible for taking away the incentive to produce more and in an efficient manner. Want of education in agriculture precludes a cultivator from taking proper returns from the land. Opening of agricultural bias classes and more agricultural schools is the remedy. When plots are rented on long terms of lease the cultivator generally looks to the levelling of the plot and minor improvements. Under these conditions more attention to manuring and other details is paid. Good tenants possessing the necessary working capital generally do not neglect their crops and take good returns from the lands cultivated by them.

6. Rice-milling by hand is an important subsidiary industry. Recently 4 rice mills have been installed in our district. This has put out of employment many people. In one centre (Nandgad) more than two hundred people have been deprived of their industry. There is scope for more, but the people ousted out must be provided with some other industry. Keeping hens for eggs gives a small income. Our local cows are poor milkers. Buffaloes are the main source of milk supply. The milk industry is spreading to a few villages in the close vicinity of Belgaum, otherwise buffalo milk is converted into butter. Horticulture has not taken a hold on the cultivators. Nature has provided our tract with mango and jack fruits. Vegetable cultivation is confined to a few plots round about Belgaum. *Gur*-making as an industry has a very limited scope. Hand-spinning is unknown. Ours not being a cotton-tract, there are no gins. Carting gives employment to many for about 5 months. The economic condition of villages round about Belgaum is better than that of those in the interior. Proximity to Belgaum affords opportunities for carting work.

Transport by motor or railway wherever they exist and co-operative selling will give a cultivator better value for his produce. Cheaper and economical transport will encourage cultivators to go in for horticulture. Similarly vegetable farming will be encouraged. Jack-fruit has no local market, means of preserving it and sending to distant markets or converting it into some other product should be devised. New blood from good stock must be introduced in the local stock of cattle and poultry. There is ample scope for dairying and cattle-breeding. But the stringent forest-laws deter people from keeping cattle, and the industry of cattle-breeding is fast dying away. A co-operative effort will have to be done in the beginning, but later on the cultivators will understand the value of keeping good sires, etc. Our tract is the home of bamboo and an industry to utilise bamboos will open a new avenue.

Bonemeal is being used as a manure for paddy. Establishment of a bone-crushing factory will give work to a limited few. But the cultivators will get manure at little reduced rates. Export of bones should be prevented. Oil mills in a few centres will supply concentrates to cattle and top dressings for crops at cheaper rates. Sericulture

as a cottage industry is likely to thrive on our side. These are enterprises requiring comparatively small capital, and local capital should be easily forthcoming. Days are coming when people have to look for new openings for their children, but Government will have to take the initiative for some time.

6A. There are many handlooms working in Belgaum. Hand-spinning during his spare time will undoubtedly give work and wages to a cultivator; hand-weaving will give work to some, this being the work of trained people.

7. Sale societies by finding out better markets and giving proper prices to the cultivator are doing an amount of good. Village societies do not seem to have improved the financial position of their members to a remarkable degree. A careful and proper enquiry would reveal the true state of things. Village societies have been working to the benefit of the local *sowcars*. Many society members have to go to *sowcars* for loans for paying back the instalments of the society. Thus the people being helpless are at the mercy of *sowcars*.

Urban Banks have been meeting the financial needs of small traders and industrialists.

A greater number of non-credit societies will have to be started for the benefit of the cultivators. These should work in collaboration with the credit societies. Unless and until selfless workers come in or the paid agency steps in, the Co-operative Movement will not be as successful as expected.

8. The amount of trouble litigation involves defers many people from advancing sums to agriculturists.

The Dekkhan Agriculturists' Relief Act does not seem to have done any good to the cultivator. It did some good in the beginning in releasing some lands. Now the money-lender has become wise enough. Unscrupulous money-lenders have devised methods of preventing losses in case of borrowers who are likely to be declared agriculturists. A cultivator has to undergo all the expenses of a court in getting himself declared an agriculturist. Some people borrow for other purposes than agricultural and to lessen their burden of debt buy some land to get themselves declared as agriculturists. Such people got the full benefit of the Act.

Money-lenders should be protected to a certain extent. Sums should be advanced by *sowcars* to agriculturist on the same fixed rates of interest and on the same terms of co-operative societies. Such sums should be returned in fixed instalments. Such agreements should not be liable to changes in law courts. Thus a borrower from the beginning will get the full benefit of being an agriculturist and the money-lender's position will be safe.

SECTION III.

3. A farmer like most other classes of people in India invests part of the surplus money in ornaments. He keeps the rest in hiding in his house. A few good cultivators invest their surplus sum in buying young bulls or milk-animals. They buy lands when they have sufficient funds to do so. A part is spent in drinking. They lend out sums to fellow cultivators on nearly the same terms as money-lenders. These sums are not collected until required. Depositing in banks or with bankers is never resorted to by them. Ornaments are sold when a necessity arises. Short-term or long-term loans (3 to 4 years) are given to fellow cultivators.

Rao Saheb V. V. Shirgaokar.

Rao Saheb V. V. SHIRGAOKAR, B.Ag. (with Mr. G. D. TINAIKAR, B.A., Mr. H. G. BANE, and Mr. S. A. TAMBULWADKAR).

Oral Evidence.

15251. *The Chairman :* Rao Saheb Shirgaokar, you are a landholder ?—Yes.

15252. Is there an Agricultural Association here ?—Yes.

15253. Are you in any way connected with it ?—Yes.

15254. Do these gentlemen represent the Agricultural Association, or do they come as individual agriculturists ?—They come as individual agriculturists.

15255. How much land do you hold ?—Sixty-three acres ; 5 acres of it is rice land, 8 acres garden land and the rest is *mal* land consisting of pasture and grazing land.

15256. Has the ordinary cultivator to borrow for dry crops ?—For crops like *sawa* and *nachni* he has not to borrow.

15257. Has he to borrow for rice ?—Yes.

15258. Does he not keep his own seed ?—Yes; generally he keeps his own seed.

15259. For what has he to borrow ?—For weeding and manuring.

15260. Does his family not work in the fields ?—Yes ; but he has to hire labour for transplanting, weeding, harvesting and threshing .

15261. What crops has he to manure ?—Rice and sugarcane especially.

15262. Can you give us an idea as to how much an ordinary agriculturist would require per acre for rice ?—For rice Rs. 50 per acre.

15263. How much would it be in the case of people who actually work in the field and do not require outside labour except for weeding and transplanting ?—They will require at least Rs. 30.

15264. And how much would it be for those who require hired labour ?—It would be even Rs. 70 per acre.

15265. How much would it be for other crops ?—For sugarcane it would be Rs. 300 per acre.

15266. Does that include the cost of seed ?—Generally we have our own seed.

15267. How much would it be for sweet potato ?—It would be Rs. 30 per acre. The cost of cultivation is Rs. 20 and the sets for planting would cost Rs. 10 to 15. Cultivators do not grow their own sets.

15268. Is there any tobacco or chillies grown here ?—To a small extent.

15269. Do most of the people borrow from *sowcars* ?—Yes.

15270. You have given the rates of interest in your note ; but I presume these rates vary according to the security ?—Yes.

15271. Supposing gold and silver is mortgaged, what is the usual rate ?—12 to 15 per cent.

15272. Why is the rate so high ? Is there want of capital, or is there want of security ?—In many cases they offer good security.

15273. Is there no competition amongst the money-lenders themselves ?—There is to a certain extent.

15274. Then why is the rate so high ? 12 to 15 per cent. on the security of gold and silver ornaments is a high rate ?—I think that is the current rate even in the Belgaum market and not only current in the villages.

15275. Do you know whether in the villages there is want of capital ? Are the village *sowcars* able to supply money ?—They are mostly able to supply.

15276. Is there no need of further capital ?—To a certain extent.

15277. Is there need for reducing the rates of interest ?—Yes ; the return from agriculture never exceeds 10 per cent. on the capital invested.

15278. So to make agriculture paying the rate of interest must be lower than 10 per cent. ?—It should be very much lower ; I think it should be even less than 5 per cent.

15279. Does the Imperial Bank advance to big landholders ?—Yes ; to some of them.

15280. Is it on the security of produce ?—No ; the bank advances to the landholders in their capacity as merchants or traders in Belgaum on the security of gold and silver ornaments.

15281. Has any big landholder attempted to secure advance against the security of produce ?—I do not think any attempt has been made.

15282. Is the facility necessary to bring the produce to the godowns and get a loan from the Imperial Bank ?—Yes ; it would be useful.

15283. Are such facilities available now in the market ?—It is only the urban bank that has a big godown ; but the bank usually advances loans to merchants.

15284. Do the *dalals* advance against the security of produce ?—Yes.

15285. You say, " The amount of credit necessary for expense during cultivation of two crops only, rice (77,000 acres), sugarcane (2,500 acres), comes to about Rs. 46,00,000." Have you calculated at Rs. 50 and Rs. 300 respectively ?—Yes.

15286. What is your opinion about the possibility of carrying out land improvement ? —There is great scope.

15287. For what kind of land improvement ?—For digging of wells, irrigation schemes wherever there are rivers and bunding of rice land.

15288. Is much being done by way of bundings ?—Not much ; very few people do it.

15289. Is it because there is not much propaganda, or is it because people have no money ?—There is difficulty as regards finance.

15290. As regards irrigation, is it a risky operation here ?—It is not as risky as in the black tract.

15291. Do people go in for digging wells ?—There are many who go in for that.

15292. Where do they get finance from ? Do they have their own capital, or do they take *taccavi* ?—It is mostly the *sowcars* who advance.

15293. At what rate do the *sowcars* advance ?—More than 15 per cent.

15294. Why do people not go in for *taccavi* ?—People are going in for that ; but it is difficult to get *taccavi* in good time.

Rao Saheb V. V. Shirgaokar.

15295. Do you think that if finance were made available, there would be more work done by way of well construction ?—I think so.

15296. As regards utilising rivers and *nalas,* is much work being done in this connection ?—Recently it has been done.

15297. Have any people purchased pumps ?—Very few ; about fifteen or twenty have purchased pumps.

15298. Have these pumps, which have been erected, been successful ?—Yes.

15299. As regards rice, you say that it occupies about 40 per cent. of your cropped area. Is it consumed locally, or is it exported ?—We have to bring from outside for supplementing our produce ; it is not exported.

15300. Is a part of it sold ?—Yes.

15301. Is it sold in the village itself ?—I think about 99 per cent. is sold in the village.

15302. After being sold in the village the traders must be bringing it here ?—Yes.

15303. Do you know how the traders are financed, whether they have their own money, or are they financed by others ?—The traders are mostly cartmen. They take money from the *dalals* and sell the paddy to the *dalals.* Recently rice mills have been erected and the cartmen directly go to the mills for selling paddy.

15304. Do the owners of the rice mills buy it or merely husk it ?—They buy it outright.

15305. And where do they send it ?—They send it to the Belgaum market.

15306. Have you any mills ?—Mr. Bane has one.

15307. Is there any difficulty about purchasing ?—Yes ; we require a good deal of capital for purchase of paddy ; from January to May people sell paddy, and at this time the rate is low, so we have to buy it and stock.

15308. Where do the owners of such rice mills get money from ?—They have to borrow.

15309. From whom ?—From co-operative credit societies, or from urban banks or from *soucars.*

15310. Do they get sufficient money ?—If they give proper security they get sufficient funds.

15311. Are there sufficient facilities available ?—Yes.

15312. When you husk rice, do you bring it to Belgaum ?—Yes ; There are no godowns in Belgaum. Only recently the urban bank has opened a godown ; but the urban bank advances to the members of the urban area only on godown system and not to village people.

15313. Supposing there were godowns available here, will people from the villages bring and stock their rice and take advances ?—Yes, most willingly. Even the Imperial Bank will advance if the goods are brought into godowns.

15314. So there is paucity of godowns and you want more godown facilities ?—Yes; the district central bank has asked for permission for godown construction, but permission has not been granted.

15315. Has the Imperial Bank not arranged for godowns ?—The traders have their own godowns where the mortgaged goods are stocked.

15316. What happens? Are people forced to sell their rice because godown facilities are not available?—Yes; people are forced to sell rice cheap in the months of January to March.

15317. You say lands are passing into the hands of absentee landlords and the original farmers are being turned into mere tenants. Is this statement made as a result of any enquiry?—It is only our experience.

15318. In whose hands is it passing?—Mostly village *sowcars* and landlords.

15319. What happens when these lands pass into others' hands? Do they again lease to the same people?—Not necessarily to the same people.

15320. Do you know any particular village where this tendency is great?—Santibastavad where three-fourths of the land is owned by absentee landlords.

15321. Since how many years has this state of affairs been happening?—Nearly 50 years.

15322. Does more and more land pass every year from the hands of agriculturists to *sowcars*?—Very little land remains with agriculturists now. Most of it is passing into the hands of *sowcars* (except *watan* land).

15323. Has any land been purchased by the agriculturists?—Very little; I think even one per cent. may not be in the hands of agriculturists, and that is why it tells upon the produce of the land.

15324. Has cultivation deteriorated?—Yes; they do not take care of the land.

15325. Are the leases annual?—Mostly annual.

15326. Are the rents high?—Rents are rather high.

15327. What is the cause of this transfer of land from agriculturists to non-agriculturists?—It is the indebtedness of the agriculturists. What they require money for is mostly marriages and other ceremonials, and gradually the expenditure of marriage is increasing.

15328. So it is extravagant expenditure on ceremonials that is mostly responsible?—Yes, and added to it is the drinking habit of the people.

15329. Has anything been done to counteract these tendencies?—I do not think anything has been done.

15330. You say that money-lenders should be protected to a certain extent. What protection would you give to the money-lenders?—When they go to court, they are always afraid of the man (borrower) being declared as an agriculturist.

15331. Do you want that the Dekkhan Agriculturists' Relief Act should be modified?—Yes.

15332. You say that agreements between the debtor and the creditor should not be liable to changes in law court. But we were told in many districts that nowadays sale deeds are taken instead of mortgage deeds, and double the amount is entered in the agreement than what is actually advanced. So if the court does not go into the agreement and the previous history, the borrower will have to pay double the amount?—We are for licensing money-lenders and their accounts being checked.

15333. Do you think the money-lenders will agree to have their accounts checked?—Very few, in the beginning.

15334. Would it be reasonable to expect money-lenders to keep proper accounts and to give extracts to borrowers ?—Yes.

15335. Would there be any objection if their accounts are audited ?—Yes, the majority would object.

15336. Supposing certain facilities are given to them, and supposing the procedure is changed and money-lenders are allowed in cases where their accounts are audited by certified auditors to get better and quicker relief, do you think they would agree ?—Yes, in that case they would not object to get their accounts being audited.

15337. It has also been suggested that in that case their account books might be paged and numbered. If they are given that facility, would they object ?—In that case they would not object.

15338. *Mr. Kamat :* About the land improvement and the technical advice for bunds or irrigation, you have said that an agricultural graduate, unless he has special training, cannot give advice. Does it mean that that for technical advice you require a special department ?—Yes ; a special department with a special officer.

15339. If a technical adviser is offered by Government, do you think people would come forward with finance to sink wells, etc. ?—In some cases they will when they have the necessary funds. I am referring to the scrutinising of *taccavi* loans.

15340. About these rice milling factory, how many people are employed in a rice milling factory ?—For big plants about twenty people are required. There are not many big plants here.

15341. You have stated that these plants have displaced about 200 people in a certain place (Nadagad) in your part. Is it a guess or a correct estimate ?—We have made enquiries, and it was stated to us that 200 people used to carry on that kind of hand-mill work for rice.

15342. Are these rice plants found profitable ?—Now there is too much of competition and they do not find it so profitable. It is only during the last two years that these plants have been established in our part of the country.

15343. About the land passing into the hands of absentee landholders, does the land pass away from the hands of the cultivator because he is heavily indebted ?—Yes.

15344. When a man is heavily indebted, has he an incentive to produce more out of the land ?—No.

15345. I want to know from your experience which is the lesser of the two evils, a man heavily indebted having very little heart in his work and producing small outturn, on the other hand same land going into the hands of absentee landlord who, letting it to somebody, produces something better from that land ?—It is only when a man owns his own land that he puts in proper labour and sufficient manure ; when we let our own land the cultivator does not put in proper labour and sufficient manure.

15346. In other words, an indebted farmer, although an owner, perhaps produces as little as when he is a tenant only ?—Yes, I think so.

15347. You say that there is scope for dairying and cattle-breeding here. Have you any experience of these two side industries ?—I have some animals, and I find that by introduction of foreign blood there is a great scope for improvement of the local breed.

15348. As for cattle-breeding, to what extent is it true to say that grazing either free or at concessional rates is indispensable ?—Not necessarily free grazing. People are prepared to pay some fee for good grazing provided they are not troubled by the forest officers.

15349. What is the present rate per animal ?—Four annas per animal per season. (In forest areas.)

15350. Have you anything to grumble at the rate ?—I do not think we have to grumble at the rate of fee, but it is the trouble or the harassment that the man gets that we have to grumble at.

15351. Do you think the fees do not come in the way of cattle-breeding ?—No ; a fee of four annas is cheap. Sometimes even it is two annas.

15352. In some places it is only two annas ?—Yes ; for six months.

15353. So far as Government is concerned, they have charged reasonable fees ?—Yes.

15354. And it is the local forest subordinate officers who harass poor cultivators ?—Yes.

15355. This is at the root of the trouble ?—Yes.

15356. Apart from this question of trouble, does cattle-breeding, if worked for a good term, become a profitable business ?—In our tract it will be a very profitable business. Grass is very cheap. It does not cost us much to maintain one animal. It does not cost us more than Rs. 10 for a year.

15357. That is to say if you rear cows, maintain them for three years and sell the calves, you get on the whole a good price ?—Yes.

15358. Why are not people doing cattle-breeding on a larger scale ?—They were doing.

15359. You are speaking of the past. Why has it fallen into disuse now ?—It was confined only to a certain class of people called *dhangars*. I am now talking about our type of people who can go in for it but for these difficulties that I have mentioned.

15360. If a man keeps a few cows say 10 or 12 at a suitable centre and not very far from here, how much finance would he require ?—To start with, I think he will require Rs. 300 or Rs. 400. For maintaining them he will require another Rs. 300 or Rs. 400.

15361. Say about Rs. 1,000 he will require ?—Yes.

15362. About this bone crushing industry, have you any personal knowledge ?—There is one at Hubli.

15363. With what results ?—It (the product of the mill) is finding great sales.

15364. The difficulty is to collect bones in small quantities from *mahars* from village to village ?—Yes.

15365. You have not to do here the collecting of bones ?—No ; there are traders who do this work. There is a regular market here.

15366. And is the demand from local people or do you export them wholly ?—The bones go either to Hubli or to Bombay for export. It is not crushed in Belgaum.

15367. If you start a factory here you can sell the boan-meal for manure ?—Yes.

15368. Is there a local demand ?—Yes, there is a very great demand, especially for paddy.

15369. Have you any idea as to how much finance would be necessary for a bone-crushing factory ?—I think a small factory will not cost more than Rs. 5,000.

15370. *Mr. V. L. Mehta :* Another secondary occupation you speak of is poultry keeping. Is there any prejudice here towards keeping poultry ?—Absolutely none on our side. Each cultivator keeps his own poultry.

15371. We were told in the Dharwar district that there was some prejudice amongst Lingayats and Reddis to keep poultry ?—This is not the case on our side, most of the cultivators being Marathas.

15372. You state that people may look with a suspicious eye towards any proposal to start land mortgage banks. Is the suspicion due to the fear that they may be deprived of their lands ?—Yes.

15373. Do you think that if some local capital is invested, they will have more confidence in it ?—Yes.

15374. Do you have in your Mallad tracts this problem of damage caused by wild beasts to the same extent as in Dharwar and Kanara ?—No, not to the extent as it is in Kanara but more than what it is in Dharwar.

15375. Do you think it is possible to encourage co-operative fencing schemes ?—Yes.

15376. Are there any in this part of the district ?—There is none. First of all people have not got sufficient money to maintain themselves. It is not possible here to the extent as it is in Dharwar.

15377. *The Chairman :* There will be increased profits if a big area is fenced ?—I think they should be charged. It is not possible even for Government to do this work. It is only a mere suggestion. If Government undertakes such a scheme, they should charge some cess just as they charge for water (cess). At present they do not even keep their shares of Rs. 10 (of the urban banks), but they sell them off very soon.

15378. *Mr. V. L. Mehta :* Is it due to lack of capital or due to inertia ?—It is due to lack of capital.

15379. You know that in some Mallad tracts the local tanks are being silted up. Is it also a problem here ?—Yes.

15380. Should these tanks be repaired by people themselves or should this work be done by somebody else ?—People can do it.

15381. If these tanks are repaired, the production would improve ?—Yes.

15382. Are there no schemes for improving these tanks either on the part of Government or on the part of villagers ?—There is no such scheme as far as I know.

15383. You suggest a special staff for enquiries to be made into the schemes of land improvement ?—Yes.

15384. But even where you have to set up a Persian wheel or things like this, will the services of such staff be necessary ?—Yes.

15385. Would you have the services of the staff for all kinds of schemes ?—Yes.

15386. You say that a cultivator gets *taccavi* at a lower rate of interest through the Revenue Department than through a co-operative agency. Is that not the position to-day ?—The present rates are the same. Formerly co-operative societies were charging a higher rate than they do at present. Now the rate is the same.

15387. About the licensed warehouses, you mentioned the need for them in Belgaum ?—Yes, in every market place like Belgaum there should be licensed warehouses.

15388. Who would run these warehouses ? In your opinion who should get license ?—A capable man will come forward and ask for a license.

15389. Any individual ?—Yes.

15390. If there are sale societies or urban banks, should they also get license ?—Yes.

15391. *Professor Kale :* Do you hold the view that *taccavi* should be granted directly by district banks ?—Yes.

15392. And not through the Provincial Bank ?—Yes. And the commission taken should be also reduced because the Provincial Bank advances at the rate of four annas and district banks take eight annas and societies take eight annas. So it comes to Re. 1¼ for nothing.

15393. Do you think that district banks would be able to manage this *taccavi* business ?—Yes ; they have efficient staff consisting of inspectors.

15394. There will be no difficulty for them to manage this business ?—No.

15395. Has sugarcane cultivation and manufacture of jaggery been affected recently by the fall in prices here ?—No.

15396. Elsewhere we found that on account of the reduction in prices the position of this industry has been rather endangered. What is the position here as regards sugarcane ?—It is not yet endangered. Our crops are very poor crops and the cultivator has to think of something which yields him some profit and that is why more people are going in for sugarcane cultivation.

15397. This is only a comparative advantage and not a positive advantage ?—Yes.

15398. Is the number of Pathans in this district growing ?—I think so.

15399. Have you come across any cases where these Pathans exercised violence against the villagers ?—Yes, in Santibastwad there is one Pathan and he actually beat one gentleman in my presence.

15400. Has this fact not been brought to the notice of Government ?—No. Nobody is taking notice of it. The village *patel* himself is afraid of the Pathan. He will not go against him.

15401. So the grievance was not redressed even inspite of the fact that it was brought to the notice of the authorities ?—No.

15402. Did the Police know it ?—For the present, the number of police stations are very few. Formerly there were police stations in the villages and now they have stations at *taluka* places. Once in a week now-a-days, a policeman goes round the villages.

15403. You think that certain measures are necessary for checking this evil ?—Yes.

15404. You make an interesting suggestion that incomes of certain temples should be utilized as funds of co-operative societies. What is exactly your idea ?—In Chandagad there is one Rawalnath's (god) temple. The temple has large funds and a good income. Such funds and incomes should be diverted towards starting co-operative societies.

15405. At any rate the members of the society will be induced to repay punctually simply because the money belongs to the temple ?—I think so. This being god's money, they fear to keep it and return it regularly.

15406. Do you think this will continue for any length of time if you start many such societies ?—Some of these temples have unregistered societies and they advance sums to some people who pay regularly.

15407. Are there many such temples where moneys are advanced ?—Yes.

15408. *Mr. V. L. Mehta :* Is any interest charged on such loans ?—Yes ; a very low interest is charged on such loans.

15409. *Professor Kale :* I find that temples seem to be better than co-operative societies ?—Yes, they are much better. If the money is not returned they (borrowers) are excommunicated at once.

15410. The wrath of God will fall on their heads ?—Yes.

15411. You say that rice-milling by hand is an important subsidiary industry ?—Yes.

15412. On account of the starting of rice mills, many people are being driven out of the old industry ?—Yes.

15413. Your idea is that unless some other occupation is found, the condition of the people will be much worse than what it is ?—Yes, they will have to be provided with some other occupation.

15414. *Mr. Kamat :* As an agricultural graduate having practical experience and for a man of your standing, I should like to ask you a question. It is about the unemployment problem of middle class people. You are aware that there are vast areas of lands in the Sukkur Barrage. Supposing large lands of some thousands of acres are made available for agricultural graduates, would some of them from this part of the country have the enterprise to go to Sind and cultivate lands under the canal area ?—There are a very few graduates on this side ; we have not thought over this question.

15415. Do you think that a few of the graduates will be able to arrange for finance if there is such a scheme before them ?—I do not think so.

15416. If finance were arranged for them, will they have the enterprise to go at least from one province to another ; or are you not prepared to answer this question ? Sind conditions are different. It has a beautiful alluvial soil and there is the canal water for 12 months. Will you have the enterprise to go and make an attempt ?—Except for the arranging of finance, I think the rest can be done.

15417. *The Chairman :* You said there was one Pathan in the village called Santibastwad. Was any regular complaint made about him ?—No.

15418. No one is coming forward to give evidence ?—No one is coming forward for fear of violence.

15419. How much money does he advance ?—He advances to the extent of Rs. 300 or Rs. 400.

15420. You say you have introduced some foreign cattle breed ?—Yes ; Ayershire and Sindhi. I have the third generation now.

15421. Did you find the second better than the first ?—Yes. The first calf was from the military dairy and the third generation calf is yet a heifer.

15422. Do you think that the village money-lenders usually trade on their own capital, or do they get capital also from outside ?—They trade on their own capital.

15423. Suppose they fell short of funds, do they not go to *shroffs* to borrow ?—If they fall short of funds, they stop their business.

15424. Is it because they cannot make any arrangement or because they do not wish to borrow ?—In some cases they do not wish to borrow.

15425. You do not know of any case where they do actually borrow from *shroffs* ?—No.

15426. If all these bankers were registered and their accounts audited and they are given certain facilities, do you think that their rate of interest will go down ?—Yes. About *taccavi* I want to speak a few words. The instalments given for repayment by societies are not sufficient and even if they are given sufficient instalments, the agriculturist is not in a position to pay a part of the principal and interest in the first year. So, for the first year and the second year interest only should be taken.

15427. The object of the whole *taccavi* system is that the instalments should be paid out of the profits and if there are additional profits why should he not pay ?—When an agriculturist takes *taccavi* and sinks a well to grow some garden crops, he is not certain that the garden crops will prove successful the very first year. Sometimes the crops are successful and at other times not, in which case he is not in a position to repay the instalments. Unless the soils are well-manured and fertilized and come to full fertility, one does not get good returns from the soil (for a year or two). Therefore I say that my above suggestion should be recommended.

(The witness withdrew.)

Mr. V. M. BAKRE, Honorary Secretary, Bombay District Co-operative Institute.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—Generally only the poor agriculturist has to borrow for current needs. Some landholders borrow money for capital improvements, but the higher rate of interest does not make it profitable. A number of agriculturists have to borrow for payment of the land revenue, for their daily needs, marriage, litigation, houses and buying lands.

The Pathan charges interest at the rate of 2 annas per rupee per month on small sums. Occasionally he charges 4 annas. On amounts borrowed from other sources ½ to 1 anna has to be paid as interest. Generally debts are repaid after harvesting. For loans in kind, *sawai* (1¼) has to be paid. The loans are given sometimes on note of hand, sometimes against mortgage of pots and occasionaly against gold. Larger sums are advanced, if the debtor is a man of some standing, on promissory notes, deed or on a mortgage of his property. The rate of interest is from 12 to 18 per cent. Interest on larger sums is between 9 and 12 per cent. Advances are made to respectable agriculturist on the stipulation that his produce should be sold through his creditor. The co-operative societies advance at a rate of Rs. 9-6-0 per cent. to 12½ per cent. If a default is made, the rate charged is 18 per cent.

It is not usual to advance against standing crops. Loans taken for current needs and other miscellaneous purposes are returned after a year. Loans taken for other purposes are not repaid promptly. Sometimes when hard-pressed for repayment, the borrowers go to the *sowcar*. The *sowcars* do not allow repayment by instalments. Co-operative societies advance against lands. The *sowcar* gets the debtor to execute a deed for double the amount borrowed, or a deed for conditional sales. Government gives *taccavi* through the Provincial Co-operative Bank, District Central Co-operative Bank and co-operative societies. The rate is 6¾ per cent. The money thus obtained is not used as carefully as expected. There is only an out-station, but no branch of the Imperial Bank at Belgaum. Money is advanced either against goods or gold. The Imperial Bank plays no part in agricultural finance. The District Bank has not advanced large funds for redemption of previous debts, though provision for such advances is made. The advances for this purpose are repayable in eight years. Merchants assist the cultivator on the understanding that the produce should be sold through them.

No estimate can be made as to the financial requirements of this district.

QUESTION 2.—Ordinarily the produce is sold to a local merchant or in a neighbouring market-place. Bigger cultivators sell their produce through *dalals* in the big markets. 1 to 2 per cent. *dalali* is charged if the goods are sold off immediately; the merchant advances about half of the value to the agriculturist at the rate of 9 to 12 per cent. On the sale, he recovers from the proceeds his interest, rent, commission, etc. No produce is sold in two or three months, and the agriculturist loses not more than 3 to 4 per cent. on the whole transaction.

It will not be profitable for the small agriculturist to sell his produce through co-operative sale societies, as some time elapses before the whole machinery of co-operative sales begins to move, and the agriculturist who has his goods ready early in the season, makes less profit. Besides almost all facilities given by the co-operative sale societies to their clients are given by the merchant to the small producer. The only difference will be in the weights and prices, and it is to the merchants' interest to use correct weights, etc., as otherwise he will lose his business. The larger producer can, however, sell through such societies.

There are three or four sale societies in the District; the Imperial Bank and the District Central Bank advance money against goods, and the merchants find it profitable to raise money on the goods and wait for better prices.

Money is remitted by means of *hundis*, cheques or by sending currency notes. It can also be sent by means of Treasury supply bills. Inter-district transfers are effected by means of remittance transfer receipts and within the district "cash order" also is in use. Both *darshani* and *mudati hundis* are used, but the latter not so extensively.

Hundis are cashed at the place where they are drawn. Bombay *hundis* circulate for some time, and are afterwards sent to Bombay for encashment. Abolition of stamp duty has increased the use of cheques. Use of *hundis* and cheques will increase if stamp duty is abolished. Government should now draw a list of solvent banks, and cheques on such banks should be cashed without charging commission.

QUESTION 3.—*Juar*, wheat, gram lands cost Rs. 150 to 400 per acre. Best rice land 800 to 1,200 per acre. Medium rice land Rs. 100 to 400. *Bagayat* land in Bombay Rs. 1,000 to 1,500. *Bagayat* in the district Rs. 500 to 1,000.

Ordinarily the cultivator does not let his land be auctioned for non-payment of land revenue, but if sold it fetches very low price. If sold by a court decree, the price is

slightly lower than that obtained in a private sale. Excepting *watan* land, there is no impediment to mortgaging land. There are no land mortgage banks in this district.

There are about 225 co-operative societies in this district. *Taccavi* is granted through the District Central Co-operative Bank and it amounts to Rs. 75,000. In the absence of any rules regarding recovery of *taccavi* in case of default, the bye-laws of the co-operative society in the same regard are applied.

There should be land mortgage banks to finance the agriculturist for his extra agricultural needs. One-fourth of the board of such banks should be of Government experts. The Bank should derive its capital from shares, deposits, from the District Central Bank, urban banks, the Provincial Bank or even the Imperial Bank, against the promissory notes passed to it by its debtors. It is through this channel that the Imperial Bank can be made helpful to the agriculturist class.

QUESTIONS 6 AND 7.—The Co-operative Movement has succeeded in helping the agriculturists for their agricultural needs. Such of the people as have borrowed only the necessary minimum and have spent it economically have benefited themselves to a very great extent. The urban banks have also been a help to people of all classes. The Movement has been effective in lowering the *sowcar's* rate of interest, and has also made far easier terms for the debtor.

The District Central Bank is not short of funds. They had to invest some surplus at a very low rate of interest.

It may however be stated that the Co-operative Movement has not been as successful as it should be. Government should have seen that the people are being educated in co-operative principles and that the Movement is not vitiated by mismanagement. A committee to enquire into the working of the Movement would be very desirable.

A majority of people borrow more money than is necessary. A number of people, who borrow more than they need, are of the opinion that the co-operative society should not press for repayment with as much rigour as the other creditors. And whenever the co-operative society takes steps for recovery, it is pointed out by such that the co-operative society is only a substitute, an indifferent substitute, for the Pathans and money-lenders. This contains a modicum of truth in it. In cases where there has been a default against a co-operative society the rate of interest is increased to 18 per cent. by way of penalty. This is also the maximum charged by the *sowcars*. The co-operative society further is not disposed to wait for recovery as the *sowcar* is. It is, therefore, necessary that proper inquiries as regards real needs of the people should be made before a loan is given ; it should also be seen so that the money is properly utilized.

The district banks have to finance the co-operative societies, but their work is being more and more difficult. Owing to large overdues it cannot advance to some societies while deposits keep coming in. There is thus a large surplus.

It is not advisable for the District Bank to advance money to societies in famine tracts, as I do not think it would be possible to improve conditions in such tracts.

The ultimate effect of borrowing either from the *sowcar* or from the co-operative societies is the same. It is evident that the protest against the *sowcari* system is groundless, for similar statements can be firstly made against the co-operative societies.

It should be seen that the co-operative societies, whereever they exist, carry out their work in an efficient manner. It is not possible to have a co-operative society in

every village, and so in the absence of the co-operative society the *sowcar* should be enabled to take their place. The Dekkhan Agriculturists' Relief Act ought to be repealed and arrangements made for expeditious working of the civil courts. The list of approved agriculturists should be drawn up for every village, and in transactions with them, the same facilities as are given to the societies (*e.g.*, regarding stamp, etc.), should hold good. Registration fees should be lessened, and interest on such sums should be exempt from income-tax.

Their business is generally on sound lines, but occasionally advantage is taken of the illiteracy of the debtor. Educating the villager is the only remedy against this.

QUESTION 8.—Accounts are always written down, though not always very systematic. Such of the debtors as can check these are allowed to do so. Others have to depend upon the honesty of the *sowcar*. The urban banks are in a similar state of affairs. Facilities for getting loans on easier terms has induced many people to borrow for unproductive purposes. Some have borrowed to such an extent that it is entirely beyond their capacity to repay. It is, therefore, necessary that strict supervision, in granting loans as well as spending of them, be exercised.

It should not be the aim only to provide for easy credit. It is also of importance to see that opportunities for using the capital borrowed exist for the borrowers. Efforts must be made to enable the agriculturist to take advantage of the improved methods of agriculture and for others to take to some other industries. In Belgaum the subsidiary occupations are mainly weaving, making brass and copper pots and bringing in milk from the suburbs. But these will not find employment for the agriculturist. Government experts should be able to suggest some few subsidiary occupations.

The Dekkhan Agriculturists' Relief Act has made it possible for an agriculturist to borrow money and misuse it. In order to avoid loss the *sowcar* takes either a sale deed for the agriculturist's land or takes a note for double the amount actually lent. The delay, worry and expense of recovery from the agriculturist, caused by the Dekkhan Agriculturists' Relief Act, has made many a *sowcar* unwilling to do business, and consequently a large capital is lying idle and has been invested to earn smaller rate of interest.

The Dekkhan Agriculturists' Relief Act has benefited people who are agriculturists in name alone, but not real agriculturists. It should therefore be amended in such a way that it can be availed of only by agriculturists. Owing to the Dekkhan Agriculturists' Relief Act the Vatan Land Act is not made use of. The Dekkhan Agriculturists' Relief Act may be repealed.

SECTION II.

The Co-operative Movement has affected the rates of interest of the *sowcar*. An act regulating the rate of interest and other conditions of loan will be beneficial to both parties. The agriculturist does not require an large finance for purely agricultural needs, and the saving he makes by a smaller rate of interest cannot be much. On the other hand, he has to approach the *sowcar* for his other needs ; and if some sort of regulation can be imposed on the *sowcar*, the agriculturist will be enabled to get a larger surplus.

The *sowcar* gets about 6 per cent. net after deducting legal expenses, etc.

QUESTION 7.—There is no prejudice against this class, and even now the cultivator gets assistance from them. The rates of interest of both the co-operative societies and

the *sowcar* are the same; the *sowcar* unlike the co-operative societies is prepared to wait for a long time for the repayment. He is further useful when the co-operative societies claim their dues.

The *sowcar* will not be willing to be registered, nor will he submit to an examination of accounts. But they might be willing to undergo certain restrictions if the certain additional facilities are given to them.

QUESTION 9.—Generally they are able to meet all demands if their client can give good security.

QUESTION 10.—The district banks should finance the agriculturists only through the co-operative society. The period of repayment should not extend over five years. The surplus of the District Bank should be deposited with the land mortgage banks. The Imperial Bank also should advance money to the land mortgage banks. The Imperial Bank and the joint stock banks should be made useful to the agriculturist. The land mortgage banks should advance money to the indigenous banker against proper security.

Some of the well-to-do farmers loan up their money. Some of it is locked away, because the *sowcar* finds it troublesome to advance money in the existing state of law.

Oral Evidence.

(*Summary of Oral Evidence in Marathi.*)

I am the Honorary Secretary of the Belgaum District Co-operative Institute. I am also a director of the District Central Bank and the pioneer of the Urban Bank. I have put in the statement in my personal capacity.

After the establishment of co-operative societies, the rate of interest charged by *sowcars* has been brought down. The societies have benefited agriculturists and petty traders, but the management is not very satisfactory, because the members of the managing committee are honorary workers, and they have no personal interest in the work. Members of societies find it easy to borrow from the society up to their limits, and they borrow more than what they actually need and do not spend for the particular purpose for which they borrow. In the case of *sowcars*, if the agriculturist wants to borrow, say, Rs. 500 from the *sowcar*, the latter will induce him to take Rs. 100 only for the time being. Though the rate charged by societies is less than that charged by *sowcars*, yet the difference in rates is made up by the members of societies in borrowing more than what they need from the society and wasting it. In my opinion the agriculturists will not be benefited by abolishing the *sowcars*. On the contrary, *sowcars* should be given facilities by Government as regards recovery of loans, so that they would advance money to agriculturists at low rates. At present the rate charged by *sowcars* and that charged by societies are practically the same. *Sowcars* charge from 12 to 18 per cent. and if the security is good, they even charge 9 per cent. The rates of societies are Rs. 9-6-0 to 12½ per cent., and in some cases 12 to 18 per cent., because they have to pay penal interest. About one-fourth number of members who borrow from the society have to pay penal interest. The average rate of societies is Rs. 10-15-0 and the *sowcars'* rate is 12 to 18 rupees. An enquiry committee should be appointed to enquire into the internal management of societies, as at present the managing committee is not working satisfactorily and members are advanced loans without discretion. There should be closer supervision over

the use of loans. The members should be advanced loans for agricultural purposes only after proper enquiries. The managing committee should appoint honorary workers to supervise over the members to see whether they make proper use of their money or not. Long-term loans are similarly misused by agriculturists. Agricultural officers should advance them long-term loans as and when needed for land improvement. They should not be given in lump sum. If the work is stopped, they should not be given further loans. In famine tracts, where there are consecutive bad years, societies cannot be successful, and societies should not be started in such tracts. In my opinion Government should take up land improvement schemes, as the people in this district are not educated to take up land improvement schemes individually.

The Dekkhan Agriculturists' Relief Act should be amended. The definition of the 'Agriculturists' should be clearly put down in the Act as at present very few real agriculturists take advantage of the Act, and others take an undue advantage of the Act. The maximum rate of interest should also be laid down in the Act.

I do not think pooling is possible for small cultivators. At present cultivators sell their produce individually when it is ready. There are cotton sale societies, tobacco sale society and general sale society. The management of the sale society should be expert. There should be facilities for marketing the produce. If the sale society is well-managed and gives more facilities than the facilities given by traders, the agriculturists will sell their produce to the society. My experience in this part of the Presidency is that the sale societies are generally not working satisfactorily.

(The witness withdrew.)

Mr. S. S. PATEL of Sankeshwar.

(*Summary of Oral Evidence in Marathi.*)

I am paying an assessment of Rs. 200. There is a good deal of *bagayat* land in the west of our *taluka* and also in the east of our *taluka*. Very few people save money and when they do so, it is kept at home. It is only a few educated people in the town that go in for postal cash certificates. Also there are very few people in our *taluka* who take advantage of postal cash certificates. If there are facilities for depositing money in post offices even in villages where there are no post offices, people may avail themselves of such facilities. But it will be more convenient if such facilities are available in co-operative societies. There is one society in my village. There are 10 or 15 societies in our *taluka* and I have experience of these societies. The members do not get enough money and the instalments fixed are small in number. Also the penal interest is heavy. The members are not yet trained to make punctual repayments. As they do not get enough money, they go to *sowcars*. They do not get enough money because the limit is Rs. 300. If these members are redeemed of their old debts and if the society finances their current needs, their state will improve. If care is taken to give loans properly, occasions for exacting penal interest would not arise. The two principal crops on our side are sugarcane and chillies. *Gur* is sold in our own village through *dalals*. Merchants come from outside and buy it. There is also a general sale society in our village. The sale society has not been of much good in our village because purchasers

come through *dalals* and not direct to the society. Usually the purchaser has his *dalal* and the seller has his *dalal*. If the society itself were to be the *dalal*, one *dalal* will be thereby eliminated. Correct weighment is the chief advantage if the produce is sold through the sale society. Since purchasers do not come direct to societies, the members cose confidence in societies and the buyers also offer them less price. There is not much vompetition amongst purchasers. Different weighments and measures are used in our lillage now and it is necessary to standardize them. Grain purchased in the village is found when taken home to be appreciably less than what it would perhaps be.

(The witness withdrew.)

Mr. C. N. SIDHANTI.

Replies to the Questionnaire.

For (current) agricultural needs the agriculturist takes loans for seed, etc., from Government, from *sowcars*, co-operative societies and from *dalals*. In most cases he offers security by pledging ornaments.

For land improvements he takes loans from *sowcars* occasionally, his usual source in this case is either Government or society.

Agriculture is not presently financed to a great extent by *sowcars*, most of the money coming from Government or societies. *Dalals* offer loans in advance on the condition of the agriculturist bringing his produce to him for sale.

There are not many defects in the process of lending either by Government or by societies. Trouble is experienced in the case of finance from *sowcars*. The Dekkhan Agriculturists' Relief Act deserves to be repealed. Land mortgage banks should be established in every *taluka*. Government should advance *taccavi* only through societies.

The crops grown in our district mainly are—cotton, tobacco, wheat, *juar*, gram and oil seeds. Chillies are also grown. Sale is effected usually through *dalals*. Experienced and capable agriculturists effect sales in person without depending on the *dalals*. For the benefit of small agriculturists it is needful to start sale societies.

There is no difference observed in the price realised either by auction by court or auction by Government for non-payment of assessment. Sale by private deed brings on a little less price than in the case of sale by auction. Price usually realised for land is about 100 to 500 times the assessment.

The agriculturist is not much financed by any other agency than co-operative societies and Government.

There should be a land mortgage bank started for our district. It should advance loans on taking lands in possessory mortgage, should lease them out and after realising the loan amount it should hand over the lands to the owner. It should ascertain from the *mamlatdar* that the land offered as security is owned by and is in possession of the borrower who mortgages it.

Professional lender lends money at rates from Re. 1 to Rs. 2½ per cent. per month. Loans are recovered either by paid " Collectors " or by recourse to Court. In most cases

where the debtor withholds payment his moveable property is seized or his land is taken possession of. If the debtor is a non-agriculturist he is even threatened with imprisonment.

On account of repeated bad years small tenants have lost their lands and they have been reduced to the state of farm labourers. Lands have gone into the possession of non-agriculturists and it is not receiving as much attention as it should.

There are not many secondary industries in this part. Those in vogue are oil-pressing, coir-making, rope-making, selling butter and poultry-keeping. Co-operative societies can offer help to these and help the people.

For want of large local deposits societies now have to depend mostly on central banks. These do not advance loans for more than five years' duration, which is not enough. There is no difficulty to secure short-term loans in ordinary circumstances. Arrangements should be made to make long-term finance available.

Oral Evidence.

(Summary of Oral Evidence in Marathi.)

"I have 300 to 400 acres of land. I cultivate them through tenants. I have 30 acres of *bagayat* land and the rest is dry land. I have leased also some *bagayat* lands. I grow sugarcane, chillies, cotton and plantains. The cost of cultivation for an acre of sugarcane will come to Rs. 30 to Rs. 40. I do not pay any water charge. Rs. 10 to Rs. 15 will be required for manuring per acre. I do not give artificial manure. Agriculturists get money from Government, co-operative societies and from *sowcars*. It is beneficial if they borrow from a society than either from Government or from *sowcars*. If they borrow from a co-operative society, the advantages are that they get the amount quickly, the interest is less and the amount is repaid by instalments. In my village people spend money for wells and for erecting bunds. We usually borrow for this purpose either from Government or from the society. There is plenty of room for land development. Some bunding work is going on in our tract but not with Government agency or help. If it is a famine tract, bunding is very useful. If finance is arranged for a long-term and at a reasonable rate of interest, this work can be undertaken. *Taccavi* is given at the rate of 6¼ per cent. interest if obtained direct from Government and 6¾ per cent. interest is charged if obtained through co-operative societies. People on our side are not willing to undertake co-operative bunding schemes; and each one must have his own bunding scheme. More money could be spent on wells as well. It is not a fact that people on our side borrow more because there is the society. Borrowings from societies become public; and they are kept secret from *sowcars*. The main reason why people say that members borrow more from societies is because all the loans from societies to members are public. Such is not the case with *sowcars*. If sale societies are started, it will be much better for marketing of crops. Our crops are sold through *dalals*. The price fixed depends upon the *dalals*. In the case of cotton, the *dalals* side with owners of ginning factories. Tobacco, when sold, takes a long time to get money from the *bazar* but a *dalal* pays the money at once though at a lesser rate. Cotton is sold either to the ginning factories or to some agents of merchants from Bombay. I do not think that the Cotton Transport Act would be beneficial to the people here. Cotton in Bijapur and in our district is of the same quality and yet Bijapur cotton cannot be brought here. This harms the interests of growers in Bijapur. About 20 *khatedars* out of 200 *khatedars* in our village have leased their lands and the burden of

indebtedness in the case of others has increased. Long-term finance is required for land improvement and also for redeeming people from debts which they have incurred. Half of our *taluka* is famine-stricken and the other half is somewhat better. In the latter case though the rents are very high and the assessment is also high, the condition on the whole is the same as elsewhere in the *taluka*. Some people are going in for poultry breeding but it is not yet organized and some people are going in for rope-making. This is also not organized. This is due to their ignorance. Some financial help is necessary if they are to be organized. Marina sheep breeding has been partially successful in my *taluka*."

"We have a co-operative society in our village. There are many societies in our *taluka*. In times of famine people borrow both from *sowcars* and from co-operative societies. For marriage and other ceremonials they do not get sufficient money from societies and so they resort to borrowing outside. Thus their debts go on increasing. The remedy lies in the society lending on a liberal scale. It is not a fact that they spend more for these purposes when they get money from the society. It is not my view that people get money more easily from societies than from *sowcars*. Certain facilities must be given to cultivators in times of famine and in that way only land can be prevented from passing into the hands of non-cultivators. Restricted tenure would diminish our credit and it is only when co-operative societies, Government and *sowcars* join together, that the condition of agriculturists will be improved. For this purpose, modification of the Dekkhan Agriculturists' Relief Act would be necessary. The *sowcari* system might remain to the benefit of a cultivator if the present difficulties are removed. In Indian States ordinarily the rate of interest is 9 per cent. and there is no Dekkhan Agriculturists' Relief Act. The rates of interest are not very high there. If the Dekkhan Agriculturists' Relief Act is modified it would be to the advantage of agriculturists. I have no objection if certain exemptions in favour of agriculturists which are now contained in the Dekkhan Agriculturists' Relief Act are removed in order to bring down the rate of interest charged by a *sowcar*. These concessions by themselves will not be enough. There should be also regulation for fixing the maximum rate of interest. I am a member of the Taluka Development Association. No organized attempt to have machinery for rope-making has been done through the Taluka Development Association."

"The co-operative society should give *taccavi* at the same rate as Government charges. Co-operative societies should be the agency for this type of advance because they can keep proper watch over the use of loans. All societies have taken *taccavi* and so far as I am aware, they have been properly used. The local *sowcars* appoint collectors to go to the houses of their debtors and press for recoveries. These men are local people."

(The witness withdrew.)

Mr. MUKUNDA NARAYAN DHOR of Nerlee and Mr. RAYAPPA FAKIRAPPA KOLER of Nerlee (Tobacco dealers).

MEMORANDUM.

We, ten or twelve *mahars* deal in tobacco. Four or five of us join in a company and put in an initial capital of Rs. 200 or so. We supplement this capital with about 3 to 4 thousand rupees brought from outside. The trade season lasts from January to the

end of March and we require finance till about the close of April. All outside loan is got from local *sowcars* on personal security. We pay interest on it at the rate of 18 to 48 per cent. We do not go out of Nerlee for loans since we cannot expect to get any from persons not knowing us personally. We do not have to give security (of another person) nor can we offer any mortgage as we do not possess lands or ornaments. All loans are on personal credit.

The total value of tobacco sold by us annually goes up to Rs. 20,000. We are able to command tobacco for disposal without paying at the outset from such agriculturists as know us. To others we pay reasonable advances on produce handed over to us. We take all tobacco to market and usually dispose of it in a week.

If good price is not realised within the period, we store our tobacco and sell it to greater advantage in due time. But we do not take it to *dalals* or other merchants. We have not been acquainted with any sale society doing business in tobacco. If we can be assured of advances and of good prices being realised through it we would be ready to join the society.

Occasionally we have to face losses. In such circumstances we pay interest to those of us that invest capital at the rates usual in the market.

Oral Evidence.

(*Summary of Oral Evidence in Marathi.*)

" We are from Nerlee. We own 5 acres of land each. We pay Rs. 3 and Rs. 1-8-0 land revenue assessment respectively. We trade in tobacco, in groups of four or six persons. We purchase it from our own village as well as from other villages. We purchase either the standing crop or the crop after it is cut and collected. We bring it home, dry it and take it to the bazar at Nipani. In some cases we pay money and some time we get it on credit. We borrow money from *sowcars*. There are two or three *sowcars* in our village. Their rate of interest charged on our loans ranges from 6 to 12 per cent. Sometimes we have to pay 18 to 48 per cent. interest, but the usual rate of interest is one rupee per month. We also sometimes change our *sowcars*. We sell the tobacco to *dalals* and also to people from Calcutta and other places where we have our *vakhars* through *dalals*. The *dalals* give us money at once but we take it at a discount. If we sell tobacco for Rs. 100 they deduct about annas 8 or about a rupee from the value of every maund. The value per maund of tobacco varies from Rs. 8 to Rs. 10. Each of our *vakhar* is run by four to six people. About Rs. 400 worth of tobacco is sold every year. Sometimes we lose business because we do not get sufficient funds. We never care to get finance through a co-operative bank or society. If co-operative societies are started, we might get money from them at a lower rate of interest. All have lands in our village. We store our tobacco in temporary huts; and some people store it in their own houses. We are not paying any rent for storing tobacco. We do this business for three months in addition to our agriculture. Generally there is a profit in this business inspite of the heavy rate of interest we have to pay. We bring it from villages, powder it and sell it. Powdering is not an ordinary business. There is a little labour for powdering tobacco. We do not actually powder it but we cut it into small pieces. We sometimes powder it into chewing tobacco. If there is more finance, we can push on with this side business of preparing chewing tobacco. If finance to the extent of Rs. 20,000 is available, we can extend this business. We have only business for four months. If money is available, we can sell powdered tobacco at Sangli, Poona, Bombay

and at other places. In that case finance will be required throughout the year. After buying wholesale, we do our own grading. Our profit lies in the system of grading. We come in touch with merchants from Calcutta and Patna who come to Nipani through *dalals*. We send our goods any place where we can get a good price. We do not know any markets beyond Sangli and such nearer places in the Karnatak.

We do not do this business individually but we do it jointly. This business is done by *mahars* also. Sometimes we store the tobacco in our village and occasionally in godowns at Nipani. We do not borrow against the tobacco that we have stored at Nipani. Occasionally we have to suffer a loss owing to the carelessness or fraud on the part of agriculturists and, therefore, we prefer to buy the harvesting crop.

(The witnesses withdrew.)

The Committee then adjourned till 11 a.m. on Wednesday, the 19th February 1930.

Wednesday, February 19th, 1930.

BELGAUM.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.
Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Rao Bahadur B. A. PALEKAR, M.B.E., District Deputy Collector, N. D., Belgaum.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The main source of obtaining funds for agricultural operations and improvements and also for other needs is the village money-lender who plays the biggest part in rural economy. Next in order come *dalals* (either local *adatyas* or agents of big firms like Messrs. Rall iBros.) who advance money on the security of the agricultural produce, which has in such cases to be sold through their agency only, so that they can charge both *dalali* and interest. Then come the co-operative societies which lend money to their members only and not to all agriculturists in their villages. These societies are few and far between and they hardly touch the fringe of the agricultural finance. In Belgaum district the number of members of such societies is about 21,000 and the sum lent comes to about Rs. 10 lakhs. But the total number of agriculturists' households may be estimated at 1,35,000 and the total amount required for current agricultural expenses alone may be put down at about 10 millions. The part played by Government in the shape of *taccavi* advances may be said to be very small, as the total sum advanced in an ordinary year does not exceed Rs. 50,000 in this district. There are no joint stock banks in this district and the branch of the Imperial Bank recently started at Belgaum has not yet extended its operations towards agricultural finance to any appreciable extent.

The rate of interest varies from 10 per cent. per annum to 50 per cent. per annum The rate of interest is lower where the credit of the borrower is sure. On big amounts the rate is generally 10 per cent. per annum, but in the cases of poorer classes and petty dealers the rate is exorbitant. I may quote instances in a way of explanation. The town of Nipani is a big trading centre in tobacco. There is a class of petty dealers who take loans varying from Rs. 100 to 1,000, purchase tobacco, cure it and then sell it to wholesale dealers. They borrow money at 2 per cent. per month in about November, commence purchasing tobacco in December and January, cure it in February to April and sell it in May or June. These persons pay interest at the rate of 24 per cent. per

annum. The contention of the *sowcar* is that he has to keep his money idle from June to November; and so, he generally charges a higher rate. There is another class of poor *ryots* who borrow corn in about July or August and return it with 25 per cent. profit in December or January after reaping their harvest. This system is called *sawai*. Here the *sowcar* levies 25 per cent. profit for about six months or according to calculations 50 per cent. per year. Of course this sort of transaction is going down but still it is in vogue in some villages. Mortgage of lands, pawning of ornaments, standing crops, deposit of agricultural produce are the forms of securities.

There is no co-ordination among the various credit agencies including Government. The net result has been that the village money-lender who chiefly dominates the situation can take undue advantage of the illiteracy and helplessness of the rural masses. Farmers are, therefore, usually apathetic and land improvement is not undertaken and carried on to the desired extent, as they are afraid that the benefit of their labour and capital might ultimately go to the *sowcar*. Further the high rate of interest and the necessity of selling agricultural produce at a lower price through creditor *dalals* also affect the agriculturist's condition adversely.

I would suggest the following remedies :—

(1) The greatest importance is to be given to the spread of primary education among the masses; each and every village should have its elementary school.

(2) Next comes the spread of the Co-operative Movement. Each village should have its society; and where the population is large there should be more than one.

(3) Land mortgage banks should be opened and these banks should lend money at low rates of interest and recover it in easy instalments.

(4) The Dekkhan Agriculturists' Relief Act should be amended so as to raise the credit of the agriculturist and the accounts maintained by *sowcars* must be made open to inspection and clear to debtors by legislation.

QUESTION 2.—The main crops in this district are rice, *juar*, cotton, tobacco, groundnut, *gur*, chillies, etc. Rice and *juar* are mostly consumed locally and the rest are exported to a considerable extent.

The present system of marketing is disadvantageous to the agriculturists. The local petty traders residing in villages and the *dalals* or commission agents residing in chief centres of trade get all the profits. The smaller *ryots* sell their produce to the local petty traders but those who have big stock generally take it themselves to the *dalals*. In some cases the produce has to be sold to the *dalals* only, whenever previous loans are due to them. Sometimes the village money-lender purchases the produce for his debts at rates disadvantageous to the agriculturists.

It will thus be seen that there is no co-operative effort in marketing the produce. Co-operative banks and sale societies should manage to open warehouses and to advance the necessary funds to the agriculturists at the harvesting time on the security of produce brought and deposited in warehouses. For want of such co-operative effort the agriculturists lose much as they have to sell their produce at lower rates prevailing at the harvesting time. Every one is waiting till then; the agriculturist has to pay his *sowcar*; he has to pay his cloth merchant who has advanced clothes to him during the year; he has to pay land revenue; and he has to meet several other items kept waiting till then. So if he gets credit facilities from co-operative banks and sale

societies at the harvesting time, his agricultural produce can be sold later on at advantageous rates.

At present the village petty traders generally obtain advances from the *dalals* and agents residing in towns who in their turn obtain advances from Bombay and other big places of trade (Madras and Calcutta).

For internal remittances the following are taken advantage of :—

(1) Remittance transfer receipts in favour of co-operative banks and supply bills to the public issued by Treasuries and Sub-Treasuries.

(2) Currency telegraphic transfers given by the Imperial Bank at the instance of Deputy Controller of the Currency.

(3) *Hundis* issued by co-operative urban and district central banks.

(4) *Hundis* issued by private firms and merchants.

QUESTION 3.—Value of land differs according to its situation, facilities of irrigation, etc. There is very little difference between the value realized in the case of auction for non-payment of revenue and sale by court decree. The Collector sells the land of both kinds. Generally the sales by private negotiations get a higher value and particularly so when the mortgagee himself purchases the land. But generally the document contains only the face value as the accumulated interest of the mortgage plays an important part in the sum total.

The values per acre of different sorts of land are as under :—

Jirayat Rs. 50 to 500.

Bagayat Rs. 700 to 2,000.

Rice Rs. 300 to 1,000.

QUESTION 4.—The only legal impediment to mortgage of land and agricultural holdings in this district is *watan* tenure, but this can be cured by obtaining the sanction of the Commissioner. Such sanction is actually obtained at present for mortgaging land with co-operative societies and there would be no difficulty for obtaining similar sanction for mortgaging it with land mortgage or agricultural banks. There are no such banks at present in this district. Long-term credit is given in a few cases now by the co-operative societies with the help of the *taccavi* grant placed at the disposal of the Bombay Provincial Bank, but the amount so advanced is small. In the circumstances, land mortgage banks which would give long-term loans at low rates of interest are absolutely necessary. The working capital of such banks should be derived from all the three sources *viz.*, deposits, funds from central institutions and debenture bonds. The banks should pay interest at 5 per cent. to depositors and purchasers of bonds and charge at 6½ per cent. to the agriculturists. There should be no penal interest. The debenture bonds should be guaranteed by Government both for principal and interest. The management should rest with a board, half the members of which should be elected by sharers, depositors and central institutions, and the remaining half should be nominated by Government and they will keep watch over the business of the banks and see that Government does not incur loss.

I have no suggestions to make about the improvement of the Record of Rights. The recoveries of the bank's debts in ordinary and default cases can be done in the same way as is done in the case of co-operative societies.

QUESTION 5.—It is no doubt necessary to ascertain the exact extent of the existing indebtedness of the agricultural classes. This entails a detailed enquiry in typical villages by expert investigators. So far as I know no such enquiry has been made by an expert in this district. Any data which might have been collected by untrained hands cannot be relied on. Debts are incurred for all purposes mentioned in (*a*) to (*j*) and are largely due to professional money-lenders and in a small measure to co-operative societies. Further it is difficult to ascertain the amount of debt concealed in the amount of judicialsale to circumvent the provisions of the Dekkhan Agriculturists' Relief Act. Unless detailed enquiries by experts are instituted, it is not possible to ascertain all the particulars required. I may, however, state that in my opinion nearly 3/5 of the agricultural population is in debts for some reason or other.

The rates of interest charged have already been stated above and need not be repeated. Indebtedness is responsible for the change of ownership in the majority of transfers and there is reason to believe that many a farmer is turned into a mere tenant. The conditions in irrigated tracts are decidedly better in this respect than in ordinary tracts and they are worst in the famine zone. This process is certainly rendering the actual cultivator pessimistic and takes away from him the incentive to produce more and to improve his land.

QUESTIONS 6 AND 6A.—The following subsidiary industries allied or supplementary to agriculture are found in this District.

(1) RICE-MILLING.—This is carried on by hand in all villages in which rice is to grown. There are only 3 mills driven by engine power.

(2) GUR MAKING.—The area under sugarcane is considerable in Chikodi, Hukeri, and Bail Hongal *talukas* and is increasing in Belgaum and Khanapur and Gokak *talukas*. *Gur* making is generally carried on by every sugarcane gardener by means of local labour.

(3) COTTON GINNERIES.—There are ginning and pressing factories in all the *talukas* in which cotton is grown and they give work to many for about 3 to 4 months.

(4) GARDEN PRODUCE.—Vegetables are grown to a considerable extent at Belgaum and villages round about. Betel-leaves are grown in Chikodi. Sugarcane is grown in several *talukas* as already stated.

I would suggest that the following subsidiary industries should be introduced : —

(1) DAIRY FARMING.—It is not carried on at any place in a systematic manner. Co-operative dairies should be started wherever possible. Butter business, if carried on on co-operative lines, would greatly benefit the agriculturists.

(2) HAND SPINNING.—Though this is by itself uneconomical, it can be helpful as a subsidiary industry to be carried on by the agriculturists in leisure time and in off season.

(3) Poultry farming.

(4) Cattle breeding on improved lines.

(5) Sheep breeding on improved lines.

(6) HAND-WEAVING.—The agriculturists should be induced to undertake this in off season. At present only weaving classes do it.

(7) Weaving of *kamblis* and rugs.

(8) Carpet weaving (*gudars* also).

(9) Cane and bamboo work.

Rao Bahadur B. A. Palekar.

(10) Sericulture in parts of the district.

(11) Fruit-growing.

(12) Preparing articles of perfumery as in Hukeri.

(13) Preparing bangles as in Ghodgeri, in Hukeri *taluka*.

(14) Groundnut and oil mills.

In introducing all these subsidiary industries, the initiative must be taken by Government in the Department of Industries. These industries do not need much capital and there will be no difficulty for securing market as there is always a demand for such commodities. What is wanted is some training and guidance by opening mode-farms and industrial schools.

QUESTION 7.—There are no joint stock banks in this district and so there is no competition between such banks and co-operative banks. I understand that there is some sort of competition between the newly opened branch of the Imperial Bank and the co-operative banks at Belgaum, the results of which are to be keenly watched.

The Co-operative Movement has on the whole benefited the agriculturists and also small traders. I am not prepared to say that it has done so everywhere. It has ameliorated the condition of the agriculturists wherever its principles have been really understood and brought into actual force by selfless workers. Instances, however, are not wanting in which the village societies have gone into the management of undesirable persons with bad results. The whole thing depends on the way in which the societies are worked. The illiteracy of the agriculturists comes in the way here also and it is absolutely necessary that the managers of the societies should be reliable persons who would guide them properly and inculcate in them the real principles of the Movement. Then and then only will the Movement be able to do real good to the agriculturists. Otherwise the societies will only be additional glorified *sowcars*.

QUESTION 8.—The agriculturist has lost his credit by the provisions of the Dekkhan Agriculturists' Relief Act and it has given him chances to be dishonest. The Law Courts have held even cases of sales by agriculturists to be mortgages and the Courts are empowered to grant very small instalments in repayment. The costs of recovery through the Civil Courts have enormously increased and the procedure is much dilatory. The *sowcar* has to spend much and has to wait for a long time to get back his money. The result has been that the *sowcar* does not readily advance money on simple mortgage bonds as he formerly used to do. *Pagady* system, that is obtaining a bond for much more sum than the amount actually advanced, has been introduced by the *sowcar* to safeguard all his losses. So long as the relations of the *sowcar* and the debtor are cordial, there is no trouble, but if the *sowcar* has to go to the Civil Court, he tries to exact money according to his bond. The debtor is ruined. This is all due to the loss of credit of the debtor.

In my opinion the Dekkhan Agriculturists' Relief Act should be amended in such a manner as to raise the credit of the agriculturists.

SECTION III.

At present the means and institutions for encouraging savings and investment habit are :—

(1) Postal savings bank.

(2) Postal cash certificates.

(3) Life insurance companies and provident funds.

(4) Co-operative banks and societies.

The educated non-agricultural classes take advantage of all these four. No. 4 is being taken advantage of by agriculturists also to a small extent and it is necessary that they should be induced to increase this habit. As a matter of fact the Jain and Lingayat cultivators of this district generally save something but invest it in the form of ornaments, while the Maratha cultivator is rather backward in this respect. Of late, Brahmins are also taking to agriculture on improved lines and their savings also are to some extent hoarded in gold. Systematic propaganda to induce all these classes to acquire the habit of investment is necessary. Perhaps the French Premium Bond System might be useful at least in the beginning in attracting the capital now hoarded in gold or silver or buried underground. Another suggestion which I would make in this respect is that the cash price of the postal cash certificates should be brought down to Rs. 7-8-0 for the face value of Rs. 10 and that the holder thereof should secure 6 per cent. interest throughout.

Oral Evidence.

15428. *The Chairman:* Rao Bahadur Palekar, you are the District Deputy Collector in charge of the Northern Division ?—Yes.

15429. Which *talukas* are in your charge ?—Athni, Chikodi, Hukeri and Gokak.

15430. May I take it that the economic condition of these *talukas* is different ?—Athni and Gokak are famine zones, and Chikodi and Hukeri are said to be immune from famines.

15431. Are there mainly small landholders in your charge ?—Yes.

15432. Are there a certain number of big landholders ?—Yes.

15433. Speaking generally, what is the economic condition of small holders ? Taking a number of years, are they in a position to make both ends meet and save ?—Most of them are in debts.

15434. Are they in debts because of their economic condition or because they spend a lot on ceremonial occasions ?—That also might be one of the causes.

15435. Is there any *bagayat* land in these *talukas* ?—Yes.

15436. Are the people of *bagayat* land better off ?—Yes.

15437. Do you think that there is a possibility of extending well irrigation in those tracts ?—Yes ; Mr. Lowsley had made some survey and had suggested irrigation works in Athni *taluka*.

15438. If there is no irrigation in Athni and in other parts where there is no irrigation possible, is any land going out of cultivation, or are people becoming more and more indebted ?—They are more and more indebted.

15439. Is there much land cultivated by tenants ?—A fair proportion.

15440. Is that because there are absentee landlords or because people prefer to give their land on lease because there are large landholders ?—Particularly on account of absentee landlordism and partly because of big landholders.

15441. We were told in the neighbouring districts of Dharwar that one of the causes of indebtedness has been the larger rental these tenants have to pay. Is that the case

here ?—At least not in famine zones ; they have to pay fair rent. I cannot say about other *talukas*. There has not been much difference in rents in recent years as compared with previous years. It might be in Dharwar.

15442. You say in your statement that firms like Ralli Brothers finance agriculturists ?—That is not here ; it might be in Dharwar.

15443. You say that the part played by Government in the shape of *taccavi* advances is small ?—Yes ; here it is not more than fifty thousand a year.

15444. Do you think that Government should undertake this business ?—No ; it should be done through co-operative societies as far as possible. Bigger amounts should be placed at the disposal of the Provincial Bank for distribution through co-operative societies.

15445. We had evidence that distribution through these banks is small because they have no agencies ?—The district central bank should be utilised.

15446. As the rule stands, the application has to pass through so many agencies ?—That procedure is cumbrous ; I think it might be slackened.

15447. Do you think the banks might be authorised directly to enquire into the applications and advance loans, or do you think some technical advice is necessary ?—Technical advice is necessary, especially in big schemes.

15448. Not for small schemes ?—People know small improvements, and therefore it is not necessary to consult agricultural experts for small schemes.

15449. Is there much co-operation between the Agricultural Department, the Revenue Department and the Co-operative Department so far as the question of land improvement is concerned ?—Very little ; we are not consulted at all.

15450. Do you advance any money directly for land improvement ?—Yes.

15451. Do you consult the Agricultural Department ?—Unless it is a big scheme, we do not.

15452. You say that the rate of interest in the case of petty dealers is exorbitant. Do you mean that petty dealers have to pay a high rate of interest on loans borrowed by them ?—Yes.

15453. Are these petty dealers, who buy tobacco ?—Yes, and also other classes.

15454. Do they do the same business ?—They buy tobacco and sell in in the month of May or June. There are big tobacco *vakhars*. They buy tobacco, dry it and then sell it in many villages surrounding Nipani.

15455. Are you familiar with the system of marketing of tobacco in Nipani ?—Not quite.

15456. Is it a fact that the purchaser does not pay for weeks and sometimes for months ?—I do not think.

15457. You refer in your statement to the question of pawning of ornaments. In some countries, like the Dutch East Indies and Java, there are pawnshops run by Government and the result has been that people can get loans at cheaper rates of interest by pawning not only gold and silver but other articles on the one hand and, on the other hand, Government is making a fair amount of revenue. Do you think the system of pawnshops is possible here ?—I do not think it should be resorted to. The Imperial Bank gives money at the low rate of interest.

15458. This pawnshop is meant for small people ?—Why should it not be left to private enterprise ?

15459. In those countries it was found that private enterprise meant a very high rate of interest and it was on that account that Government introduced these pawnshops and reduced the rate of interest and at the same time made a profit for itself. The question is whether such a system would be possible here or would be desirable ?—It is rather difficult to pronounce an opinion upon it, especially when we find that in many cases the ornaments are not of pure gold and pure silver, and there might be some losses.

15460. Cheating ?—Yes.

15461. Have you any idea as to what the money-lenders charge in a village on the security of ornaments ?—8 to 9 per cent.

15462. It is a lower rate ?—Yes.

15463. Do the better class of cultivators here hold their produce for some time in order to get better prices ?—Big landholders do so.

15464. Are there sufficient godown facilities in the market places ?—No.

15465. If there were sufficient facilities and if there were some scheme for advancing loans against security of produce, do you think many people would take advantage of it ?—Yes.

15466. Even the small cultivators ?—Yes.

15467. In places like Nipani, are there sufficient facilities for people who want finance ?—No.

15468. Where do they borrow from ?—From money-lenders and *Gujars*. They charge a high rate of interest.

15469. Why is the rate so high ? Is it because there is no competition ?—There is not much competition. And the *sowcar* says that his money remains idle for six months, and that is why he charges a high rate of interest.

15470. When is the money utilised ?—From December to June they want it in Nipani. In other places it is wanted during the cotton season from March to June.

15471. From June to December the money is again required by agriculturists. How can he say that it is idle ?—That is only an excuse. The money does not actually remain idle with him. He lends it again at *savai*.

15472. Is there much land under *watan* tenure here ?—Yes.

15473. Can it be alienated ?—Yes ; it can be alienated.

15474. Do these landholders find it difficult to raise money ?—No ; even we give them permission to borrow from co-operative societies.

15475. Not from outside ?—No ; but the money-lender takes the risk. It is after all a speculation.

15476. You say that there is reason to believe that many a farmer has turned into a tenant. Do you think there are other statistics on the Revenue records to show to what extent land is passing from these farmers to absentee landholders ?—We have not been able to collect these statistics for a period of years, and it has not been done for the last quinquennium.

15477. Are the figures available for previous quinquennium ?—Yes.

15478. Are they reliable ?—I cannot say. Now we will get reliable figures, because we are now classifying each and every item.

15479. So the Revenue records would not be an index to show to what extent land is passing from the hands of agriculturists to non-agriculturists ?—Not for the present; not till the next quinquennium.

15480. As regards the subsidiary industries, you say that there are three rice mills driven by engine power. Is this industry likely to grow ?—Yes.

15481. Is *gur*-making paying here ?—Certainly.

15482. Inspite of the fall in prices ?—Yes.

15483. Are there any difficulties about marketing *gur* here ?—It is sent to Kolhapur.

15484. Is it sent by the producers themselves ?—By *dalals* of Nipani and other places. It comes through petty dealers as in the case of other crops.

15485. You suggest other side industries. Is much of poultry farming carried out here ?—No; some castes would not do it.

15486. Certain quantity is sent from here to Bombay ?—Yes, eggs are sent.

15487. Is sericulture tried here ?—No; if tried, it might be successful.

15488. Is preparation of bangles likely to survive ?—Yes; it has been running for twenty years.

15489. Was there not some difficulty about fuel ?—That has been solved.

15490. You refer to the competition between the newly opened branches of the Imperial Bank and the co-operative banks at Belgaum. What is this competition ? Is it for advances against produce ?—Advances against ornaments and also against produce. They advance at six per cent. on ornaments.

15491. Is not competition better for the trade ?—Certainly from the point of view of trade it is better. But the money of our co-operative societies remain idle.

15492. You say that co-operative societies have on the whole benefited the agriculturists, but in some village societies the management is not good. Can you suggest any remedies ?—It is rather difficult to suggest. It all depends on the workers we find in each and every village.

15493. Do you think there should be selection of good members ?—Yes; but others might come in. Even though we want to bring in good men, other undesirable men come in and sometimes we are helpless.

15494. Do you think that some control should be exercised by the Department ?—Perhaps the union might be entrusted with the work. The Department should not take up this unpleasant work.

15495. We were also told that in this district almost every society has factions ?—Yes, mostly.

15496. Are these due to political reasons ?—Not political but village factions based on personality.

15497. Only village personality ?—Village personality and district personality too.

15498. Are these factions of recent origin ?—We might say the village factions are from the beginning.

15499. You must have visited villages where there are co-operative societies ?—Yes.

15500. Have you had complaints from the societies that on account of factions members of one party suffered ?—Members of other faction are not admitted.

15501. Would you suggest the formation of a separate society for the other party ?—One such had to be formed in one village.

15502. Do you think it would be a desirable procedure ?—It would be better if we could induce them to form one society only ; but sometimes it is found impossible.

15503. In how many cases do you think that this occurs that members of the other party are not admitted ?—In most of the villages.

15504. Is there a danger that after a new society is formed there will be factions again and some of them might want a third society ?—I cannot say whether there will be any danger or not.

15505. Do you know if postal savings banks or postal cash certificates are being very much used by agriculturists ?—No ; only the middle class use them.

15506. Would the starting of postal savings banks or giving facilities for depositing in postal savings banks to villages where there are no such savings banks increase the deposit by agriculturists ?—I do not think so.

15507. What is the best way in which people could be induced to make their savings in some banks or societies ?—Propaganda is the only method. Even now in co-operative societies their deposits are very small.

15508. Does the hoarding habit exist in this district ?—We cannot say to a large extent.

15509. Do they bury gold ?—No ; they bury only ornaments.

15510. Do they not deposit their savings in banks ?—To a certain extent they do.

15511. But they prefer investing in gold ornaments than in banks ?—Yes.

15512. *Mr. Kamat :* Speaking about these co-operative societies, have these societies themselves been the cause of creating feuds where there was none before ?—There are no feuds, but they are only factions. They do not go to the length of fighting.

15513. Has this spirit of faction been accentuated by the emotion for power ?—No, I do not think so.

15514. You say that instances are not wanting in which village societies have gone into undesirable hands. Are such instances preponderating ?—No. Some instances have come to the notice of the Department and the Department has been doing its best to eradicate such methods of societies but sometimes they found themselves helpless.

15515. Would you go to the length of saying that if there are such instances and if any control cannot be exercised over them, the best method would be to cancel them rather than to allow them to create troubles ?—Yes. If they cannot be induced by the supervising agencies or other agencies to mend matters, it is better to cancel them.

15516. Rather than allow within the Movement such eye-sores ?—Yes, because they bring the Movement into discredit.

15517. About small holdings, have you noticed in your experience that men having small holdings are proportionately heavily indebted as compared with men with fairly good size holdings ?—Yes ; they also go into debt.

15518. But as a matter of fact their economic holding should not drive them into debt ?—No. On account of marriages and other things, they also incur debts; but they should not have incurred debts.

15519. Similarly have you noticed any co-relation between irrigated holdings and indebtedness, *i.e.*, if the man has some method of irrigation, is he proportionately less indebted ?—Yes. The economic condition is better.

15520. That is to say, he can overcome the temptation to go into debt if he has the incentive of getting water and doing something ?—Yes.

15521. About these rice mills and such like industries, is there any agency to make a survey of the district ?—There is no agency at present unless the district bank takes up the work.

15522. If for the information of the people a survey has to be done, in suitable centres, which would be the best agency ?—I say that the Department of Industries should undertake this work. At present in Hukeri the Industries Department has opened a regular weaving school. Similarly they should undertake the survey and also open farms or schools wherever necessary.

15523. We are talking of an estimate of finance for a district from the agricultural point of view. If a similar estimate for a district were to be done, do you think the Director of Industries should be the proper agency ?—Yes. As regards the subsidiary industries, the Revenue Department may give help but it will not be able to see whether a particular industry can be profitably started in any particular locality and so on. This will be within the sphere of the Industries Department.

15524. Certain industries probably may not be within the technical knowledge of the Industries Department either ?—In that case experts will have to be obtained for surveying just as they have experts for finding out irrigation facilities, etc. You know that Mr. Lousley was put on special work for finding out the irrigation facilities in famine zones. So some experts will have to be appointed.

15525. We were told that there is a possibility for more rice mills. This may fall within the special knowledge of the Director of Industries but where there is scope for cattle breeding on a large scale it might fall within the knowledge of the Agricultural Department. So who should be the central agency ?—As the whole thing relates to subsidiary industry, the Industries Department should be the main department and take the help of other departments as regards matters for which that department will be suitable.

15526. You have heard some suggestions that the system of Record of Rights could be improved, whereas your opinion is that it has reached a stage where no further improvement is possible ?—I do not say so. I say let the village officers have some rest. We changed it so often and so it is much better that there should be no changes for ten years. Very recently we introduced changes. Some suggestions might be forthcoming but for the time being let them have some rest.

15527. About these different markets, for instance, for *gur* within your district or round about your district and for a larger demand from outside Bombay, do you suggest any method of having something like an information bureau for the benefit of merchants ?—Yes, there should be one central bureau.

15528. Will it be advantageous ?—Yes.

15529. You have spoken about these French premia bond system. What is the advantage even supposing Government were to employ this method ?—Perhaps it might attract capital.

15530. This has an element of lottery about it ?—No. Every man is certain of getting his money.

15531. Do you say that the spirit of lottery should be fostered ?—No.

15532. *Mr. V. L. Mehta :* You say " In my opinion the Dekkhan Agriculturists' Relief Act should be amended in such a manner as to raise the credit of the agriculturist ". What definite section would you suggest should be amended ?—Section 10 (A) should be amended.

15533. In adoption to it, would you like to have some additional legislation making *sowcars*' accounts open to inspection ?—Yes.

15534. Will it be acceptable to *sowcars* and local bankers ?—Perhaps it might not be acceptable, but in the interest of agriculturist debtors it is, I think, necessary.

15535. We are told that at present accounts are maintained in a proper form and are available to their clients for their inspection ?—Yes.

15536. They are open to inspection even to-day, are they not ?—There is nothing to compel him to show it.

15537. You would like to have some element of compulsion to show his accounts ?—Yes.

15538. You have not a regular branch of the Imperial Bank in this place ?— No ; not like the one conducted at Hubli.

15539. A suggestion has been made to this Committee that instead of opening branches of the Imperial Bank further, some recognised indigenous bank or bankers should be appointed as the agents of the Bank who should carry on the Bank's business after giving the security to the Bank. Do you think that this kind of arrangement is practicable either at Belgaum or at important commercial centres like Nipani ?—I do not know the rules of the Imperial Bank and, therefore, I cannot give you any information on this point.

15540. The idea is that they would conduct business according to the existing rules of the Imperial Bank but inspite of having a paid staff, the work can be done on a commission basis. This is the main idea, the lines of business remaining the same ?—I say that the rules of the Imperial Bank of India are not known to me and, therefore, I cannot give you any information on this point.

15541. You have a fairly large number of urban banks in the four *talukas* with which you are intimately connected ?—Yes.

15542. Do you think that they have any touch with the local bankers or *shroffs* ?—No, not to the desired extent.

15543. Would you like them to have still closer touch with these people ?—Yes.

15544. Is it possible to establish such contact ?—In some places it can be done, but they will have to be induced.

15545. Inducement for whom ?—For the indigenous bankers to come in.

15546. You refer to urban banks doing *hundi* business, arranging for remittance by means of *hundis* and so on. Do indigenous bankers appreciate this kind of business

done by urban banks or do they think that urban banks intrude in their sphere of this work ?—I am not able to express any opinion about it.

15547. We were told yesterday that in some neighbouring Native States territory, the lending rate of interest is much lower than the prevailing rate in the Belgaum district. Could you say whether this is a fact ?—I do not know.

15548. There is a suggestion made to us that for payment of dues Government might accept cheques of co-operative or other banks instead of payments in cash. Do you think this is reasonable ?—Unless I consider this point I cannot give you an off hand expression. It might interfere with land revenue recovery.

15549. The idea being credit is to be given after the cheque is collected ?—It will have to be considered from several points of view. I cannot give you an off hand opinion.

15550. *Professor Kale :* With regard to the investment of savings of middle classes, would you favour the issue by Government of what are known as savings certificates which will be repayable either in ordinary money or in gold. After all, these people invest their savings in gold because they want gold. If such certificates are issued assuring people that they will either get gold or money and which would carry on interest, do you think, they would like to invest their savings ?—This may be tried.

15551. With regard to the land improvement you suggest that *taccavi* should be granted to cultivators through co-operative societies ?—Yes.

15552. But as you are aware co-operative societies are to be formed only in a portion of a total number of villages and in that case will it be necessary that government agency should continue to help those people who are not members of societies ?—Yes. Side by side, it will have to be continued. I have suggested also land mortgage banks for the same purpose.

15553. Even inspite of these two agencies, Government will have to maintain its own agency ?—Yes.

15554. And improve its methods so as to facilitate the granting of loans ?—In what way ?

15555. There is a complaint to-day that money is not made available in time and there is delay ?—In the case of the Revenue Department there can be no delay. In the case of loans through co-operative banks perhaps there is some delay because it has to go to several officers and several persons before it can be sanctioned. But here the *mamlatdar* goes and makes a report and then the loan is sanctioned.

15556. You think this is properly done in the case of the Revenue Department ?—Yes.

15557. And if there is any complaint about them, it is baseless ?—There may be some complaints but if there is proper supervision, there should not be such complaints.

15558. You said that village factions have been of very long-standing ?—Yes.

15559. I should like to know how the village affairs were being satisfactorily managed in the past in a co-operative spirit inspite of these factions ; and they have now become troubles because, as you are aware, more things have been managed in the village ?—Now also they are managing but these are personal factions based upon some personalities and they do not go to the extent of creating any row. Their personal jealousy is as to whose rule should predominate in the village.

15560. But such jealousies must have been there in the past also and they did not come in the way of any of the village co-operative works just as maintaining tanks, etc. The villagers have co-ordinated with one another inspite of factions but how is

it now that factions have become serious in the case of the Co-operative Movement ? How can it be accounted for ?--I cannot give you the reasons but the fact is there.

15561. *The Chairman :* Is it in the case of the Co-operative Movement or is it as regards the question about maintaining tanks ?—As the tank is necessary for the whole village such personalities do not come there. They do co-operate but as regards these co-operative societies, etc., they have some power in the village and, therefore, the party who is in power in that particular village societies tries not to take members from the other factions, but as regards village tanks or as regards any other objects which are necessary for the benefit of the whole village, these factions do not come in the way even now.

15562. Do you think that the present system of maintaining the Record of Rights is satisfactory. We have heard complaints that entries are not properly made. Is there proper supervision ?—I say in my sub-division there is proper supervision.

15563. I am placing before you the complaints that we have heard but not about this district ?—May be.

(The witness withdrew.)

THE BELGAUM DISTRICT CENTRAL CO-OPERATIVE BANK, LTD., Belgaum.

Replies to the Questionaire.

SECTION I.

QUESTION 1.—The local *sowcar* finances the Indian agriculturists to a very large extent. He lends for all sorts of purposes. (Both for short and long periods.) Rates vary from 9 to 25 per cent.

The nature of the security taken differs much. It takes the form of—

(*a*) Promissory Note.

(*b*) Mortgage of land.

(*c*) Deposit of gold, ornaments.

(*d*) Conditional sale of land by the borrower that the same is to be resold after repayment of the loan.

2. In villages where there are societies the needs of the members are met by the co-operative societies to some extent. The societies generally lend for current agricultural purposes, but if the security is adequate, loans for land improvement and old debt redemption are also granted.

The co-operative sale societies make advances against standing crops and also against the security of the actual goods—

(*a*) Bail-Hongal Cotton Sale Society, Ltd.

(*b*) Nipani Tobacco Sale.

(*c*) Sankeshvar General Sale.

(*d*) Nandgad Agr. Produce Sale.

The co-operative urban banks and joint stock companies also finance the agriculturists inasmuch as they lend against the security of the agricultural produce (lending on godown system)—

(*a*) The P. U. C. C. Bank, Ltd., Belgaum.

(*b*) Gokak Urban Bank Ltd., Gokak.

(*c*) Union Bank of Bijapur and Sholapur, Athani.

3. The third agency which finances the agriculturists is the agents of the firms and companies like Volkart Bros., Rally Bros., Mathuradas & Co., etc.

4. The fourth agency is that of indigenous bankers who finance through the *adatiyas* or general commission agents.

5. The Imperial Bank of India also finances the agriculturists at Belgaum and Bail Hongal.

6. The Government also finances the agriculturists by advancing *taccavi* loans (which are long-term loans for land improvement of permanent nature). Finance of the Belgaum District Central Co-operative Bank, Ltd., as on 31st January 1930—

Loans to Agricultural Societies	988,000
Urban Banks and Sale Societies	67,000
Taccavi	66,000

QUESTION 2.—The Principal crops of this district are—

Crops having Foreign Market	Crops having Home Market.
Cotton, Tobacco, Groundnuts, Myrobalan, etc.	Rice, *Gur*, Wheat, Chillies, *Juar*, etc.

The agencies financing the above crops are those that are described in answer to question No. 1.

There is a great scope for especially co-operative sale societies to take up the work of pooling the produce and marketing the same.

The finance of export crops is very well organised and the operations also are on a very large scale. There being a wide market and the existence of keen competition, both these factors enable the agriculturist to get better prices for his goods and also timely finance, while in the latter case the conditions are the reverse, the market is limited, the financing agencies are not well organised, their resources are limited. Prevalence of high lending rates adversely affects the interest of the agriculturists. There are no well organised marketing agencies for these crops, hence there is large scope for co-operative sale societies to work in this direction.

QUESTION 3.—In waterless tracts where rainfall is scarce—

black soil fetches	Rs. 100 to 200 per acre.
red or sandy soil	Rs. 25 to 75 per acre.
Where rainfall is adequate—	
black soil fetches	Rs. 500 to 1,500 per acre.
red or sandy soil	Rs. 100 to 300.
In rice growing tracts—	
red soil fetches	Rs. 300 per acre.
black soil	Rs. 500 to 1,500.

In the case of sale by Government auction for non-payment of revenue the price realised is as. 8 to as. 10.

While in the case of sale by Court decree .. per rupee as. 8 to as. 12.

QUESTION 8.—The operations and effects of the Dekkhan Agriculturists' Relief Act have been described in answer in question No. 4.

The said Act should altogether be abolished. The applicability of the Usurious Loans Act rested with the Court and if the Dekkhan Agriculturists' Relief Act is abolished, recourse will necessarily be had to the Usurious Loans Act.

QUESTION 7.—As far as this Central Bank is concerned, there is no relation between this bank and any other joint stock bank or the Imperial Bank of India or even indigenous banks.

The difficulties met by this bank in financing co-operative societies are :—

TO AGRICULTURAL CO-OPERATIVE SOCIETIES.—It has been observed that the loans taken by the members of the societies avowedly for one purpose are not used for the same.

The existence of the *benami* loans on some scale is suspected.

The above reasons coupled with the vagaries of the monsoon have led to increase of overdues in general which factor makes it difficult for the bank to afford fresh finance to many societies in *talukas* like Athani, Gokak and Parasgad, etc.

TO SALE SOCIETIES AND URBAN BANKS.—The question of security for the Bank's loans to such societies naturally leads to many difficulties.

GENERAL REMARKS AND SUGGESTIONS.—The difficulty of getting the right type of selfless workers on the managing committees of the co-operative societies in general is also a factor worth considering. It is observed that a large number of managing committee members consists of men who are either quite ignorant of the co-operative principles having little knowledge of the proper working of the societies or who hold the posts with a definite aim to promote their own interest or serve their own ends. It is matter of common experience that many of the managing committee members are defaulters and it may be emphasised that the progress of the Movement is much hampered thereby.

Such members can never be expected to zealously work in the interest of the society and recover the overdues, etc.

It is high time that some solution be found out and a scheme devised accordingly to attract better class of people who are now aloof to take part in the Movement. That the village credit movement may develop further on safe and sound lines, the following suggestions may be considered :—

(1) Some educational qualification may be imposed as a condition for being elected on the managing committee.

(2) A defaulter should be disqualified to be a managing committee member for at least five years.

(3) Well managed agricultural co-operative credit societies of long standing and working capital above a certain limit should be allowed to transact non-credit business too.

The Co-operative Credit Movement is growing in this district. There is, however, no appreciable development on non-credit side though of course there is a great deal of scope for it. If the Movement as a whole is to succeed it is now necessary to use some more safeguards and to devise some means for counteracting some of the evil forces mentioned above. It is needless also to say that proper education among the agricultural class is also essential if the real good is at all to be expected from it. Statistical information showing the development of the Co-operative Movement during the last 10 years is enclosed herewith.

The Bulgaum District Central Co-operative Bank, Ltd.

SECTION II.

Functions and businesses done :—

(1) Receiving deposits short and long term at rates varying from 4 to 9 per cent.

(2) Lending on personal security against security of ornaments or also sometimes against immoveable property.

(3) Buying and selling of *hundis*.

(4) In addition to the above, some bankers also resort to some other vocation as *shroff*, cloth merchants, commission agents, grain dealers, etc.

In villages the *sowcar* is the indigenous banker who finances the individual agriculturist for all his needs. In addition to this the banking firms in the urban areas finance to a very large extent through the *adatyas* many agriculturists. These indigenous bankers are financed by the co-operative banks and the Imperial Bank of India. They also deposit their surplus funds in the above banks. Cash credits are generally allowed to them both on the security of sureties and immoveable property.

GENERAL REMARKS.—(1) The increase in the co-operative agricultural and sale societies and the urban banks has led to reduction of lending rates of the *sowcars* and indigenous bankers in urban areas from 12 and 18 per cent. to 9 and 12 per cent. on good security.

(2) Their deposits have also been diverted to the urban banks.

(3) They have been compelled to increase the rates on deposits.

At present there is no legal provision nor practice by which any publicity is given regarding the financial resources of these agencies. It would be in the interest of the public and especially of the depositor's classes if the law makes it compulsory for bankers with a working capital of 15,000 or more to publish annual reports in particular form approved by Government.

QUESTION 4.—The legal impediments to mortgage of land are :—

(1) Watan Act, Sanadi Holding's Act, Saranjam Estate's Act which restrict the rights of the holders of such lands to transfer the property. Hence the difficulty met in getting finance as generally nobody is prepared to advance against the security of such lands.

(2) The Dekkhan Agriculturists' Relief Act which gives concession to the agriculturists at the expense of the interest of the *sowcars*. This has led to the system of taking promissory notes for double the amount of the loan and also the conditional sale of land by the borrower to the *sowcar*.

LAND MORTGAGE BANKS.—There are no such banks in this district. Their funds should be raised by—

(1) The debenture bonds, interest whereon to be guaranteed by Government.

(2) Long-term loans from central banks.

(3) General fixed deposits (10 to 15 years).

The managing committee should consist of the representatives of borrowers of central banks, of depositors, shareholders and Government. Government audit should be compulsory.

SECTION III.

TREASURY BILLS.—At present they are issued in Presidency towns and naturally they are quoted at high rates to attract investment in the same. Secondly they are issued in lots of Rs. 10,000 or so each, which prevents small investors from taking advantage of the same.

If the Treasury Bills are issued in district and *taluka* treasuries in lots of Rs. 100 or so, Government might be able to raise the temporary loans at far lower rates than is the case at present even after compensating for the increase in expenditure caused thereby.

In addition to the lowering of interest rates leading to lessening of burden on the general taxpayer which he has to undergo for meeting interest charges on the above loans, the evil of competition resulting in the Indian industries being starved for want of finance at lower rates of interest will be obviated and many people in the *mofussil* and urban areas who do not find profitable sources of investment would find a good avenue for investing their funds profitably (especially the middle class people with moderate means).

CHEQUE HABIT.—As far as the central banks and the urban banks in the district are concerned, the use of cheques has greatly increased especially among the pleader, merchant and educated middle classes. Formerly the members of the co-operative banks were only exempt from one anna stamp duty, but with the abolition of the stamp duty the non-members of the banks have been freely making use of the same. It is also observed that there is a constant marked tendency towards making payments by cheques only. Regarding the suggestion of payment of Government servant and bank employees by cheques, it may be remarked that the general education and banking knowledge among the general public on a wide scale must precede if the same is to be successful in its working. In order to make the system of cheque currency more popular among the classes who do not know English, vernacular scripts may be used.

(5) At present the Indian Currency is token currency and secondly based on Gold Exchange Standard, the prices of which fluctuate to a wide range. If this system is replaced by a Gold Standard, it would obviate the necessity felt by the people to hoard their savings in gold and silver ornaments. The above are some of the reasons which have hampered the growth of banking and investment habit in India.

The opening of branches of the Imperial Bank of India in the district places and industrial centres has led to wholesale reduction of lending rates of local bankers and *sowcars*. They have also hit to some extent the business of the urban co-operative banks and joint stock banks.

GENERAL OBSERVATIONS.—(1) The Co-operative Movement has failed to satisfy the demands of the *ryots*.

(2) The rate of interest at which societies advance loans has got to be brought considerably down.

(3) The *taccavi* advances have failed to be attractive.

(4) The inroads of the Provincial Co-operative Bank upon the legitimate sphere of the district central banks must cease.

(5) The district central banks must be empowered to advance loans against goods.

(6) The question of supervision over the village societies has not been adequately solved.

(7) The Dekkhan Agriculturists' Relief Act must be abolished.

(8) The local banker must be given facility so as to reduce the rate of his interest on loans to agriculturists.

The Belgaum District Central Co-operative Bank, Ltd.

(9) In the factious villages permission to start two co-operative credit societies should be given.

Statement showing the progress of the Co-operative Movement in the Belgaum District during the last 10 years.

Year.	Agricultural credit societies.			Urban credit societies.		
	No. of societies.	No. of members.	Working capital.	No. of societies.	No. of members.	Working capital.
			Rs.			Rs.
31st March 1920 ..	137	13,269	7,48,198	7	7,252	3,81,035
31st March 1921 ..	144	14,899	8,61,434	9	5,071	5,12,181
31st March 1922 ..	155	14,960	8,63,295	11	5,988	7,50,477
31st March 1923 ..	161	16,464	9,22,811	13	6,328	10,33,491
31st March 1924 ..	165	17,256	10,08,160	15	6,955	11,26,954
31st March 1925 ..	169	18,472	13,97,169	16	7,679	13,19,054
31st March 1926 ..	176	19,869	17,38,032	18	7,957	14,46,054
31st March 1927 ..	183	20,804	19,52,904	19	8,505	16,70,102
31st March 1928 ..	185	20,819	20,53,762	23	8,774	17,85,366
31st March 1929 ..	184	20,856	20,91,989	26	9,339	17,16,080

Progress of the non-credit societies.

Year.		No. of societies.	No. of members.	Working capital.
				Rs.
1920 ..	Agricultural	4	106	6,727
	Non-agricultural	5	462	24,228
1922 ..	Agricultural	14	576	25,325
	Non-agricultural	7	443	21,446
1924 ..	Agricultural	18	845	18,703
	Non-Agricultural	7	322	25,482
1926 ..	Agricultural	18	1,008	85,504
	Non-Agricultural	6	255	21,935
1928 ..	Agricultural	18	1,599	1,41,088
	Non-Agricultural	6	251	20,473
1929 ..	Agricultural	16	1,809	1,31,096
	Non-Agricultural	6	254	21,323

Mr. A. P. CHAUGULE, Chairman, District Central Co-operative Bank, Belgaum.

Oral Evidence.

15564. *The Chairman :* Mr. Chaugule, you are the Chairman of the Belgaum District Central Co-operative Bank ?—Yes.

15565. What is the constitution of your directorate ? How many members have you ?—About thirteen.

15566. Some of them I expect represent societies and some represent individual shareholders ?—Yes. The individual shareholders have five representatives and from societies eight.

15567. Have you any branches ?—There is one branch at Bail Hongal, and the other is at Chikodi.

15568. Do you find them paying ?—No ; not much.

15569. Do they work at a loss ?—No.

15570. What is your inspecting staff ?—I have three inspectors.

15571. What is their work ?—They go round and give advice to societies and ask them to prepare normal credit statements. They also see as to whether the loans that are taken from the Bank are properly distributed.

15572. What is your rate on deposits ?—We have reduced it to five per cent.

15573. Do you not think that if you reduce your rate of interest on deposits still further, you would still be able to attract the necessary capital ?—We have current and savings bank deposits, but we have not fixed deposits.

15574. But you want mostly fixed deposits ?—We have old fixed deposits which were received by mistake by the previous board of directors at the rate of seven per cent. and they are still running on.

15575. Otherwise you could still reduce your rate of interest and attract capital ?—Yes. We think that five per cent. interest should be the maximum rate for fixed deposits.

15576. Would it not be desirable to reduce the rate still further ?—We have been getting current deposits and fixed deposits amounting to not less than several lakhs. People have no place to deposit their money.

15577. Where do they go to ?—They do not trust individuals and they fall back upon banks and ask them to receive their money for whatever they might give them.

15578. If there is so much money available, is it not desirable to reduce your rate of interest and get deposits at a cheaper rate ?—Money would be flowing in, but how to utilise the money would be the question.

15579. Are your investments with co-operative societies not increasing in proportion ? —Not much.

15580. What is the reason ?—The reason is that the *ryot* is handicapped by a limit being placed over his borrowing capacity.

15581. What is the limit ?—In some villages it is Rs. 200 or Rs. 300 or Rs. 400, and with the permission of the Registrar about Rs. 700 to Rs. 1,000.

15582. In ordinary societies, are there many members who require more than Rs. 200 or Rs. 300 ?—Yes.

15583. There might be some, but is the number large ? Is not the limit of Rs. 300 sufficient for most of the cultivators ?—No ; that may be a standard in the Konkan tract, but in places like Chikodi, Hukeri and Athni it is not sufficient.

15584. We were told in Dharwar that for dry cultivation they want small amounts ? In places like Chikodi and Gokak they want considerably more.

15585. So far as the present limits are concerned, all members are not borrowing to their maximum limits ?—All members do not borrow.

15586. Even amongst those who borrow there are many members who do not require the maximum ?—Yes.

15587. Is there no provision for special limits being given to those who require more ?—Yes, with the permission of the Registrar.

15588. Is this being done ?—No ; but even then that would be inadequate in many cases.

15589. What do you think should be the ordinary limit ?—The ordinary limit should be left to the individual cultivators themselves.

15590. Do you charge penal interest ?—If the society charges, we do ; not otherwise.

15591. What do you do with the penal interest ?—It goes in general profit.

15592. Do you not set it apart for propaganda ?—We set apart a certain portion of profit for propaganda.

15593. Do you advance much for land improvement ?—That has become our perennial grievance. The land improvement loans are to be advanced with the monies that we obtain from the Provincial Bank.

15594. Can you not advance from your own money ?—We cannot.

15595. What is there to prevent you, if you have necessary funds for the necessary period, from advancing loans for land improvement ?—You mean *taccavi* ?

15596. Not *taccavi*, but your own funds ?—We are supposed not to advance money to individuals.

15597. Is there anything to prevent you from giving loans for land improvement ? Although you borrow from the Provincial Bank a part of the money for land improvement, there is nothing to prevent you from advancing from your own funds for land improvement ?—That has been an understanding uptil now. The method that has been followed is that we have to take money from the Provincial Bank.

15598. That is for *taccavi* and not for loans for land improvement from your own funds ?—I do not think so.

15599. Do you insist upon normal credit statements being prepared ?—Yes ; we do. That is in its infant and initial stage, and, therefore, it is bound to be defective.

15600. Is it improving ?—Yes.

15601. Do you think that from these normal credit statements you would be able to give figures about the indebtedness of members of societies ?—It amounts to Rs. 19,00,000.

15602. You say that Ralli's and Volkart's firms finance agriculturists ?—Yes.

15603. Do they advance loans ?—Yes, they do.

15604. Where ? In this district ?—Yes ; through *adatyas* or *dalals*.

15605. Do they finance the *adatyas* ?—Yes ; and the *adatyas* finance the agriculturists.

15606. Do the *adatyas* finance on particular terms ?—They take receipts from the agriculturists for standing crop.

15607. What are the relations between the firms and the *adatyas* ?—I cannot tell you.

15608. Do the indigenous bankers also finance the agriculturists through *adatyas* ? Through *adatyas* and directly too.

15609. Do they make it a condition that the produce should be sold to them ?—No.

15610. You say that the Imperial Bank also advances ?—Yes.

15611. How ?—Against produce.

15612. Have many people taken advantage ?—The Imperial Bank has been able to do business amounting to a lakh and a half in this town.

15613. We are told that the Imperial Bank is competing with the co-operative bank. Is it true ?—Yes ; the urban co-operative bank is suffering.

15614. At what rate does the Imperial Bank advance ?—It wanted to advance at 6 per cent., but the Registrar said that it cannot reduce the rate of interest.

15615. What is the rate of interest ?—Rs. 9-6.

15616. Were they financing before at Rs. 9-6 ?—No ; they were financing at 6 per cent. because they got deposits at 4 per cent. and even less than 4 per cent.

15617. You say that there is a difference in the finance of export crops and import crops. So far as the agriculturist is concerned, he sells most of his produce to the petty trader. Is there any difference so far as the export or the import crop is concerned ?—The difference is that the crop that is to be exported gets a ready market and ready finance and the other one suffers.

15618. Whether it is an export crop or a crop for consumption, the agriculturist sells it to the petty trader ?—Yes ; but the export trade has a quick demand ; so money comes in quickly, whereas that is not the case with crops for local consumption.

15619. Is it your suggestion that in the case of the export crop the petty trader pays the agriculturist the price immediately and in the case of other crops the agriculturist has to wait ?—I think so.

15620. How long ?—About two or three months.

15621. Is he willing to wait ?—He has to wait ; that is in some cases.

15622. You say that your bank is not connected with the joint stock bank or the Imperial Bank or even with indigenous bankers ?—No ; we are thinking of having cash credit connection with the Imperial Bank.

15623. Is that the only way in which you think that you should be connected with the Imperial Bank ?—Yes.

15624. Are you financing some tracts which are liable to famine ?—Yes.

15625. Do you find that recoveries in such tracts are difficult ?—Yes.

15626. What lines do you follow in the case of societies which lie in famine tracts and which owing to failure of monsoon are not able to repay ?—We give them extension.

15627. Supposing next year is also a bad year ?—We give them further extension.

15628. Do members have to go to outside agency ?—Yes ; and in some cases they sell their land.

15629. Selling their land is the last resort, but before that do they resort to outside agency ?—Yes.

15630. Does not that affect your recoveries ?—No.

15631. Do the *sowcars* not recover first ?—The society will be hit and not the bank.

15632. Is there no way in which this could be prevented ?—The society ought to be closed altogether. One should not lend in famine tracts and waterless tracts. No society will thrive there.

15633. You say that there should be no society in tracts where the rainfall is very irregular ?—No.

15634. How do *sowcars* manage to advance ?—The *sowcars* advance money and get hold of the land.

15635. Are lands passing into the hands of *sowcars* ?—Yes.

15636. Taking a cycle of five or six years, do they get two or three bad years ?—No ; there is one good year in four or five years.

15637. Are the others sometimes fair ?—Not even fair ; they fall far below the fair.

15638. So in that case agriculture cannot possibly pay ?—No.

15639. How do the *sowcars* survive then ?—The prevailing idea is that one should have as much of land as possible, whether it pays or not ; they do not go by exact mathematical calculation.

15640. Even the *sowcars* ?—Yes.

15641. You say that it is difficult to get the proper type of selfless workers as members of the managing committee. Have you any suggestion to make ?—I suggest that some educational test should be placed for the Chairman.

15642. What educational test would you suggest ?—A man who has at least gone through the whole of the vernacular course.

15643. Would you have it only for the Chairman and not for the managing committee members ?—No.

15644. Is it your idea that he should be literate ?—Yes ; that would prevent frauds and *benami* transactions.

15645. Are *benami* transactions due to illiteracy on the part of the Chairman and not the members ?—Both the Chairman and members. In certain cases the secretary does everything and the chairman signs. It is the secretary that is everything in the village.

15646. Is it your idea that the literate chairman would be able to check the work of the secretary ?—Yes. In one case the chairman and the secretary had both combined so far as I know.

15647. Do indigenous bankers here receive much by way of deposits ?—Not much.

15648. You say that indigenous bankers are financed by co-operative banks. Do you mean by indigenous bankers here *sowcars* ?—Yes.

15649. Do they borrow from co-operative banks and lend to others ?—Yes.

15650. Is that done on any large scale ?—Not much.

15651. Why do the borrowers not become members of the bank ? Are they not fit to become members ?—Not that ; the urban bank can advance Rs. 5,000 to any

individual. So one can draw out Rs. 5,000 and distribute that amongst several people in small sums and do business in that way.

15652. Why do not the persons amongst whom he distributes the loan themselves become members ?—They cannot have so much credit. They are too poor to guarantee the amount advanced to them. Probably, these people cannot get Rs. 5,000.

15653. They do not want Rs. 5,000, but they require small sums. If they become members, they can be directly financed by the bank ?—Yes, they could be.

15654. Are there many such cases where people borrow from the urban bank and become *sowcars* themselves ?—I do not think there are many, but there are some cases.

15655. As regards the issue of treasury bills you say, "In addition to the lowering of interest rates leading to lessening of burden on the general taxpayer which he has to undergo for meeting interest charges on the above loans, the evil of competition resulting in the Indian industries being starved for want of finance at lower rates of interest will be obviated." I do not quite follow that ?—I think I have put it rather too high.

15656. Do you want to encourage investment in treasury bills ?—Yes.

15657. Supposing you do that, how would you prevent Indian industries from starving ? On the contrary, more money will go into treasury bills ?—I only wanted to say that the treasury bills offer a fair rate of interest and the people should be encouraged.

15658. I quite follow that. But how would the people's investment in treasury bills prevent Indian industries being starved ? On the contrary, I think it would drain away money from the industries to be invested in treasury bills ?—The treasury bills would be for a short term.

15659. What is the connection between the two ?—The connection is that from the treasury bills they would be able to make more money.

15660. Who would be able to make more money ?—The persons who invest in treasury bills. They would be able to put some money from the profit in the industries. I think I have put it too high.

15661. Do you think that the opening of the branches of the Imperial Bank has done good to the trade ? It has led to a reduction in the rate of interest ; has it not ?—Yes ; it has.

15662. So indirectly it must have benefited trade ?—I should say it has, but it has come in the way of the prosperity of the local urban banks and there has been unhealthy competition, or they have positively come in the way of co-operative banks.

15663. Is not the reduction in the rates of interest to borrowers, looking from the general public point of view, a good thing ?—My grievance is that both the co-operative banks and the Imperial Bank should be allowed a free hand. Why should one go and gag the other.

15664. It is not a question of gagging ?—Yes, it is a question of gagging. There has been a threat given to the bank that if the directors finance money against produce, they will be held personally responsible.

15665. That is a different question. The question is as regards advancing money at a lower rate of interest. It is not the fault of the Imperial Bank ?—No.

15666. You make some general observations and say that the Co-operative Movement has failed to satisfy the demands of the *ryots*. What would you suggest ?—The limits should be raised.

15667. You say, " The inroads of the Provincial Co-operative Bank upon the legitimate sphere of the district central banks must cease. " What are these inroads ?—They are supposed not to advance inside the district, and I find that the Provincial Bank has been advancing money to three banks, *viz.*, Athni, Gokak and other banks.

15668. Is that for remittance purposes ?—For remittance and other business too. They do not confine it generally to remittance.

15669. Do these three banks get money from you ?—They are our debtors too.

15670. Are they also taking loans from the Bombay Provincial Bank ?—Yes.

15671. Is that your main grievance ?—Yes.

15672. As regards these factions, it seems to be a very important question in this district. One can see that if the members of one faction do not get any finance or are unfairly treated because members of the other faction are in power, they should have a separate society. Ultimately what is going to happen ? Are you going to multiply societies ?—There will not be more than two societies in a village. The village unit has to be looked upon as two units.

15673. If you start the organisation from the bottom, *viz.*, the village to have two societies, then the *taluka* perhaps would have two unions ?—No.

15674. Will the representatives of two societies meet harmoniously at the union ?—Yes.

15675. Are you not afraid that amongst these separate societies there will again be village factions ?—No fear of the societies multiplying.

15676. Why ? Supposing in one particular society there is a faction, some people might want another separate society ?—If there is some rupture in one society, the member will go over to the other society. So a member would be coming in and the other going out, but that would be an exceptional affair.

15677. *Professor Kale :* With regard to your proposal concerning the treasury bills, are you aware that treasury bills are issued for three or six months, and do you think that there will be sufficient money in the *mofussil* for investing in this short-term paper ?—I think they might be given a chance. I think local banks might purchase, or individuals also might purchase. They do not know what these treasury bills are in the first place. People do not know that they can invest their money in such enterprise.

15678. Government wants money through the treasury bills only for a short period but in large amounts. Do you think there will be sufficient money coming out in the *mofussil* ?—Not so much as in the Presidency towns ; but I think Government will realise some money.

15679. The idea of treasury bills is this that when there is loose cash in commercial centres this money is invested in treasury bills. Do you think it would be a suitable form of investment for people in the *mofussil* ?—Yes ; a trial may be made.

15680. Do you think that Government *taccavi* should be placed directly at the disposal of the district central bank instead of its being given through the Provincial Co-operative Bank ?—Yes.

15681. Do you think the district bank would be able to manage that business and take up the responsibility ?—Yes ; there is practically no responsibility.

15682. It is the responsibility of the societies to the bank ?—The society takes the security of the land ; the society does not advance on personal credit.

15683. So there is not much fear that the bank may lose money ?—No.

15684. The bank is responsible to Government ?—The bank is responsible to the Provincial Bank.

15685. If the money is to be granted not through the Provincial Bank but through the district bank ?—We do not want Government money ; we could advance our own money.

15686. *The Chairman :* At what rate would you advance money for land improvement ?—At the same rate as the Provincial Bank does.

15687. 6¼ per cent. ?—Yes.

15688. If you could do this, there is nothing to prevent you from doing this. You are quite justified in advancing your own money and not take any *taccavi* at all ?—Yes.

15689. *Professor Kale :* Do you mean to say that you are prevented from doing it by the Department ? What is the obstacle in the way ?—I do not know the legal aspect of the thing, but so far we have been doing business on the understanding that the Provincial Bank is the creditor and we are commission agents.

15690. Will you try and find out whether you will be allowed to do it or not ?—I shall write to the Registrar.

15691. *Mr. Kamat :* Have you noticed any difference between the secretary of a society who is literate and an illiterate secretary so far as the interests of the society are concerned ?—In some cases I have found that the business is better managed by a literate secretary, but in some cases the literate secretary has committed several frauds.

15692. You suggest also some sort of educational qualification for members of a managing committee ?—Yes.

15693. Where there are no duly qualified members for a managing committee, would you start no societies at all ?—No. At least some members should know what the society's affairs mean.

15694. *Mr. V. L. Mehta :* Would you like to do away with loan limits in primary societies altogether ?—No. They should be considerably raised.

15695. The villagers themselves should determine what the limit for a particular party should be ?—Yes.

15696. Do your branches do any *hundi* business ?—Yes.

15697. You say that the use of vernacular on cheques should be encouraged ?—Yes.

15698. Is this being done now by the district and urban banks ?—No. The signatures of persons who draw are written in the vernacular.

15699. You have not found much difficulty in deciphering them ?—No.

(The witness withdrew.)

The Belgaum District Central Co-operative Bank, Ltd.

Mr. V. V. NADIG, B.A., Huzur Deputy Collector, Belgaum.

Replies to the Questionnaire.

SECTION I.

1. The chief source from which the agriculturists in this part obtain finance for their agricultural needs and in fact for all other purposes is the local money-lender in villages. In the cities or villages having co-operative societies, some portion of the agricultural population does receive loans from such societies, but that portion is small. It is learnt that money advanced to agriculturists by co-operative societies in the Belgaum district comes nearly to the extent of 9½ lakhs, whereas the total amount of loans required by them in the district each year is roughly estimated to be 50 lakhs or even more. The total number of agriculturists who have become members of co-operative societies in the district is said not to be more than 21,000. Government also sometimes advance *taccavi* loans for permanent land improvements in places where such loans are not obtainable from co-operative societies, but the amount thus advanced is negligible. The agriculturists have thus mainly to turn to village *sowcars* for any monetary help they want either to improve their lands or for expenses during cultivation or for their other needs. There is another agency which also plays some part in financing agriculturists. This agency consists of *dalals* in town and big villages. They advance money to cultivators on the security of crops. The agriculturists have in such cases to sell their produce through these *dalal*-creditors only. In such transactions, the *dalals* charge not only the *sowcari* interest but recover *adat* also.

The rate of interest in this district for loans for any needs varies from 12 to 18 per cent. The nature of security demanded is land, valuable ornaments and standing crops. In few instances loans are given by *sowcars* in kind to farmers either for their maintenance or for seed. In such cases the interest charged is 25 per cent. or more.

The result has been, especially in the out of the way villages, that the class of *sowcars* has become as it were a privileged class and they take the maximum ill-advantage of the illiteracy and helplessness of agriculturists. The farmers have little opportunities for land improvements and they are loath to effect any improvements as they are afraid of *sowcars* and think that what would be gained by improvements would perhaps be eaten up by *sowcars*. The remedy seems to be to attempt to free the agriculturists from clutches of *sowcars* by introducing literacy among them and by starting more village co-operative societies. This evil of *sowcarism* may also be lessened to a certain extent by legislation by forcing the *sowcars* to maintain their accounts in some prescribed forms and to make them available to debtors whenever they demand them. The Dekkhan Agriculturists' Relief Act does not seem to have helped in improving the lot of agriculturists, as its working has actuated *sowcars* to effect bogus sales of lands which always put the *ryots* to disadvantage. Besides, it seems that the Dekkhan Agriculturists' Relief Act has not raised the credit of agriculturists but has reduced it.

Speaking of any other remedies in the present system of agricultural finance we may also take note of some facts from the point of view of *sowcars*. As the working of the Dekkhan Agriculturists' Relief Act, by which agriculturists can get very small instalments in repaying loans, has demoralized the *sowcars* and has forced them as it were to resort to bogus transactions, so also it is complained that the process of recovering debts through courts of law has become very expensive and dilatory. By taking advantage of the provisions of the Watan Act too the *ryots* often put *sowcars* to loss.

I propose the following remedies for improving the lot of our agriculturists :—

I. Spread of education among agricultural population by opening at least one elementary school in every village.

II. The accounts maintained by *sowcars* must be made open and clear to debtors by legislation.

III. The provisions of the Dekkhan Agriculturists' Relief Act should be got modified so as to raise the credit of agriculturists.

IV. More village societies should be started ; if possible an attempt should be made to spread the net-work of the societies to all villages.

V. A land mortgage bank should be opened for this district.

2. The principal crops in this part are rice, *juar*, cotton, tobacco, groundnut, chillies, *gur*, etc. The first two are mostly locally consumed and the remaining are generally exported to a great extent. The present method of marketing these crops in the district is as follows :—

In the chief centres of trade, there are *dalals* or commission agents, who keep warehouses to store the agricultural produce till it is finally sold off. The agriculturists either at once sell their products locally to petty traders, who collect the produce and send them to *dalals* or the agriculturists themselves take their produce to *dalals*. Generally small farmers who have small stock sell it to petty traders, but the farmers who have big stock generally take it themselves to *dalals*. In some cases farmers who are debtors sell their produce to their *sowcars* at a disadvantageous rate, who again send it on to commission agents. There is thus no co-operative efforts in marketing the produce, for which there is much scope. In some big centres, agencies of foreign merchants purchase the produce directly from agriculturists, who bring the produce to them, but mostly the selling is done through commission agents.

These commission agents advance money to agriculturists on the security of the produce warehoused in their warehouses. Petty traders too advance some money to farmers, these petty traders in return being financed by commission agents. These agents, if they have not sufficient funds of their own, borrow them from co-operative banks. It is generally found out, however, that these *dalals* or petty traders do not get sufficient funds to meet all the requirements and thus in many cases are unable to advance sufficient funds to agriculturists. The agriculturists generally are in immediate want of cash after the harvesting time, to pay off their debts or part of debts to *sowcars* with interest or the interest only, to pay the land revenue, to pay to their cloth merchants, who advance cloth on credit and to meet many other sundry demands kept awaiting for the harvest season. If the agriculturists thus cannot get advance of money from petty traders or *dalals*, they are required to take the chance of any rate of sale prevailing at the time. Generally the farmers bring the produce to the market at the same time and want cash also at the simultaneous time. Thus by the principle of demand and supply, the sale rate goes down. If the agriculturists can wait, they can realize a higher rate, but being short of funds they cannot wait. Thus if co-operative banks can manage to warehouse the produce, till fair rate is obtained and to advance funds in the meanwhile to farmers, the latter will be able to dispose of their crops advantageously :—

For internal remittances the following agencies are employed generally :—

I. Government treasuries or sub-treasuries which give remittance transfer receipts to co-operative societies and supply bills to the public and currency telegraphic transfers ordered by the Imperial Bank of Bombay at the instance of the Deputy Controller of the Currency.

II. Co-operative urban bank and district central banks which deal in *hundis*.

III. Private firms and merchants who deal in *hundis*.

Remittance transfer receipts are supplied free of charge to society banks and supply bills are furnished at the rate of 2 annas per hundred, if the amount is less than 10,000 and if it is 10,000 or over, the rate charged is one anna per hundred. Bombay merchants, who make purchases on great scales, through their district agents, of cotton, tobacco, *gur*, etc., in the local trade centres in the district, find it very convenient to purchase Bombay telegraphic currency payments by crediting the amounts in the Imperial Bank there and getting payments from district or *taluka* treasuries in favour of their district agents. In the Belgaum district such telegraphic payments are made by the district and *taluka* sub-treasuries to the extent of one crore in a year.

3. The Belgaum district has principally three kinds of land under agriculture, *viz.*, (I) *Tari*, (II) *Jirayat* and (III) Garden. The district can again be divided into two parts, *viz.*, a hilly tract and plain country. The hilly tract contains chiefly the whole of rice or *tari* land, and the plain country mostly consists of good *jirayat* and garden lands. The *mal* lands of the hilly tracts are poor in quality. In plain country, there are, besides, some best alluvial lands, submerged under Krishna and other rivers.

The value per acre for different classes of lands is as follows :—

HILLY TRACTS	
Rice land	.. Rs. 300 to 1,000 per acre.
Dry crop or *jirayat* land ..	.. ,, 25 to 300 per acre.
PLAIN COUNTRY	
Jirayat	.. Rs. 300 to 700 per acre.
Garden	.. ,, 1,000 to 3,000 per acre.
Alluvial	.. ,, 1,000 to 3,000 per acre. In Chikodi *taluka* Rs. 2,000 to 6,000.

The chief factors affecting such values are :—(*i*) the quality and fertility of soil, (*ii*) proximity to a town, village or road, (*iii*) facilities of irrigation, (*iv*) the normal rainfall which the land receives, (*v*) the adequate or inadequate number of cultivators or supply and demand for land.

The value of land is certainly enhanced by sales by Government by auction for non-payment of revenue or in pursuance of a court decree. As it is an open sale, there is a fair competition to purchase the land, besides the purchaser especially in sales for non-payment of revenue thinks himself safe from any further litigation. In the case of private negotiation, the need of the seller and some risk of further litigation reduces the value to a certain extent.

4. Predominantly two factors act as legal impediments to mortgage lands and agricultural holdings in the Belgaum district, *viz.*, the service or *watan* nature of some lands and the provisions of the Dekkhan Agriculturists' Relief Act. Owing to the latter, transactions which are really simple mortgages are shown in documents as sales by *sowcars* to avoid the transactions coming under the provisions of the Dekkhan Agriculturists' Relief Act.

There are no land mortgage banks or agricultural banks or any other banks in the district for the provision of long-term credit. In the present circumstances, however, it is thought that there is a necessity of some such land mortgage banks. There should be a central bank for a district with one branch for each *taluka*. The working capital should be derived from shares, deposits, funds from central institutions and also debenture bonds. It is not to be expected, at least in the first period of the banks, that the agriculturists themselves would come forward to provide funds for the banks. The management of the banks should be in the hands of a Board, half the number of which should be elected by sharers, depositors and other fund-providing interests and half nominated by Government. I think debenture bonds should carry Government guarantee both for principal and interest. The banks should pay interest at Rs. 5 to 6 per cent. to depositors and purchasers of bonds and charge Rs. 7 to 8 to debtors. The recoveries of debts in ordinary and default cases should be done by the banks in the same way as is done by co-operative societies.

5. Yes, it is necessary to arrive at an approximately correct estimate of the existing indebtedness of agriculturists. I have no such sure data with me, but from my experience gained during my visits in official capacity in this part I think nearly ⅓rd of agricultural population is in debt for some reason or other. Where lands are concerned as securities, the best source to obtain the necessary statistics is the village record of rights. The amount of debt which is concealed in the form of a judicial sale to circumvent the provisions of the Dekkhan Agriculturists' Relief Act must be much, but such cases are very difficult to detect unless every individual debtor or seller of land is approached and questioned on the matter. I think some revenue agency should be employed to gather details in every village on the spot and from the agriculturists themselves where necessary. The only proper agency to collect the statistics in this connection, which appears to me, is the village accountant and *patil*. Generally for all the purposes mentioned in (*a*) to (*j*) debts are incurred. Such debts are largely due to professional money-lenders and on some small scale to co-operative societies. The purposes (*a*), (*c*), (*g*), (*h*) and (*i*) are not found in considerable cases. Mostly the agricultural population is illiterate and ignorant of modern methods of cultivation. They have thus little enterprising spirit and resort very little to land improvements or possession of improved agricultural implements. The rate of interest for sums exceeding 100 and for periods of one or two years is 12 and 18 per cent. and that for smaller sums and shorter periods it goes up to 25 per cent.; even co-operative societies only charge interest at a little above 9 per cent. There are good many cases where farmers on account of their debts have been turned into tenants-at-will and the lands have thus passed into the hands of creditors. Such tenants pay little heed to improving the land or raising good crops and the creditors are satisfied if only they get their high rate of interest from their investments in lands. For all these reasons the improvement of lands or bettering the crops or the introduction of improved implements is scarcely attended to.

6 & 6A. Small subsidiary industries allied or supplemental to agriculture in this district are as follows :—

Rice-milling.—There are only three rice mills driven by engine power in Belgaum and Khanapur *talukas*, but in every village where rice is grown, rice-milling by hand is one of the chief supplementary industries to agriculture. If more engine power is introduced, more hand workers will be thrown out of employment.

Dairy-farming.—There is no such industry in the whole district. Villages near big towns such as Belgaum have some scope for selling milk in the town, but here too

there is no organized industry. Individual milkmen do their business on their own responsibility. In other villages, milk is turned into butter and the butter is sold in the several *bazars* in the district. This butter business too is the business of individuals and provides some help to agriculturists. There is much scope for opening dairy farms if grazing grounds are made available to agriculturists especially in the forest tracts of the district, *viz.*, Belgaum and Khanapur *talukas*.

GUR-MAKING.—The area under sugarcane crop is large in Hukeri, Chikodi, Gokak, Bail-Hongal *talukas*, and even in Belgaum and Khanapur *talukas* sugarcane crop is increasing yearly. Every grower of sugarcane makes his own *gur* and generally employs local labour.

GARDEN PRODUCE.—Belgaum and round about villages grow vegetables to a considerable extent, as the soil is good for it and there is sufficient supply of water. Belgaum *bazar* too affords a good market. Betel-leaves are grown in Chikodi *taluka*. In Bail-Hongal and Gokak *talukas* too some vegetables are grown, but in all other parts very little garden crops are raised.

COTTON GINNERIES.—Gokak, Athni, Bail-Hongal and Parasgad *talukas* are the chief places of cotton crops in the district and every place has gin-factories. Nearly the whole cotton produce is ginned in the local factories. These factories afford work to many for four months at least.

SUGAR REFINERIES.—There is no sugar factory in the district. In the face of competition with the foreign sugar and for many other reasons, such concerns do not become paying and hence nobody is willing to start a sugar factory.

HAND-SPINNING.—Hand-spinning ought to be a special feature of the *talukas* where cotton is produced, but it is not so now. People have lost the art of spinning the best kind of yarn and when better yarn is available from mills, such as Gokak mill in this district, there is no demand for hand-spun rough yarn. As hand-spinning can be done by every woman and man at his home, at his spare hours, it is advisable that this industry should be encouraged. What is wanted is proper training and organization. The demand for hand-spun yarn will increase if it is of a fine quality. Besides these, in spare time, the agriculturists do the following works :—

Collecting timber, firewood and *harda* in Belgaum and Khanapur *talukas*, giving their carts for hire to transport forest wood or merchants' commodities from one place to another.

Other possible enterprises, which may give additional employment to farmers, is horticulture of fruit trees, cattle breeding, poultry, groundnut mills and oil mills, hand-weaving, bamboo and cane works, preparing bone and other kinds of manures. Even sericulture can be attempted in this part with some success. In all these things, all the initiation must come in the first instance from Government by opening model farms, etc., and industrial schools. These businesses do not require much capital. Some guidance and training is all that is necessary and when people come to know that these businesses pay, they themselves will come forward with sufficient funds. It would not be difficult to find a market. There is always a demand for products of such enterprises. There are good many handlooms in Belgaum, Gokak, Bail-Hongal, Athni and Hukeri *talukas*. Cloth woven is *saris*, *khanas* and rough *dhoters*, shirting and coating cloth. There is sufficient work for these looms. All these looms use mill-spun yarn.

7. There is no joint stock bank in the district. At Belgaum a sub-office of the Hubli branch of the Imperial Bank has been recently opened. It advances money

at 6 per cent. on the security of gold or silver ornaments. It also advances money to traders at the same rate on the security of commodities warehoused. This branch has become as it were a competitor to co-operative banks and it is learnt that large amounts of deposits are lying idle in the co-operative bank, which has on this account practically stopped receiving deposits.

Certainly the Co-operative Movement has done much to agriculturists and small traders who otherwise would have gone under the clutches of *sowcars* and Pathans whose ways of money-lending are not fair. There is still scope to spread the Co-operative Movement. It depends upon the way in which the societies are conducted. If they can create confidence in the minds of agriculturists and bring the benefits from the Movement home to them, the societies will certainly prosper. No doubt the illiteracy of the agriculturists comes in the way, but propaganda is quite necessary.

It may be remarked here that for the success of all these movements whose object is to better the condition of masses, the spread of elementary education among them is in the first place absolutely necessary. Secondly, in all the elementary schools, temporary classes may be opened for teaching a few small miscellaneous industries to agriculturists and their children. Arrangements may also be made to pursuade the backward and illiterate people by occasional lectures in such classes, to make good use of their money, to practise thrift and give up the habit of hoarding.

Oral Evidence.

15700. *The Chairman :* Mr. Nadig, you are the Huzur Deputy Collector here ?—Yes.

15701. In this treasury and in other treasuries too, is there a considerable amount of surplus cash during certain seasons ?—No, not surplus cash.

15702. During the land revenue recovery, do you not have a large amount which you have to remit elsewhere ?—No. According to the present rules, all surplus is kept here only in currency chests ; and we require it during certain seasons.

15703. I ask you this question because it has been suggested that this surplus money during certain seasons could well be utilized for doing ordinary banking business. Do you think it would be possible for your treasury to do a certain amount of banking business, for instance, to advance amounts to definite parties whose names have been approved of by the Accountant General ?—Yes, this would be possible during the slack season.

15704. Also to receive deposits ?—Yes.

15705. Would this be possible in sub-treasuries ?—Yes ; there are also currency chests.

15706. They could advance money to approved parties ?—Yes.

15707. And they do a certain amount of remittance now ?—Yes, by telegraphic transfers, ordinary supply bills and by remittance transfer receipts.

15708. In the case of sub-treasuries, have they to pass through the Huzur treasury ?—In the case of telegraphic transfers they receive direct.

15709. But telegraphic transfers are directed by the Deputy Controller ?—Yes.

15710. Suppose a man in Annigeri wants to send money to Gokak, he cannot do it through the sub-treasury there ?—In the case of certain sub-treasuries they have been allowed.

15711. Can this be done in the case of all sub-treasuries ?—Yes.

15712. Will it be a great facility to trade ?—Yes.

15713. Your treasury is managed by yourself ?—Yes.

15714. In certain places you are aware that treasuries are managed by the Imperial Bank ?—Yes.

15715. It has been suggested also in the case of sub-treasuries that where there are no branches of the Imperial Bank, if the provincial bank or a well-managed district bank is willing to undertake the responsibility, it might be allowed to manage it if approved by Government. What do you think about this proposition ? Do you think it is a feasible proposition ?—Yes.

15716. At present the facilities offered for remittance by your treasury are telegraphic transfer and remittance transfer receipts to co-operative societies and supply bills to the public ?—Yes.

15717. Do you think it is possible to grant any further facilities or are these facilities enough ?—Our work has increased on account of the remittance transfer receipts supplied to co-operative societies. They are doing *hundi* business, etc.

15718. If further facilities are granted, will they be one way of solving the question ?—Yes ; and our establishment will be strengthened.

15719. And co-operative societies for whom this work is done should be asked to pay the expenses ?—Yes.

15720. I think there is not much *taccavi* being given out in this district ?—I do not think that they advance now under the Agriculturists' Loans Act. Under the Land Improvement Loans Act, a certain amount has been advanced.

15721. We find from the records that for the last few years they have been giving only the consolidated figures for both the Acts. That is to say, they do not separate the two. Have you figures to show how much has been advanced from your treasury separately for the last ten years ?—No ; they are all shown under one head. I do not think that they are separated.

15722. You say : " In some big centres, agencies of foreign merchants purchase the produce directly from agriculturists who bring the produce to them, but mostly the selling is done through commission agents " ?—People like Ralli Brothers purchase cotton direct.

15723. Do they purchase the produce direct from agriculturists ?—They purchase through brokers.

15724. But not direct ?—They almost buy direct and because they want to purchase *juar*, cotton, etc., they make some arrangements and have their own brokers. There is also some staff of these companies and also these brokers.

15725. They pay only after the produce is ready and not on the standing crop ?—No, not on the standing crop.

15726. What is your ground for saying that *dalals* do not have sufficient funds and, therefore, the agriculturist is forced to sell his produce immediately ?—All *dalals* are not well-to-do men.

15727. But if a *dalal* has not sufficient money to pay to an agriculturist, I expect the agriculturist will go to a man who has money. The question is whether the *dalals* or the agriculturists suffer because the *dalals* have no money ?—Certain agriculturists who have faith in *dalals* will wait rather than go to somebody else if those *dalals* have no money.

15728. You say further, "There are good many cases where farmers on account of their debts have been turned into tenants-at-will." Do you know if there are any statistics as to how much area passes each year into the hands of non-cultivators ?—No ; there are no statistics, but it is only a general impression.

15729. What is your opinion as regards the advantages or disadvantages of the Imperial Bank of India opening a branch here ?—It has reduced the rate of interest and it has done good to trade.

15730. But it has affected the working of certain banks ?—It has affected co-operative societies.

15731. *Mr. Kamat :* Has any enquiry been recently made regarding statistics of agricultural labourers going into non-agricultural labour ?—I am not aware of any such enquiry.

15732. From your observation you think that agricultural labourers are giving up their agricultural operations for ordinary labour ?—Yes, especially in forest tracts.

15733. Are there other tracts where they are going to small factories ?—No ; there are no such factories in this division.

15734. *Mr. V. L. Mehta :* You have a branch of the Imperial Bank here ?—It is an out-station of Hubli.

15735. Has it any access to the currency chest ?—No.

15736. It is only at places where there are branches, they can have access to currency chests ?—Yes.

15737. *The Chairman :* Does the Agent of the Imperial Bank at Hubli have anything to do with the sub-treasury ?—No, nothing.

15738. *Mr. V. L. Mehta :* We have been given to understand at other parts of the presidency that previous arrangements have to be made with the Deputy Controller of the Currency in Bombay and it is only then you can issue supply bills from here ?—We can issue them without the permission of the Deputy Controller. We could issue them at our own discretion.

15739. At the prevailing rates ?—Yes.

15740. To any party who comes along ?—Yes ; but not on all treasuries. Only to certain approved treasuries, we can issue them.

15741. In some districts in the Presidency proper, we have been given to understand that it takes a very long time for money remitted through a sub-treasury to reach the district headquarters. It takes three or four days or even seven days. What is the usual period taken here in this district ?—It depends upon the distance of the sub-treasury from the treasury. It may take one or two days.

15742. If the means of communication are good and the distance is not very great, it will not take more than two or three days ?—No.

15743. There is a suggestion placed before this Committee by some co-operative banks. At present if a co-operative bank in a place like Nipani wants money from Bombay, it has to write to Bombay and the Bombay Provincial Bank or some other bank will pay money into the Imperial Bank and get either a supply bill or a telegraphic transfer or a remittance transfer receipt. Instead, it has been suggested that for transactions amongst certain approved banks, if a cheque on the Provincial Bank of Bombay

is presented by a co-operative bank at Nipani, then within certain limits say Rs. 5,000 or Rs. 10,000 or Rs. 20,000 the sub-treasury might make payment against it after charging some commission. This saves the time. What do you think of this suggestion ?—It is a good suggestion, but such banks will have to be approved by Government.

15744. Another suggestion is that in some places if individuals who have to make payment for Government in respect of land revenue or other duties have accounts at co-operative banks and if they have not got accounts with them, their societies have accounts at local co-operative banks and instead of making payment to the treasury for the Government dues in cash, they would give cheques, but the cheques would be accepted on condition that credit would be given after the amount of the cheque is collected. Do you think it is possible to introduce this kind of system ? This system is introduced in places where there are branches of the Imperial Bank, but as you know the branches of the Imperial Bank are very few ?—I think this system can be introduced.

15745. *Professor Kale :* You have said that the advent of the Imperial Bank in this place has helped to reduce the rate of interest to the public ?—Yes.

15746. And at the same time it is competing with co-operative banks ?—Yes.

15747. If it is one of the objects of Government to promote the growth of co-operative banking, would it not be desirable that either an attempt should be made to lower the co-operative societies' rate of interest or give them sufficient scope ?—If co-operative societies reduce their rate of interest, it would be all right.

15748. Though the general public benefits by the lowering of the rate of interest through the Imperial Bank, yet this drives the Co-operative Movement from spreading and prospering and if it is one of the aims of the public and the Government to see that the Co-operative Movement is thriving, do you think that this benefit is rather dearly bought from the public point of view ?—Only urban banks suffer and not the village banks.

15749. Do you consider that they are an important part of the Co-operative Movement and if they are not able to expand their business you do not promote the growth of the Co-operative Movement. It comes to this ?—To a certain extent it is so.

15750. It is one of your suggestions that accounts maintained by *sowcars* should be made open to public by legislation. Do you think that the illiterate cultivators will understand the accounts ? How will this benefit the cultivator who will not be able to read and who will not be able to understand the accounts ?—There are literate persons in villages and they will show them.

15751. This will be some safeguard ?—Yes. Though not a complete safeguard, it will be some safeguard.

15752. You suggest that the collection of statistics should be done through village officials like the accountant or *patil*. Do you think that the information collected by them will be reliable ?—I think so.

15753. Or some better agency is needed ?—No. The village accountant is the proper agency for collecting statistics. He has nothing to do with money. So he can be entrusted with this work safely.

15754. Do you not think that more intelligence is needed for collecting facts ?—They are sufficiently intelligent.

15755. If they use their intelligence properly ?—Yes.

15756. Do you think it is worthwhile encouraging hand spinning in view of what you state, *viz.*, that it has to compete with mill-made yarn ?—It is a by-industry to agriculturists and they will get something out of it.

15757. But who is going to buy this yarn ?—In cities people will purchase it.

15758. At some sacrifice ?—Yes.

15759. Not at market rates or at competitive rates ?—No. They will earn something instead of sitting idle.

15760. But who will help them ?—For this no help is necessary.

15761. Will their yarn be as cheap and as good as the mill-made yarn ?—It will not be as cheap as the mill-made yarn.

15762. But then how will you find a market ?—At least in villages some persons will purchase it.

15763. But even the villages are being penetrated by some mill-made cloth ?—There are some people who have a liking for this kind of yarn.

15764. Are there many Pathans in this district ?—There are some.

15765. Is their number growing ?—No.

15766. *The Chairman :* Are you a City Magistrate here ?—Yes.

15767. Do you get any complaints about their wrong doings ?—During the last three years I had some complaints against these Pathans.

15768. What was the nature of the complaint ?—The nature of the complaint was that people were beaten.

15769. What was the result ?—They were convicted.

15770. Do you think that there are many cases which do not come to court ?—Yes.

15771. *Professor Kale :* Is it a fact that people are afraid of even lodging complaints against Pathans ?—Yes.

15772. Have you any remedy to suggest ?—They must be licensed.

(The witness withdrew.)

Rao Bahadur MALLINAIK LINGANAIK PATIL of Bail Hongal, Taluka Sampgaon, Belgaum.

Following is my opinion regarding your questions and the same is based upon my experience of Sampgaon and Parasgad *talukas* and Murgod Mahal of the Belgaum district.

Agriculturists of our *talukas* finance themselves for their cultivation, permanent improvements and other special needs by taking loans from agricultural co-operative credit societies and from professional money-lenders. The rate of interest for these loans varies from Rs. 9-6-0 to Rs. 24 per cent. per annum and sometimes surpasses the same. Pathans charge their interest at 4 annas per rupee per month for their loan.

Loans to the extent of Rs. 300 will be advanced to the members for a year or a portion thereof after getting agreements from them with two sureties from among the members. Loans are also advanced to the members to pay off old debts and also for agricultural

improvements with a condition that they should be paid off by 4 or 5 instalments. The amount of such loans is not to exceed Rs. 750 and the same is secured by the simple mortgage or possessory mortgage of Raitawa land worth 3 times the secured debt. In case of mortgage with possession lease from the mortgagor is taken and then the same land is given in his possession as a tenant, and rent received from him will be deducted from the instalment amount. According to the same principle by possessory mortgages *taccavi* is granted to pay old debts and for agricultural improvements. The rate of interest on *taccavi* loans is Rs. 6-2-0 per cent. per annum. The rate of interest on other loans varies from Rs. 9-6-0 to Rs. 10-15-0 per cent. per annum.

Small loans are advanced to these needy agriculturists by money-lenders on promissory notes and bonds. Big loans are advanced to these *ryots* by the *sowcars* on simple mortgage, possessory mortgage, usufructuary mortgage and sale with a condition to repurchase the lands. The rate of interest on these loans rises up to 24 per cent. per annum and sometimes even more.

Pathans advance small loans on promissory notes and bonds. People that accept loans from them are not generally *ryots*. The population consists of more non-*ryots*. The rate of interest is 4 annas per rupee per month. The advanced amount is generally less than Rs. 200 and the period to repay is less than a year. It is customary with them to deduct the amount of interest that they will have to receive at the date of repayment just at the time of advancing the loan from the principal.

The limit of capital, the liability of each member and the amount of loan that is to be advanced to each member is settled by the bye-laws of each agricultural co-operative credit society. As the restrictions imposed by these bye-laws are harsh, it is very difficult to increase the number of members and to advance more money to remove the difficulties of these poor *ryots*. Hence members who require more money or those who could not enlist themselves as members are obliged to approach these money-lenders who have got their own code of rules to advance loans. I have already stated some of the ways of their advancement and the exorbitant rate of interest that they charge. The time of repayment of the loans from these societies is too short and hence these poor *ryots* are forced to seek the help of such money-lenders. Moreover as the time of repayment of loans of these societies and that of the *sowcars* fall due at one and the same time it goes very difficult with these poor *ryots* to meet the demand, and hence they fail many a time to pay them off.

It is the custom for the poor *ryots* when they fall short of corn to take from others that have secured for this purpose with an agreement that they would repay the same with interest in the form of the same corn. Generally this interest will be 8 or 10 *soligis* for one *her*, *i.e.*, 32 *soligis*. Many a time money is advanced with a condition that one *pawa* of cotton, *i.e.*, 3½ lbs. should be paid as interest per rupee. This form of paying loans is termed in vernacular as *akkali*. The form of giving corn with condition to repay the same with interest is termed *wata*. Under these circumstances the interest is calculated only for 6 months as the loans are to be repaid within 6 months. The rate of interest on corn is Rs. 12-8-0 and on cotton it is from Rs. 12-8-0 to Rs. 20 per cent. for a period of 6 months. Such instances are generally to be found in villages. Loans are also advanced by the agricultural co-operative societies for 4 months on a condition of selling their cotton through the agency of the Bail-Hongal Cotton Sale Society. The maximum loan that is to be granted under these circumstances is Rs. 750, and the rate of interest for this loan runs from Rs. 9-6-0 to Rs. 10-15-0.

Generally the *sowcars* that advance loans on cotton are cotton brokers and therefore they make it a condition at the time of granting loan to the effect that all the cotton produced in his lands should be sold through his agency.

If these difficulties are to be removed, the number of agricultural co-operative credit societies will have to be increased.

It is with great reluctance and sorrow that I will have to inform that each and every village in the Sampgaon and Parasgad *talukas* and Murgod Mahal is pested with party faction. But keeping this faction you will check the future progress of the poor *ryots*. On account of this party faction, only one party receives the benefit of the agricultural co-operative credit societies in each village. Persons from the other party are not generally enlisted as members and, therefore, they will have to be at the mercy of these high-handed *sowcars*.

To redress the grievances of such villagers, it will be essential to have two or more agricultural co-operative credit societies. At present, to have one more society in a village the consent of the members of the former society is required. But it is not possible to induce these members, who are imbibed with the party poison, to consent to such a thing, because they think that they will lose their hold over the village public which they have secured by sanctioning loans, etc. That is why they get such motions lost by a majority though not unanimously. I therefore suggest that if applications are made to Government authorities that are in touch with the agricultural co-operative credit societies, proper enquiry should be made and if the necessity of another society is found to be *bona fide* one, sanction should be granted in spite of the objection of the members of the former society.

At present the District Central Co-operative Bank is lending money to village Societies at the rate of interest ranging from Rs. 7½ to Rs. 8½ per cent. per annum. I suggest that the rate of interest should be decreased and also this should be allowed to be repaid by instalments for a greater number of years.

Now-a-days it so happens that *ryots* are not reaping sufficient harvest on account of failure of monsoon and hence they are not in a position to pay the debts that they have incurred in due course of time. Not only this, but they will have to bring fresh debt to pull on with the operations. So they will be crushed under heavy debts day to day and one day or other they will have to discharge these debts only by selling their lands. To save them from these harassments the only remedy is that they should be supplied with loans on small instalments system with a lower rate of interest.

For the redress of these difficulties I recommend that the Government should establish land mortgage banks which should grant loans with small instalments and at a lower rate of interest. Government should first finance these banks with sufficient money and then capital should be increased by deposits or shares of the *ryots*.

These *ryots* get money from Government in the form of *taccavi* for the improvement of their lands. But the present system of obtaining it is very defective. Because in the first place much time will be wasted in receiving the amount by the *ryots* from Government after he puts in his application to demand the same. Sufficient money according to their needs is not obtained by them and by the time they receive it, the season will be over. So the *ryots* will not get sufficient advantage by this *taccavi* loan. The enquiring methods regarding the applications demanding *taccavi* loan are defective inasmuch as they will have to be enquired into by officials of Agricultural Department and Revenue Department

and Co-operative Department. This requires a long time to go through. It is quite essential in the interest of these poor *ryots* that such a delay should be put an end to. And for doing this an independent enquiring officer at Government costs is needed. Arrangements should be made to grant these loans from the co-operative banks as early as possible according to the recommendation of this officer. It is also essential that the rate of interest on these *taccavi* loans should be decreased and more time should be allowed for the repayment ot this loan with small instalments. It is also not possible to repay this *taccavi* loan by the agricultural income that is earned by the improvement of lands as the rate of interest is a little bit high. Therefore it is necessary to lessen the commission that is charged by village societies, district co-operative banks and provincial banks.

Proper price will not be received by *ryots* for the produce that they have reaped as they will have to sell it at once for meeting out their pecuniary demands. Petty purchasers buy this produce from the villagers and then sell it in big markets at a profit. Then big purchases are made in these towns and then the same is sold at a profit. So the profit that ought to be received by the agriculturists is divided between two middlemen. But it will be of great advantage to establish co-operative credit sale societies in different centres and advance money to the *ryots* on the deposit of their agricultural produce and sell it at proper rate to proper persons and at proper time and then divide the profit among its members.

Some *ryots* personally come to big centres and sell their cotton through brokers. These brokers not only take up brokerage from these customers but also take up a pound or two of cotton from each bale of cotton weighing from 10 maunds to 14 maunds for the sake of sample. It is also not settled as to how much of cotton should be taken for sample sake. Such sample cotton is many a time taken from the cotton bales even at the time when these *ryots* are absent from the place where these bales are kept. Then such sample cotton is sold by these brokers and the money is taken up by them only. For every maund of cotton, brokerage is charged at 6 pies and for each cotton bale of 10 to 14 maunds, *hamali* is calculated at one anna per bale and 3 pies are set apart for each bale for charitable purposes. Moreover, these brokers accept brokerage from the wholesale cotton purchasers at 6 pies per cotton bale and charge *hamali* at 1 anna 6 pies per cotton bale. Both brokerage and money set apart for charitable purpose is taken up by the brokers and the *hamali* is handed over to *hamals*.

At the time of weighing cotton bales, 6 lbs. are deducted for the sake of upper covering sack. Generally these cotton bales are kept in open spaces and not in godowns. These bales are not generally insured. These brokers advance loans to their customers 6 months earlier on promissory notes or bonds at the rate of interest 3 or 4 pies per rupee per month, and there is an agreement to the effect that the whole of the cotton produce of that *ryot* should be sold through them. These brokers advance upon the cotton deposited with them to the extent of 50 to 75 per cent. These *ryots* get their money nearly after a month after their cotton is sold, because the brokers will have to get the money from the big purchasers. The cotton that is brought by the *ryots* from villages is not weighed when it is brought from their native places. These brokers too do not weigh it as soon as it is brought to them. They weigh it only when it is sold to big purchasers. Many a time this takes place even in the absence of the *ryots*. So there is every possibility of the *ryots* being put to a great loss.

The co-operative cotton sale society was established at Bail-Hongal in the year 1921 and it is progressing every year. Its bye-laws are as follows. Brokerage is charged at 6 pies per maund and *hamali* is charged at 1 anna and 6 pies per bale and 3 pies per bale

for charity. This society does not take sample cotton. When cotton is brought to the society, advances are made up to the half price of cotton that is brought. For three days no interest is charged for such amount. Then if the cotton is not sold by this time, interest at the rate of $1\frac{1}{2}$ pies per rupee per mensem is charged for the advanced amount. This society distributes among its members the improved seeds of cotton that have been recommended by the Agricultural Department and after collecting all such cotton of special breed it will be sold by public auction after giving due notice to all purchasers in big centres. By such a sale *her*, *i.e.*, 16 maunds of cotton brings a higher price of Rs. 12 to Rs. 16. Such selected cotton is insured. When such cotton is brought to the society it is at once weighed and a receipt is passed to the vendors about its weight. Two lbs. are deducted for each bale for the subsequent driage. Generally ordinary cotton which will not remain with the society for many days is not weighed as soon as it is brought for sale. *Ryots* will not wait for a longer period for its sale. Hence being afraid that 2 lbs will be deducted from its weight if it is to be kept with the society, they will not allow it to be weighed and taken in the possession of the society. Every member of this society gets a bonus of annas 2 for each bale that has been sold through the society agency. The village societies advance for 4 months loans to the extent of half the produce that may crop up in the lands of these *ryots* and the total amount of loan, that is, the one that is taken up for their necessity already and the loan that is taken up on the security of cotton crop should not exceed Rs. 750. Under such circumstances the only agreement is this that the whole of the cotton produce should be sold through the society.

Now it is the general practice to sell mutton after slaughtering cows, oxen, he-buffaloes and she-buffaloes. These being useful animals to the *ryots*, their want is very much felt by these people. Moreover their breeding is also decreased. So within these last 30 years the price of these animals has been doubled and hence these *ryots* feel its pinch in purchasing them.

Now-a-days, *ryots* are not keeping sufficient number of such animals as their price is increased. Moreover sufficient food-stuff is not available for these animals. As the monsoon is not regular, the *ryots* are not growing crops that will produce food-stuff for these animals. They produce more of crops that bring money, such as, cotton and groundnuts, etc.

It has now come in vogue to grant for cultivation the fallow lands and Government waste lands. By this there is a heavy shortage of grass which decreases the tending of sufficient number of cattle. So this works as a great hardship to the poor *ryots*. Want of sufficient number of cattle by the *ryots* decreases the quantity of manure which is detrimental to the proper nourishment of crops.

To get out of these difficulties Government should take the following steps. No further grants of fallow and waste lands should be made to be brought under cultivation. Those which have been already granted should be acquired at Government costs in cases of necessity and should be reserved for the use of cattle. There are instances of showing that such grants have created much inconveniences to some villagers regarding the use of drinking water. The tax levied on grass of waste lands should be dispensed with. By doing all these there will be no shortage of grass and the *ryots* will naturally tend more cattle which will naturally end in a collection of more manure which means raising of better crop. Some legislature should be passed prohibiting the slaughter of useful animals.

Rao Bahadur Mallinaik Linganaik Patil.

As there are factories in all parts many labourers who used to work formerly in fields have joined factory service. Moreover the rate of those people has increased. Therefore sufficient hands are not available for agricultural work. Therefore Government should establish Settlements of Criminal Tribes in such factory haunted places so that sufficient number of working hands will be available to these poor farmers.

As regards the existing indebtedness of two villages in our *talukas*, the estimate is being prepared, which will be sent to you at an earliest opportunity.

Lands are divided into three classes, *viz.*, *tari, khushk and bagayat*. The prices of these lands are 400 to 600 and 200 to 500 and 600 to 1,000 rupees, respectively. As *tari* and *bagayat* lands are generally supplied with water, they cost a good deal. Value of land in the event of sale by court decree and Government auction for non-payment of revenue will be five-sixth of the value of sale by private negotiation.

The small industries that are run here are *gur*-making, garden produce, weaving.

Supplementary Note.

The agriculturists in our division meet all their domestic requirements by sale of the produces grown by them. The chief of them being cotton.

The agriculturists of our division usually sell their cotton at Bail-Hongal either through local *dalals* or through the co-operative cotton sale society there.

Bail-Hongal deals in large quantity of cotton every year usually from March to the end of July—every year about 22,000 F. P. bales weighing 14 maunds of 28 lbs. each.

There are seven ginning factories and three presses here. There are 31 private *dalals* and one co-operative cotton sale society which sell the cotton on commission.

All the rules governing the sale of the cotton here are made by the local purchasers and *dalals* never taking consent of the growers, and the rules framed by them are not uniform and every now and then they increase the rate of commission, charity fund, allowances for *bardan* and allowances for moisture to the prejudice of the cultivators; hence it is quite necessary and advisable to introduce in this market the Cotton Market Act, Bombay Act No. XVII of 1927.

The cotton growers of the Sampagaon and Parasgad *talukas* including Murgod Mahal are trying to get the abovementioned Act made applicable to the Bail-Hongal Market. So long they have succeeded in getting resolutions passed to that effect in Sampagaon and Saundatti *taluka* Local Board Meetings, in the Murgod Mahal Co-operative Development Association, and in Co-operative supervising unions of Sampagaon and Saundatti *talukas* and Murgod Mahal. The President of the Belgaum District Local Board and other important Members of the same Board have expressed their sympathy towards the Movement and are to consider this Movement in the District Local Board itself.

There are at Devalapur a village in Sampagaon *taluka* 400 houses with a population of 1,965. The village as a whole has got debts to the extent of Rs. 56,126.

Similarly Karikatti a village at Saundatti (Parasgad) *taluka* has got a population of 1,777 with 400 houses. The agriculturists of this village have got debt to the extent of Rs. 1,87,000.

The estimate of the debts of these two villages is above the actual figures as many of the agriculturists thought it rather insulting to give out their debts.

In our Division Government have introduced the system of levying penalty in case of late payment of land assessment. This system has caused great hardships to the

cultivators. This system should be stopped and the system prevalent before, namely, of exacting annas 8 only for issuing notices to the late payers should be brought in vogue again. It is also necessary to give the agriculturists to allow sufficient time to sell their produce at the most suitable rates and then they may be asked to credit assessment.

It is also necessary to make improvements in the crop valuation rules now prevalent. Now the crop valuation is usually made by the Taluka Revenue Officer. Henceforth crop valuation should be made by a committee consisting of four experienced leading agriculturists of the *taluka* and himself. The present system is harmful to the agriculturists.

On the whole illiteracy among the agriculturists is the main cause of almost all their hardships. The agriculturists cannot out of their own expenses acquire education to cope with the modern difficulties. Hence it is but essential to introduce free and compulsory education system.

In my report dated 14th October 1929 I have stated that the fallow and waste lands attached to various villages should not be granted to individuals for cultivation purposes. By this I mean only those lands which are necessary for grazing purposes of the villagers as a whole, by depriving which the villagers are inconvenienced.

Oral Evidence.

(*Summary of Oral Evidence in Marathi.*)

I am a District Honorary Organiser of Co-operative Societies in Bail-Hongal. I am a landlord, I pay Rs. 300 assessment. I cultivate lands myself. A large portion of my land is *jirayat* land.

For *jirayat* cultivation, such as *juar*, *kapas* and wheat, the cost of cultivation would be about Rs. 250 to Rs. 300 for four acres, including hired labour. The cost without hired labour would come to about Rs. 150. For *baghayat* crop, such as chillies, the cost of cultivation would be Rs. 150 and the outturn would be worth Rs. 400.

There are factions in village societies. These factions are not due to any new causes, but there have been village factions for the last thirty years. There have been two parties formed in each society due to factions in most of the societies. I would suggest that separate societies for separate parties should be formed, so that in each village there will be two societies in a village. I do not think there will be factions in new societies. There need not be new unions for new parties. One union will do for one village. At present the managing committee members belong to one party, with the result that members of the society who belong to the other party cannot get finance. There have been complaints to this effect. Therefore, I suggest that there should be two societies for two parties. A member cannot join both the societies at one time.

There are Pathan money-lenders in my *taluka*; they deal mostly in big villages. Those who have no credit borrow from these money-lenders. The rate of interest charged by them is excessive.

The limit of loans fixed by the society is low. It is Rs. 300 for current expenses. Special limits could be sanctioned by the Assistant Registrar, but it is not done. The rate of interest charged by societies is high. It is now Rs. 10-15-0. They get money from the bank at 7½ or 8 per cent. The bank's rate should be low, so that the societies can charge low rates. The period of loans too is small. Mostly we give loans for current

expenses for one year and for buying bullocks two years. The period should be two to three years.

The rate at which Government *taccavi* is advanced through co-operative societies is 6¾ per cent. and not 6¼ per cent. There is also delay in granting *taccavi*. I suggest that there should be a special revenue officer or an officer from the Agricultural Department appointed for three or four *talukas*, and the societies can get necessary help from him.

In Bail-Hongal there is a cotton sale society. It has been working well. Members are given advances by the society and they are asked to bring their produce to the society, but they do not bring it to the society but sell it to *sowcars* as they are indebted to them. Some members bring their produce to the society for sale. In a village there are only a hundred members and the rest of villagers sell their produce to the *sowcar*. There should be more societies started, so that people might join the society and bring their produce to the society. At present the cultivators sell the *kapas*. We are thinking of starting co-operative ginning factories for a group of villages. If the people will see that it is beneficial to sell cotton after ginning it, they will do it.

The enquiry made about the indebtedness in two villages has been a rough enquiry.

(The witness withdrew.)

INDEX

(Figures in brackets refer to pages, other figures to questions.)

ABDUL RAHMAN, Khan Bahadur GUL MAHOMED, Deputy Director of Agriculture, Sind : 11067-11203 (91-93).

ABBOTT, Mr. J., Collector, Dharwar : 13450-13503 (471).

ADVANI, Mr. DURGADAS B., Managing Director, Mercantile Co-operative Bank, Karachi : 10809-10870 (56-57).

AGRICULTURAL CREDIT :

Capital, for current purposes, estimate of (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (2-3), 10387 ; (*Thadani*) (39) ; (*Allahdino*) (62) ; (*Bechar*) (75); (*Mallik*) (82) ; (*Ghulam Nabi*) (105), 11222 ; (*Pritamdas*) (165) ; (*Azimkhan*) (207) ; (*Rakhial Shah*) (276), (277) ; (*Kamaluddin*) (278) ; (*Haji Mahomed*) (291-2) ; (*Salimath*) (584) ; (*Huli*) (607), 14577 ; (*Basrur*) (638), 14771-2 ; (*Gunjikar*) (667); (*Bhagwat*) (679), 15087-8, 15172-9 ; (*Shirgaokar*) (698), 15285.

———, for permanent improvement, estimate of (*Azimkhan*) (207) ; (*Gunjikar*) (667).

Defects of the present system of (*Alavi*) (52) ; (*Allahdino*) (62) ; (*Azimkhan*) (207-8) ; (*G. Pritamdas*) (256-7) ; (*Haji Mahomed*) (292) ; (*Amir Bux*) (303) ; (*Chandiram*) (312) ; (*Shikarpur Grain Sale Society*) (369) ; (*Allahbux Khan*) (379) ; (*Hajanshah*) (384) ; (*Bombay Provincial Co-operative Bank*) (413) ; (*Shirahatti*) (491) ; (*Beri*) (514-5) ; (*D. L. Patil*) (540) ; (*Valvekar*) (553) ; (*Salimath*) (584), 14385-7 ; (*Karnatak Central Co-operative Bank*) (647-8) ; (*Kulkarni*) (657-8) ; (*Doddamani*) (662) ; (*Gunjikar*) (666) ; (*Chavdi*) (675) ; (*Nadig*) (749).

General (*Pritamdas*) (161-6) ; (*Ajwani*) (317-8) ; (*Begraj*) (322) ; (*Huli*) (605) ; (*Bhagwat*) (680) ; (*Palekar*) (724).

Remedies suggested to overcome the defects of the system of (*Allahdino*) (63) ; (*Kamil Shah*) (151) ; (*Pritamdas*) (165-6) ; (*Azimkhan*) (208) ; (*G. Pritamdas*) (258) ; (*Rakhial Shah*) (276) ; (*Haji Mahomed*) (292) ; (*Amir Bux*) (303) ; (*Chandiram*) (313) ; (*Kaisarkhan*) (334) ; (*Shikarpur Grain Sale Society*) (369-70) ; (*Allahbux Khan*) (379) ; (*Hajanshah*) (384) ; (*Shirahatti*) (490-1) ; (*Beri*) (515-7) ; (*Valvekar*) (553-4) ; (*Salimath*) (584) ; (*Karnatak Central Co-operative Bank*) (646), (648) ; (*Kulkarni*) (657-8) ; (*Doddamani*) (662), (665) ; (*Gunjikar*) (667) ; (*Bhagwat*) (681) ; (*Palekar*) (724) ; (*Nadig*) (749), (750).

Sources of (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (3) ; (*Thadani*) (38) ; (*Alavi*) (51) ; (*Allahdino*) (61-2) ; (*Bechar*) (74) ; (*Mallik*) (80) ; (*Ghulam Nabi*) (104) ; (*Kamil Shah*) (150-1) ; (*Pritamdas*) (162-4) ; (*Azimkhan*) (204-7) ; (*Rakhial Shah*) (275) ; (*Haji Mohamed*) (291) ; (*Khudadadkhan*) (306) ; (*Vermohal*) (327) ; (*Shikarpur Shroffs' Association*) (336-7) ; (*Shikarpur Grain Sale Society*) (369) ; (*Allahbux Khan*) (379) ; (*Hajanshah*) (384) ; (*Lakshmeshwar*) (475-6) ; (*Shirahatti*) (490) ; (*Beri*) (512-3) ; (*Patil*) (539-40) ; (*Valvekar*) (550-1) ; (*Ankalgi*) (570) ; (*Salimath*) (584) ; (*Huli*) (605-6) ; (*R. S. Patil*) (625-6) ; (*Basrur*) (637-8) ; (*Karnatak Central Co-operative Bank*) (645), (646) ; (*Doddamani*) (661-2) ; (*Gunjikar*) (666-7) ; (*Chavdi*) (675) : (*Bhagwat*) (679-80) ; (*Shirgaokar*) (696-7) ; (*Bakre*) (712-3) ; (*Sidhanti*) (718) ; (*Palekar*) (723) ; (*Belgaum District Central Co-operative Bank*) (736-7) ; (*Nadig*) (749) ; (*M. L. Patil*) (758-9).

AGRICULTURE :

Cost of cultivation per acre, estimate of (*Pritamdas*) (176) ; (*Azimkhan*) 11773-8 ; (*Haji Mahomed*) (291-2) ; (*Lakshmeshwar*) (476), (480) ; (*Salimath*) 14299-321 ; (*Kulkarni*) 14948-9 ; (*Shirgaokar*) (696), 15262-7 ; (*Sidhanti*) (719) ; (*M. L. Patil*) (764).

Crops, marketing of : *see under* MARKETING.

Finance for : *see under* AGRICULTURAL CREDIT.

General (*Burns*) 13136-51 ; (*Salimath*) (587).

M G Y 106—98

AJWANI, Mr. BHOJRAJ M., Sukkur : 12475-12522 (317-319).

ALAVI, Mr. HATIM A., Director, Sind Central Co-operative Bank, Karachi : 10783-10808 (51-54).

ALAVI, Mr. TAYABALI, Karachi : 11290-11326-(116-117).

ALLAHBUX KHAN, Khan Saheb, M.L.C., Shikarpur : 12862-12921 (378-380).

ALLAHDINO, MD. SIDIK MEMON, District Honorary Organiser, Co-operative Societies, Durro, Karachi : (61-65).

ANKALGI, Mr. K. B., Managing Director, The Ankalgi Bank, Ltd., Dharwar : 14179-14297 (570-575).

AZIMKHAN, Khan Bahadur, Deputy Registrar of Co-operative Societies, Hyderabad : 11679-11857, (204-217).

BAKRE, Mr. V. M., Honorary Secretary, Belgaum District Co-operative Institute : (712-717).

BANKING :

Facilities, existing (*Azimkhan*) (215-6) ; (*Valvekar*) (559) ; (*Ankalgi*) (574) ; (*R. S. Patil*) (633) ; (*Karnatak Central Co-operative Bank*) (648-9) ; (*Palekar*) (727-8).
Habit, causes for the slow growth of (*Ghulam Nabi*) (109) ; (*R. S. Patil*) (634) ; (*Basrur*) (639).

BANKS :

CO-OPERATIVE : *see under* CO-OPERATION.

EXCHANGE :

Foreign imports and exports financed by (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (9), 10467.
Operations of, should be restricted (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (9), 10466, 10517-8 ; (*Alavi*) (117).

IMPERIAL BANK OF INDIA : *see under that head.*

INDIGENOUS : *see under* INDIGENOUS BANKERS.

INDUSTRIAL : *see under* INDUSTRIES.

JOINT STOCK :

Ankalgi Bank, Ltd., working of (*Ankalgi*) 14179-92.
Relations of, with co-operative banks : *see under* CO-OPERATION.
, with indigenous bankers : *see under* INDIGENOUS BANKERS.

LAND MORTGAGE : *see under that head.*

POST OFFICE SAVINGS : *see under that head.*

RESERVE BANK OF INDIA :

Establishment of, favoured (*Taveri*) (32) ; (*Alavi*) (117) ; (*G. Pritamdas*) (260) ; (*Shikarpur Shroffs' Association*) (346) ; (*Valvekar*) (559).

BASRUR, Mr. M. M., Manager, Karnatak Co-operative Institute, Dharwar : 14755-14804 (637-639).

BECHAR, Mr. N. A., M.L.C., Karachi : 10963-11010 (74-77).

BEGRAJ, Mr. VIRUMAL, Chairman, Urban Co-operative Bank, Sukkur ; 12523-12563 (322-324).

BELGAUM DISTRICT CENTRAL CO-OPERATIVE BANK, Ltd., Belgaum : 15564-15699 (736-741).

BERI, Professor S. G., M.A., B.E.S., Karnatak College, Dharwar : 13758-13924 (512-526).

BHAGWAT, Mr. N. P., M.A., LL.B., Assistant Registrar, Co-operative Societies, Belgaum : 15069-15250 (679-685).

BULCHAND, Mr. K., Chairman, Khudabad Bhaibund Co-operative Credit Bank, Ltd. Hyderabad : 12214-12266 (268-270).

BURNS, Dr. W., D.Sc., Acting Director of Agriculture, Bombay Presidency : 13135-13174 (405-406).

CHANDIRAM, Mr. J. B., Proprietor, Silk Weaving Factory, Rohri, Sind : 12433-12474 (312-314).

CHAVDI, Rao Saheb V. P., Gadag : (675-678).

CHEQUES : *see under* CREDIT, INSTRUMENTS OF.

CO-OPERATION :

BANKS :

Amalgamation of, scheme for, advantages of (*Jagtiani*) (140-2), 11483-515.
Belgaum District Central Co-operative Bank, working of (*Belgaum District Central Co-operative Bank*) 15564-600.
Bombay Provincial Co-operative Bank :
Constitution of (*Bombay Provincial Co-operative Bank*) (429-31).
Debentures, issue of, by (*Bombay Provincial Co-operative Bank*) (431-2).
Relations of, with the Imperial Bank (*Bombay Provincial Co-operative Bank*) (423), (432), 13337-43.
Working of, note on (*Bombay Provincial Co-operative Bank*) (429-38).
Communal (*Kaji*) (460-1), 13421.
Concessions to, need for (*Jagtiani*) (138-9) ; (*Azimkhan*) (214), (*Bombay Provincial Co-operative Bank*) (415-6), (425), (428-9), 13216-8 ; (*Bhagwat*) (682).
Co-ordination of, with indigenous bankers (*Kaji*) (458), 13394-8 ; (*Bhagwat*) (685), 15165-71, 15236-7 ; (*Palekar*) 15541-5.
Directorate of (*Shahani*) (245-6), 12004-23.
Finances of, centralisation of, favoured (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (5), 10494, 10533-40 ; (*Thadani*) (39), 10662-79, 10708-18, 10732-46 ; (*Jagtiani*) (141), 11483-515 ; (*Kamil Shah*) (154) ; (*Khudadadkhan*) 12396, 12419 ; (*Allahbux Khan*) (379), 12880-4.
———————, not favoured (*Jhamatlal*) 11993-12000 ; (*Karnatak Central Co-operative Bank*) 14918.
Hubli Urban Co-operative Bank, working of (*Valvekar*) (551-2), 14041-78.
Hyderabad District Central Co-operative Bank, Ltd., growth of (*Hyderabad District Central Co-operative Bank*) (280-4).
Income-tax, exemption from, suggested (*Bechar*) (76) ; (*Pritamdas*) (171) ; (*Bombay Provincial Co-operative Bank*) (425).

INDUSTRIAL : *see under* INDUSTRIES.

Karnatak Central Co-operative Bank, working of (*Karnatak Central Co-operative Bank*) (645), 14805-59.
Mercantile, in Karachi, working of (*Advani*) (56), 10809-70.
Might be entrusted with management of sub-treasuries (*Bombay Provincial Co-operative Bank*) (425), 13255 ; (*Beri*) (516).
Penal interest charged by (*Hulli*) 14549-50.
People's (*Kaji*) (459), 13364-5, 13421-30.
Relations of, with the Imperial Bank (*Thadani*) (39) ; (*Bechar*) (75) ; (*Sind Central Co-operative Bank*) (137), (138), (139), 11481-2, 11519-22 ; (*Pritamdas*) (171) ; (*Azimkhan*) (208), (214) ; (*Ridland*) 13009-20 ; (*Bombay Provincial Co-operative Bank*) (423) ; (*Mudiraddi*) (483).
———, with joint stock banks (*Pritamdas*) (171) ; (*Azimkhan*) (214).

CO-OPERATION :—contd.

BANKS—*contd.*

Salary-earners' (*Kaji*) (459).
Sind Central Co-operative Bank, growth of (*Sind Central Co-operative Bank*) (134-8), 11432-80.
Should be allowed to do *hundi* business (*Valvekar*) (556).
Southern Maratha Urban Co-operative Bank, working of (*Gunjikar*) 14981-15010.
Taluka, should be the unit of administration (*Shahani*) (246), 12024, 12031, 12074-81, 12100-3.
Zemindari, area of operations of, should be a taluka (*Shahani*) (247), 12042-8.
————, in Sind, working of (*Pritamdas*) (163), 11627 ; (*Azimkhan*) (206), (211), 11699-712 ; (*Vermohal*) (328) ; (*Shikarpur Grain Sale Society*) 12819-22, 12836-9.

Karnatak Co-operative Institute, activities of (*Basrur*) 14755-70.

MOVEMENT :

Defects in (*Dwarkadas*) (198) ; (*Beri*) (515), 13804-5 ; (*Bhagwat*) (684) ; (*Belgaum District Central Co-operative Bank*) (738) ; (*M. L. Patil*) (760).
Government control of, need for (*Beri*) (515), 13840-9, 13902-3.
Progress of, in the Belgaum District, statement showing (*Belgaum District Central Co-operative Bank*) (741).

SOCIETIES :

Advantages of, in villages (*Pritamdas*) (180).
Agricultural, in Sind, working of (*Azimkhan*) (206), 11683-7.
Artisans' (*Azimkhan*) (215) ; (*Kaji*) (456-7).
Association of, suggested (*Ajwani*) (317), 12494-5.
Cattle-breeding, in Dharwar, working of (*Huli*) (612), 14602-5.
Communal (*Kaji*) (456), 13384-5.
Concessions to, need for (*Azimkhan*) (214) ; (*Valvekar*) (557).
Co-ordination among, need for (*Beri*) (515-6).
in Dharwar, working of (*Huli*) (606-7), 14515-50, 14618-39 ; (*Karnatak Central Co-operative Bank*) (644-5).
Fencing, working of (*R. S. Patil*) 14696-708.
Financing of agriculture by (*Pritamdas*) (164), 11613 ; (*Karnatak Central Co-operative Bank*) (645) ; (*Bhagwat*) (684).
Fire insurance, organisation of, suggested (*Lakshmeshwar*) (476).
Life insurance, organisation of, suggested (*Huli*) (613).
Income-tax, exemption from, need for (*Jagtiani*) (139) ; (*Valvekar*) (556).
Millhands' (*Kaji*) (465-6) 13379-83, 13411-5.
Normal credit statement, system of (*Bombay Provincial Co-operative Bank*) (412-3), 13184-8, 13313-5 ; (*Karnatak Central Co-operative Bank*) (647-8), 14807-18, 14919-20.
Penal interest charged by (*Huli*) 14547-8 ; (*R. S. Patil*) (630).
Rate of interest charged by (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (3) ; (*Allahdino*) (62) ; (*Bechar*) (75) ; (*Ghulam Nabi*) (104) ; (*Pritamdas*) (164) ; (*Azimkhan*) (205), 11717, 11721 ; (*Jhamatlal*) (236) ; (*Rakhial Shah*) (275) ; (*Kamaluddin*) (277), (279) ; (*Haji Mahomed*) (291) ; (*Kadir*) (295) ; (*Khudadadkhan*) (306) ; (*Ajwani*) (317) ; (*Kaisarkhan*) (333) ; (*Shikarpur Shroffs' Association*) (336) ; (*Hajanshah*) (384) ; (*Lakshmeshwar*) (476) ; (*Shirahatti*) (490), 13644-5 ; (*Beri*) (513) ; (*Patil*) (540) ; (*Valvekar*) (552) ; (*Ankalgi*) (570) ; (*Huli*) (605) ; (*R. S. Patil*) (626), (630) ; (*Chavdi*) (675) ; (*Bakre*) (712), (716).
Salary-earners' (*Kaji*) (455), 13367-78, 13431-5, 13438-41.
Sale : *see under* MARKETING.
in Sind, working of (*Pritamdas*) (163).
Sweepers' (*Bechar*) (77), 10983-90.
Weavers', working of (*Azimkhan*) (216) ; (*Huli*) (611-27), 14651-5, 14674-5 ; (*Bhagwat*) 15245-9.

CREDIT :

AGRICULTURAL : *see under that head.*
Consumers' (*Kaji*) (454-5).

CREDIT :—contd.

INSTRUMENTS OF :

CHEQUES :

Bearer, suggestions *re* : (*Shikarpur Shroffs' Association*) 12646-7 ; (*Bombay Provincial Co-operative Bank*) (417-8), 13222-4.

Cheque-habit, has grown enormously on account of the abolition of stamp duty (*Taveri*) (30), 10581-2 ; (*G. Pritamdas*) (261) ; (*Chandiram*) (314) ; (*Shikarpur Shroffs' Association*) (348) ; (*Bombay Provincial Co-operative Bank*) (427) ; (*Valvekar*) (560) ; (*Huli*) (613) ; (*R. S. Patil*) (634) ; (*Basrur*) (639) ; (*Belgaum District Central Co-operative Bank*) (740).

————————, suggestions for further promoting (*Bombay Provincial Co-operative Bank*) (427-8) ; (*Beri*) (525) ; (*Valvekar*) (560) ; (*Ankalgi*) (575) ; (*Huli*) (613) ; (*R. S. Patil*) (634) ; (*Basrur*) (639) ; (*Belgaum District Central Co-operative Bank*) (740).

HUNDIS :

Darshani, sample of (*Shikarpur Shroffs' Association*) (348).
Demand, sample of (*Shikarpur Shroffs' Association*) (349).
Documentary, sample of (*Shikarpur Shroffs' Association*) (349).
Forms of (*Taveri*) (30), (31) ; (*Navalrai*) (124) ; (*Dayaram*) (230) ; (*Shikarpur Shroffs' Association*) (348-9), 12638-40.
Kinds of (*Dwarkadas*) (299) ; (*Ajwani*) (318) ; (*Vermohal*) (327) ; (*Shikarpur Shroffs' Association*) (342).
Mudati, sample of (*Shikarpur Shroffs' Association*) (348).
————, stamp duty on, should be reduced (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (11) ; (*Taveri*) (30) ; (*G. Pritamdas*) (258), 12140, 12191-2 ; (*Dwarkadas*) (300), (301) ; (*Chandiram*) (314) ; (*Ajwani*) (318) ; (*Shikarpur Shroffs' Association*) 12659 ; (*Ridland*) 13050-2.
Rate of interest charged on (*Taveri*) (30), 10576-9 ; (*Ajwani*) (318) ; (*Lalchand*) (366).
Shahjog, suggestions *re* ; (*Shikarpur Shroffs' Association*) 12648-51.
Standardisation of, need for (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (10-1), 10458-62, 10525 ; (*Dayaram*) 11891 ; (*G. Pritamdas*) 12710-1 ; (*Shikarpur Shroffs' Association*) 12652, 12691-3.

PROMISSORY NOTES :

Sample of (*Taveri*) (31).

TRADE BILLS :

Discounting of (*Bombay Provincial Co-operative Bank*) (417), 13219-21.

DAYARAM, Mukhi, Hyderabad : 11858-11926 (229-230).

DEKKHAN AGRICULTURISTS' RELIEF ACT :

Abolition of, favoured (*Lalchand*) 11330-1 ; (*Kamil Shah*) (152) ; (*Noor Muhammad*) (156), 11528-9 ; (*Kamaluddin*) (277), (279-80) ; (*Shikarpur Shroffs' Association*) (340) ; (*Mudiraddi*) (483), 13565-8 ; (*Beri*) (521), 13861, 13906 ; (*Valvekar*) (558) ; (*Ankalgi*) (572), 14293-4 ; (*Belgaum District Central Co-operative Bank*) (737).
Amendment to, suggested (*Jhamatlal*) (238) ; (*G. Pritamdas*) (257), (258), (259) ; (*Bulchand*) (269) ; (*Lakshmeshwar*) (480), (481) ; (*Bhagwat*) (685) ; (*Shirgaokar*) 15331 ; (*Bakre*) (715), (717) ; (*Sidhanti*) (720) ; (*Palekar*) (724), (727), 15532 ; (*Nadig*) (750).
General (*Hyderabad District Central Co-operative Bank*) 12353.
Has been beneficial to agriculturists (*D. L. Patil*) (543).
Has reduced the credit of agriculturists (*Lalchand*) 11330-4 ; (*Noor Muhammad*) (156), 11526-7 ; (*Pritamdas*) (172) ; (*Azimkhan*) (215) ; (*G. Pritamdas*) (257), (259) ; (*Kamaluddin*) (277) ; (*Shikarpur Shroffs' Association*) (340) ; (*Shikarpur Grain Sale Society*) (372) ; (*Lakshmeshwar*) (480) ; (*Valvekar*) (558) ; (*Ankalgi*) (572-3) ; (*Bhagwat*) (685) ; (*Palekar*) (727) ; (*Nadig*) (749).

DEKKHAN AGRICULTURISTS' RELIEF ACT :—contd.

Should be substituted by an all-India Act (*Noor Muhammad*) (156), 11530, 11585-90.
Should not be abolished or amended (*D. L. Patil*) (543), 13964-71, 14002-9.

DHOR, Mr. M. N., Nerlee : (720-722).

DODDAMANI, Mr. N. S., Dharwar : (661-665).

EDUCATION :

General (*Webb*) (129), 11398-9, 11426.
Primary, need for (*Webb*) (129).

GHULAM NABI, Khan Bahadur NUR NABI, B.A., Deputy Collector, Shah Bunder : 11204-11280 (104-109).

Gold Standard and Gold Currency, establishment of, in India, advocated (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (11) ; (*Belgaum District Central Co-operative Bank*) (740).

GOVERNMENT SECURITIES :

Facilities for purchase and sale of, should be extended (*Gunjikar*) (668), 15036-9.

GUNJIKAR, Mr. D., B.Com., Manager, Southern Maratha Urban Co-operative Bank, Ltd., Dharwar : 14981-15068 (666-670).

HAJANSHAH, Mr. SAYED, Chairman, Shikarpur Co-operative Society, Shikarpur, 12922-12961 (384-385).

HAJI MAHOMMED, Seth, District Honorary Organiser, Co-operative Societies, Tando Allahyar, Hyderabad : (291-294).

HULI, Mr. C. B., Assistant Registrar, Co-operative Societies, Dharwar : 14513-14693 (605-613).

HUNDIS : *see under* CREDIT, INSTRUMENTS OF.

HYDERABAD DISTRICT CENTRAL CO-OPERATIVE BANK, Ltd., Hyderabad, Sind : 12267-12353 (280-284).

IMPERIAL BANK OF INDIA :

Agents of (*Ridland*) 12995-7, 13081-3, 13100-3.
Appointment of *Shroffs* as Agents of, scheme for : *see under* INDIGENOUS BANKERS.
Balance sheet of (*Ridland*) 13025-6.
Branches of (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (10), 10450-2, 10519-21 ; (*Taveri*) (30), 10583-4 ; (*G. Pritamdas*) (261) ; (*Begraj*) 12561-3 ; (*Shikarpur Shroffs' Association*) 12634-5 ; (*Ridland*) 12976-80, 12985-9, 13079 ; (*R. S. Patil*) (634), 14742-3 ; (*Basrur*) (639) ; (*Belgaum District Central Co-operative Bank*) (740), 15661-5 ; (*Nadig*) 15729-30, 15745-9.
Financing of agriculture by (*Azimkhan*) (206) ; (*Ridland*) 12963-8.
————, indigenous bankers by (*Ridland*) 12990-3.
————, land mortgage banks by (*Azimkhan*) (208), 11848.
————, not favoured (*Ridland*) 13028-31.
Indianisation of the staff of, statistics *re :* (*Ridland*) 13072-3, 13127-8.
Operations of, suggestions *re :* (*Chandiram*) (313-4), 12455-63, 12466-70.
Relations of, with co-operative banks : *see under* CO-OPERATION.
————, with indigenous bankers : *see under* INDIGENOUS BANKERS.

INDEBTEDNESS :

Causes of (*Huli*) (607) ; (*R. S. Patil*) (629-30).
Economic enquiry into villages (*Pritamdas*) (173-95) ; (*Lakshmeshwar*) (477-8), (481).
General (*Pritamdas*) (169-70), (179), (184), (191) ; (*Abott*) (471), 13451-4, 13463-5, 13492-8 ; (*Beri*) (520) ; (*Salimath*) (586) ; (*Shevade*) (600), 14495-7 ; (*Doddamani*) (663-4) ; (*Bhagwat*) (683) ; (*Palekar*) (726) ; (*Nadig*) (752).

INDEBTEDNESS :—contd.

Redemption of debts, scheme for (*Lakshmeshwar*) (480), (482) ; (*Bhagwat*) (683), 15081-3, 15120-4.
Volume of, in villages (*Pritamdas*) (179), (184), (191), 11651-3 ; (*Lakshmeshwar*) (480) , (*Doddamani*) (663) ; (*Bhagwat*) (683) ; (*M. L. Patil*) (763).

INDIAN STAMP ACT :

Amendment to, suggested (*Jhamatlal*) (237), 11974-5.

INDIGENOUS BANKERS :

Appointment of, as Agents of the Imperial Bank, scheme for :
Favoured (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) 10477-9, 10522-4 ; (*Taveri*) (30), 10585, 10594-6 ; (*Alari*) (53), 10803-4 ; (*Dayaram*) 11906-10 ; (*G. Pritamdas*) 12186-9 ; (*Dwarkadas*) (301) ; (*Ankalgi*) 14261-6.
Not favoured (*Jhamatlal*) 11944-6, 11976 ; (*Shikarpur Shroffs' Association*) (346), 12678-9, 12727, 12731.
Not a practical proposition (*Ridland*) 13000-8 ; (*Kaji*) (458), 13399-406.
Business methods of (*Shikarpur Shroffs' Association*) (341).
Classes of (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) 10427-9.
Co-ordination of, with co-operative banks (*Kaji*) (458), 13394-8.
Difficulties experienced by, about the enquiries of the Income-tax Department (*Dayaram*) (230), 11914-7 ; (*G. Pritamdas*) (261).
Financing of agriculture, trade and industries by (*Bulchand*) (268) ; (*Shikarpur Shroffs' Association*) (337), (341), 12619-23.
Functions of (*Dayaram*) (229), 11862-4 ; (*G. Pritamdas*) (260) ; (*Bulchand*) (268) ; (*Shikarpur Shroffs' Association*) (341), 12611-8 ; (*Belgaum District Central Co-operative Bank*) (739).
Income of, estimate of (*Shikarpur Shroffs' Association*) (343).
Internal trade, financed by (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (8), 10422-4.
Methods of granting loans and allowing cash credits by (*Shikarpur Shroffs' Association*) (342-3).
No prejudice against (*Dayaram*) (230), 11894 ; (*Bulchand*) (269) ; (*Begraj*) (323) ; (*Vermohal*) (330) ; (*Shikarpur Shroffs' Association*) (343-4).
Rate of interest charged by (*Dayaram*) (230), 11892-3 ; (*G. Pritamdas*) (260) ; (*Bulchand*) (261) ; (*Dwarkadas*) (300) ; (*Chandiram*) (314) ; (*Vermohal*) (330) ; (*Shikarpur Shroffs' Association*) (337), (343), 12594 , (*Valvekar*) (558), (559) ; (*Huli*) 14615.
Relations of, with clientele (*Shikarpur Shroffs' Association*) (344).
————, with the Imperial Bank (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) 10480-1 ; (*Dayaram*) (229), 11880-6, 11924 ; (*G. Pritamdas*) (260), 12128-33 ; (*Bulchand*) (268) ; (*Chandiram*) (314) ; (*Begraj*) (323), 12561-3 ; (*Shikarpur Shroffs' Association*) (341-2), 12629-36 ; (*Ridland*) 12990-4.
————, with joint stock banks (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (8-9), 10480-1 ; (*Dayaram*) (229), 11882-6; (*Shikarpur Shroffs' Association*) (341), 12126-8.
————, with one another (*Dayaram*) (29) ; (*G. Pritamdas*) (260) ; (*Shikarpur Shroffs' Association*) (341).
Should not be subject to any legislation as regards licensing or publication of accounts (*Shikarpur Shroffs' Association*) (345), 12671-5.
System of accounts of (*Shikarpur Shroffs' Association*) (345).

INDUSTRIES :

Factories, establishment of, in rural areas, suggested (*Azimkhan*) (213).

INDUSTRIAL BANK :

Co-operative, establishment of, suggested (*Kaji*) (457), 13386-92, 13416-20, 13436-7.
Need for (*Shikarpur Shroffs' Association*) 12603 ; (*Beri*) (521).

INDUSTRIES :—contd

SMALL :

Allied to Agriculture :

List of (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (4-5) ; (*Abdul Rahman*) (93) ; (*Ghulam Nabi*) (107) ; (*Pritamdas*) (170) ; (*Azimkhan*) (212) ; (*Shikarpur Shroffs' Association*) (338-9) ; (*Patil*) (542) ; (*Shirgaokar*) (701) ; (*Palekar*) (726) ; (*Nadig*) (752-3).
Organisation of, on co-operative lines, suggested (*Pritamdas*) (170-1), (196), 11657-9 ; (*Azimkhan*) (212-3) ; (*G. Pritamdas*) (259) ; (*Khudadadkhan*) (307) ; (*Beri*) (519) ; (*R. S. Patil*) (630-1) ; (*Shirgaokar*) (701).
———————— , Government assistance for (*D. L. Patil*) (542) ; (*R. S. Patil*) (631) ; (*Palekar*) (727).

Not allied to Agriculture :

List of (*Shikarpur Shroffs' Association*) (339) ; (*Palekar*) (726-7) ; (*Nadig*) (753).
Organisation of, on co-operative lines, suggested (*Azimkhan*) (214) ; (*Bombay Provincial Co-operative Bank*) (420-1) ; (*Beri*) (521).
Suggestions *re :* development of (*Shikarpur Shroffs' Association*) (339) ; (*Beri*) (520-1) ; (*Palekar*) (727).

Spare-time occupations for agriculturists :

Organisation of, suggestions *re :* (*Beri*) (520-1).

INSOLVENCY ACT :

Abolition of, suggested (*Begraj*) (323), 12552-4 ; (*Vermohal*) (330).
Amendment to, suggested (*Shikarpur Shroffs' Association*) (344), 12660-2.
Rural, formation of, suggested (*Azimkhan*) (208), 11828.

INSURANCE :

of Cattle, suggested (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (5-6), 10405, 10495, 10553-5 ; (*Huli*) 14676-7.
of Crops, suggested (*Karachi Indian Merchants' Association and Buyers and Shippers Chamber*) (5-6), 10405-7, 10463-4, 10495.
Societies : *see under* CO-OPERATION.

INVESTMENT TRUSTS :

Formation of, on co-operative basis, recommended (*Webb*) 11427-8.

JHAMATLAL, Mr. GOPALDAS, Chairman, Bombay Co-operative Institute, Sind Branch, Hyderabad : 11927-12000 (236-238).

KADIR, KAZI GHULAM, District Honorary Organiser, Co-operative Societies, Sukkur : (295-297).

KAISARKHAN, Khan Saheb Sardar, Chairman, Bozdar Co-operative Society, Sukkur : (333-335).

KAJI, Professor H. L., M.A., B.Sc., I.E.S., Bombay : 13351-13449 (454-461).

KAMALUDDIN, HAJI, Hyderabad : (277-280).

KAMIL SHAH, SYED MAHOMED, M.L.C., Hyderabad : (150-154).

KARACHI INDIAN MERCHANTS ASSOCIATION AND BUYERS AND SHIPPERS CHAMBER, Karachi : 10372-10560 (1-11).

KARNATAK CENTRAL CO-OPERATIVE BANK, Dharwar : 14805-14940 (644-649).

KHAN, Khan Saheb AMIRBUX, President, Taluka Board, Sukkur : (302-305).

KHUDADADKHAN, Khan Bahadur ABDUL HAMIDKHAN, President, Sukkur Co-operative Bank, Sukkur : 12354-12432 (306-308).

KULKARNI, Mr. M. S., District Honorary Organiser, Co-operative Societies, Gadag : 14941-14980 (657-659).

LAKSHMESHWAR, Mr. FAKIRAPPA L., Member, Divisional Board of Agriculture, Gadag : (475-482).

LALCHAND NAVALRAI, Mr., M.L.A., Larkana : 11327-11390 (120-124).

LALCHAND TECKCHAND, Mr., Shikarpur : 12736-12763 (364-366).

LAND ALIENATION ACT :

Introduction of, in Sind, suggested (*Amir Bux*) (303), (305).

LAND MORTGAGE BANKS :

Capital raising for (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (16), 10496-8 ; (*Mallik*) (83) ; (*Alavi*) 11326 ; (*Pritamdas*) 11676 ; (*Azimkhan*) (212) ; (*Vermohal*) (328) ; (*Lakshmeshwar*) (477) ; (*Beri*) (519) ; (*Patil*) (542) ; (*Ankalgi*) (572) ; (*Huli*) (607) ; (*R. S. Patil*) (629) ; (*Gunjikar*) (669) ; (*Bhagwat*) (683) ; (*Shirgaokar*) (700) ; (*Bakre*) (714) ; (*Palekar*) (725) ; (*Belgaum District Central Co-operative Bank*) (739) ; (*Nadig*) (752).

Central, establishment of, in Bombay, scheme for (*Bombay Provincial Co-operative Bank*) (419) ; (*Beri*) (519).

———————————— . in Sind, scheme for (*Pritamdas*) (169), 11677 ; (*Azimkhan*) 11854.

———————————————————————, not favoured (*Jhamatlal*) 11983.

DEBENTURES :

Interest on, rate of (*R. S. Patil*) (629), (*Gunjikar*) (669).

————————, should be guaranteed by Government (*Thadani*) (40) ; (*Bechar*) (77) ; (*Mallik*) (83) ; (*Jagtiani*) (139) ; (*Pritamdas*) (169) ; (*Azimkhan*) (212) ; (*Vermohal*) (328) ; (*Bombay Provincial Co-operative Bank*) (419) ; (*Lakshmeshwar*) (477) ; (*Beri*) (519) ; (*Patil*) (542) ; (*Ankalgi*) (572) ; (*Huli*) (607) ; (*R. S. Patil*) (629) ; (*Gunjikar*) (669) ; (*Shirgaokar*) (700) ; (*Palekar*) (725) ; (*Nadig*) (752).

Establishment of, on co-operative lines, suggested (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (6), 10504 ; (*Bechar*) (77) ; (*Mallik*) (83) ; (*Alavi*) 11307 ; (*Kamil Shah*) (151), (153) ; (*Pritamdas*) (168-9) ; (*Beri*) (519).

————————, need for (*Thadani*) (40) ; (*Lalchand*) (121) ; (*Azimkhan*) (212) ; (*Jhamatlal*) (237) ; (*Kamaluddin*) (279), (280) ; (*Haji Mahommed*) (292) ; (*Kadir*) (296) ; (*Amir Bux*) (303) ; (*Begraj*) (322), 12540-1 ; (*Shikarpur Grain Sale Society*) (370-1) ; (*Bombay Provincial Co-operative Bank*) (418-19) ; (*Salimath*) (585-6) ; (*Doddamani*) (663) ; (*Bhagwat*) (683) ; (*Bakre*) (714) ; (*Sidhanti*) (718) ; (*Palekar*) (723) ; (*Nadig*) (752) ; (*M. L. Patil*) (760).

————————, scheme for (*Thadani*) (40-1), 10685, 10691-7, 10760-3 ; (*Mallik*) (83) ; (*Alavi*) (117), 11300-12, 11325-6 ; (*Beri*) (519) ; (*Huli*) (607) ; (*R. S. Patil*) (629) ; (*Palekar*) (725).

Financing of, by the Imperial Bank (*Azimkhan*) (208), 11848.

————————————————————, not favoured (*Ridland*) 13028-31.

Foreclosure and sale of mortgaged lands, right of (*Lakshmeshwar*) (477) ; (*Huli*) (607).

Raddi Communal Co-operative Bank, Ltd., Dharwar, working of (*Patil*) (541-2), 13927-40, 13972-83, 14017-22 ; (*R. S. Patil*) (629) ; (*Basrur*) (639), 14795-7.

for Zemindars, need for (*Khudadadkhan*) (307), (*Bombay Provincial Co-operative Bank*) 13250-1, 13316-7.

LAND MORTGAGE CREDIT :

Equitable Mortgages, introduction of, in urban areas, need for (*Valvekar*) 14036-40.

General (*Bombay Provincial Co-operative Bank*) (418-20), 13318-9.

LAND MORTGAGE CREDIT :—contd.

Mortgage and sale of land, rights of, restricted under restricted tenures (*Kamil Shah*) (152); (*Noor Muhammad*) (156); (*Azimkhan*) (211); (*Kamaluddin*) (278); (*Haji Mahomed*) (293); (*Kadir*) (296); (*Amir Bux*) (303); (*Shikarpur Grain Sale Society*) (370); (*Valvekar*) (556); (*Ankalgi*) (571); (*R. S. Patil*) (629); (*Basrur*) (638); (*Doddamani*) (663); (*Bhagwat*) (682).

LAND REVENUE CODE :

Amendment of, advocated (*Kulkarni*) (659), 14975-6.

LAND TENURES :

Khoti, peculiarities of (*Abott*) (471), 13455-9, 13489-91.

LAND VALUES :

Average value per acre of agricultural land (*Alavi*) (53); (*Abdul Rahman*) (92); (*Ghulam Nabi*) (106); (*Lalchand*) (123); (*Kamil Shah*) (152); (*Noor Muhammad*) (156); (*Pritamdas*) (168); (*Azimkhan*) (210-11); (*Jhamatlal*) (237); (*G. Pritamdas*) (259); (*Kamaluddin*) (278); (*Haji Muhammad*) (293); (*Kadir*) (296); (*Dwarkadas*) (299); (*Khudadadkhan*) (307); (*Vermohal*) (327); (*Kaisarkhan*) (334); (*Shikarpur Shroffs' Association*) (338); (*Shikarpur Grain Sale Society*) (370); (*Hajanshah*) (384); (*Abott*) 13471; (*Lakshmeshwar*) (477); (*Mudiraddi*) (482); (*Patil*) (541); (*Valvekar*) (556); *Ankalgi*) (571); (*Salimath*) (585); (*R. S. Patil*) (628); (*Karnatak Central Co-operative Bank*) (647); (*Doddamani*) (663); (*Chavdi*) (676); (*Shirgaokar*) (699); (*Bakre*) (713); (*Sidhanti*) (718); (*Palekar*) (725); (*Belgaum District Central Co-operative Bank*) (737); (*Nadig*) (751); (*M. L. Patil*) (763).

Factors on which the value of agricultural land depends (*Alavi*) (53); (*Abdul Rahman*) (92); (*Ghulam Nabi*) (106); (*Pritamdas*) (168); (*Azimkhan*) (210-11); (*Jhamatlal*) (237); (*G. Pritamdas*) (259); (*Kamaluddin*) (278); (*Kadir*) (296); (*Amir Bux*) (303); (*Vermohal*) (327); (*Kaisarkhan*) (334); (*Shikarpur Shroffs' Association* (338); (*Shikarpur Grain Sale Society*) (370); (*Hajanshah*) (384); (*Lakshmeshwar*) (477); (*Mudiraddi*) (482); (*Beri*) (518); (*Patil*) (541); (*Valvekar*) (556); (*Ankalgi*) (571); (*Salimath*) (585); (*R. S. Patil*) (628-9); (*Doddamani*) (663); (*Chavdi*) (676); (*Shirgaokar*) (699); (*Palekar*) (725); (*Nadig*) (751).

MALLIK, Mr. N. D., Karachi : 11011-11066 (80-85).

MARKETING :

Co-operative, difficulties of (*Azimkhan*) (209-10), 11784.
————, suggested (*Noor Muhammad*) (155); (*Bombay Provincial Co-operative Bank*) (415); (*Lakshmeshwar*) (476); (*Shirahatti*) (497-9); (*Salimath*) (585); (*Shevade*) (599); (*Doddamani*) (662-3); (*Bhagwat*) (681-2).
Co-operative ginning factories, establishment of, suggested (*Shirahatti*) (501-2), 13695-9, 13709-13; (*Shevade*) (599), 14482-4; (*R. S. Patil*) (628); (*Chavdi*) (677).
————————, licensing of (*Shevade*) (599), 14498-503.
Co-operative sale societies, formation of, suggested (*Mallik*) (83); (*Pritamdas*) (167), (168); (*Shirahatti*) (497-500); (*Ankalgi*) (571); (*R. S. Patil*) (627-8); (*Basrur*) (638); (*Belgaum District Central Co-operative Bank*) (737).
————————, working of, in Belgaum (*M. L. Patil*) (761-2), (765).
————————, in Dharwar (*Shevade*) (599), 14485-94; (*Huli*) (609-10), 14593-9; (*R. S. Patil*) (627-8), 14709-24.
————————, in Hubli (*Burns*) (406), 13153-5.
————————, in Sind (*Thadani*) 10634-53; (*Pritamdas*) (167); (*Azimkhan*) (209-10), 11786-97; (*Haji Mahomed*) (292-3).
Cotton Markets Act, introduction of, favoured (*Lakshmeshwar*) (476); (*Mudiraddi*) 13590-1; (*Shirahatti*) 13612-8; (*Beri*) (518). 13814-7, 13899-90; (*Huli*) (611); (*R. S. Patil*) (627); (*Bhagwat*; 1515g-4; (*M. L. Patil*) (763).

MARKETING :—contd.

CROPS :

Arecanut (*Huli*) (608), 14581-6.
Chilly (*Huli*) (608).
Cotton (*Pritamdas*) (167) ; (*Azimkhan*) (209) ; (*Haji Mahomed*) (292-3) ; (*Shikarpur Shroffs' Association*) (337-8) ; (*Lakshmeshwar*) (476), (481) ; (*Shirahatti*) (494-7) ; (*Patil*) (540) ; (*Shevade*) (598) ; (*Huli*) (607-8), 14593-9 ; (*Karnatak Central Co-operative Bank*) (647) ; (*Chavdi*) (675) ; (*M. L. Patil*) (761).
Grain (*Shikarpur Grain Sale Society*) (370).
Groundnut (*Lakshmeshwar*) (476), (480) ; (*Huli*) (608), 14670-2 ; (*Karnatak Central Co-operative Bank*) (647) ; (*Bhagwat*) 15241-2.
Paddy (*Allahdino*) (63-4) ; (*Pritamdas*) (167) ; (*Azimkhan*) (209) ; (*Huli*) (608), 14578-80 ; (*Shirgaokar*) (698).
Tobacco (*Dhor*) (720-2).
Defects of the system of (*Shirahatti*) (496-7), 13656, 13746-9 ; (*Beri*) (517-8) ; (*Ankalgi*) (571) ; (*Shevade*) (598) ; (*R. S. Patil*) (626-7) ; (*Palekar*) (724) ; (*Nadig*) (750).
Gadag Sale Society, working of (*Chavdi*) (676-7).
Methods of (*Lalchand*) (122-3) ; (*Pritamdas*) (166-7), 11647-50 ; (*Kamaluddin*) (278), (280) ; (*Shirahatti*) (492-7) ; (*Beri*) (517) ; (*Valvekar*) (555) ; (*R. S. Patil*) (626-7) ; (*Doddamani*) (662) ; (*Bhagwat*) (681) ; (*Nadig*) (750).
Pools, formation of, favoured (*Noor Mahomed*) (155) ; (*Dwarkadas*) (299) ; (*Khudadadkhan*) (306) ; (*Doddamani*) (662).
———————— , on co-operative lines, suggested (*Beri*) (518).

WAREHOUSES : *see under that head.*

WEIGHTS AND MEASURES :

Uniformity of, suggested (*Huli*) (611) ; (*R. S. Patil*) (627).

MONEY-LENDERS :

Licensing of : *see under* MONEY-LENDERS' ACT.

Maintenance of regular books of accounts by, need for (*Alavi*) 11324 ; (*Beri*) (517), (521) ; (*Shirgaokar*) (698), 15333-7 ; (*Bakre*) (715) ; (*Palekar*) 15533-7 ; (*Nadig*) (749), 15750-1.

Pathan, rate of interest charged by, is exorbitant (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (4), 10396-7 ; (*Beri*) (513) ; (*Karnatak Central Co-operative Bank*) (645) ; (*Shirgaokar*) (698) ; (*Bakre*) (712) ; (*M. L. Patil*) (759).
Rate of interest charged by (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (3) ; (*Allahdino*) (62) ; (*Bechar*) (74) ; (*Ghulam Nabi*) (105) ; (*Alavi*) (116) ; (*Lalchand*) (121), 11338-9 ; (*Kamil Shah*) (150) ; (*Noor Muhammad*) (155) ; (*Pritamdas*) (164), (172) ; (*Azimkhan*) (205) ; (*Jhamatlal*) (236) ; (*G. Pritamdas*) (256) ; (*Rakhial Shah*) (275) ; (*Haji Mahomed*) (291) ; (*Kadir*) (295) ; (*Dwarkadas*) (298) ; (*Amir Bux*) (302) ; (*Khudadadkhan*) (306) ; (*Ajwani*) (317) ; (*Kaisarkhan*) (333) ; (*Shikarpur Shroffs' Association*) (337), 12581-5 ; (*Lalchand*) (364-5) ; (*Allahbux Khan*) (379), 12872-6 ; (*Hajanshah*) (384), 12936-8 ; (*Shirahatti*) (490), 13643 ; (*Beri*) (513), 13790-3 ; (*Patil*) (540) ; (*Valvekar*) (552), (558), 14079 ; (*Ankalgi*) (570), 14288-91 ; (*Huli*) (605) ; (*R. S. Patil*) (625), (632) ; (*Karnatak Central Co-operative Bank*) (645) ; (*Kulkarni*) 14977-80 ; (*Doddamani*) (664) ; (*Chavdi*) (675) ; (*Bhagwat*) (680) ; (*Shirgaokar*) (697), 15270-8 ; (*Bakre*) (715), (716) ; (*Sidhanti*) (718) ; (*Palekar*) 15461-2 ; (*Nadig*) (749) ; (*M. L. Patil*) (758).
Rate of interest charged by, has been reduced by the activities of the Co-operative Movement (*Bechar*) (74), 10977 ; (*Beri*) (513) ; (*Karnatak Central Co-operative Bank*) (645) ; (*Bakre*) (714), (716) ; (*Belgaum District Central Co-operative Bank*) (739).
Relations of, with agriculturists (*Pritamdas*) (172) ; (*Jhamatlal*) (236) ; (*G. Pritamdas*) (256) ; (*Shikarpur Grain Sale Society*) (371) ; (*R. S. Patil*) (625), (630) ; (*Nadig*) (749).

MONEY-LENDERS' ACT :

Introduction of, favoured (*Bechar*) (77), 10997-8 ; (*Ghulam Nabi*) 11287-8 ; (*Kamil Shah*) (152) ; (*Azimkhan*) (215), 11843 ; (*Haji Mahomed*) (293) ; (*Beri*) (517), (521), 13860-1, 13905-7 ; (*Karnatak Central Co-operative Bank*) (646) ; (*Chavdi*) (676).

MONEY-LENDERS' ACT :— contd.

Introduction of, not favoured (*Lalchand*) 11377-80 ; (*Jhamatlal*) (238), 11966 ; (*Shikarpur Shroffs' Association*) (340), 12608-10, 12706-11 ; (*Ankalgi*) (573).

MUDIRADDI, Mr. T. T., Dharwar : 13504-13607 (482-483).

NADIG, Mr. V. V., Huzur Deputy Collector, Belgaum : 15700-15772 (749-754).

NEGOTIABLE INSTRUMENTS ACT :

Amendment of, proposed (*Ridland*) 13055-6 ; (*Bombay Provincial Co-operative Bank*) (417-8).

NOOR MUHAMMED, Mr., B.A., LL.B., M.L.C., Hyderabad : 11523-11602 (155-156).

PALEKAR, Rao Bahadur B. A., M.B.E., District Deputy Collector, N. D., Belgaum : 15428-15563 (723-728).

PATEL, Mr. S. S., Sankeshwar : (717-718).

PATIL, Mr. D. L., Chairman, Raddi Communal Co-operative Bank, Ltd., Dharwar : 13925-14022 (539-543).

PATIL, Rao Bahadur M. L., Belgaum : (758-765).

PATIL, Mr. R. S., Agricultural Organiser, Dharwar : 14694-14754 (625-634).

POST OFFICE CASH CERTIFICATES :

Denomination of, should be lower than Rs. 10 (*G. Pritamdas*) (261).
Issue of, compete with indigenous bankers (*Shikarpur Shroffs' Association*) (347).
Popularisation of, suggestions *re :* (*Azimkhan*) (216) ; (*G. Pritamdas*) (261) ; (*Beri*) (525), 13873-5, 13908-9 ; (*Valvekar*) (560) ; (*Palekar*) (728).

POST OFFICE SAVINGS BANKS :

Popularisation of, suggestions *re :* (*Bombay Provincial Co-operative Bank*) (427), 13284-5 ; (*Beri*) (525).

PRICE, Mr. E. L., C.I.E., O.B.E., Karachi : 10871-10962 (65-66).

PRITAMDAS, MUKHI G., Hyderabad : 12115-12213 (256-261).

PRITAMDAS, Rai Bahadur, Honorary Secretary, Sind Divisional Co-operative Institute, Hyderabad : 11603-11678 (161-196).

PROVINCIAL CO-OPERATIVE BANK, Bombay : 13175-13350 (412-438).

RAILWAY RECEIPTS :

Should be made negotiable (*G. Pritamdas*) (258), 12161-6, 12193-5 ; (*Dwarkadas*) (299) ; (*Ridland*) 12972.
Should *not* be made negotiable (*Price*) 10942-4.

RAKHIAL SHAH, Syed, District Honorary Organiser, Co-operative Societies, Hyderabad : (275-277).

RAMCHAND, Seth DWARKADAS, Sukkur : (297-302).

RECORD OF RIGHTS :

Defects in (*Mallik*) (83) ; (*Azimkhan*) (212) ; (*Kamaluddin*) (279), (280) ; (*Abott*) 13474-6, 13499-502 ; (*Mudiraddi*) (482), 13549-51 ; (*Valvekar*) (557) ; (*Ankalgi*) (572) ; (*Gunjikar*) (669).
Improvements in, suggested (*Alavi*) (53) ; (*Mallik*) (83) ; (*Noor Muhammed*) (156), (*Azimkhan*) (212) ; (*Kamaluddin*) (280) ; (*Lakshmeshwar*) (477) ; (*Mudiraddi*) (482), 13551-3, 13579-80 ; (*Valvekar*) (557) ; (*Ankalgi*) (572) ; (*Gunjikar*) (669), 15019-21.

REMITTANCE—INTERNAL :

Facilities for, existing (*Lalchand*) (123) ; (*Dwarkadas*) (299) ; (*Valvekar*) (555) ; (*R. S. Patil*) (628) ; (*Gunjikar*) (667) ; (*Chavdi*) (675) ; (*Bhagwat*) (682) ; (*Bakre*) (713) ; (*Palekar*) (725) ; (*Nadig*) (750-1).
————, need for extension of (*Bombay Provincial Co-operative Bank*) (415-6) : (*Valvekar*) (555-6) ; (*Gunjikar*) (667-8) ; (*Chavdi*) (675) ; (*Bhagwat*) (682).

RESERVE BANK OF INDIA : *see under* BANKS.

RIDLAND, Mr. J. G., Secretary and Treasurer, Imperial Bank of India, Bombay : 12962-13134.

SALIMATH, Mr. S. S., Deputy Director of Agriculture, Dharwar : 14298-14457 (583-587).

SHAHANI, Mr. KEVALRAM DAYARAM, Director, Sind Central Co-operative Bank, Ltd., Hyderabad : 12001-12114 (245-247).

SHEVADE, Mr. S. V., Cotton Superintendent, Dharwar : 14458-14512 (598-600).

SHIKARPUR GRAIN SALE SOCIETY : 12764-12861 (369-372).

SHIKARPUR SHROFFS' ASSOCIATION : 12564-12735 (336-349).

SHIRAHATTI, Rao Saheb C. S., Managing Director, Co-operative Cotton Sale Society, Ltd., Hubli : 13608-13757 (490-503).

SHIRGAOKAR, Rao Saheb V. V., B.Ag., Belgaum : 15251-15427 (696-702).

SHROFFS : *see under* INDIGENOUS BANKERS.

SIDHANTI, Mr. C. N., Belgaum : (718-720).

SIND CENTRAL CO-OPERATIVE BANK, Ltd., Karachi : 11432-11522 (134-143).

SIND ENCUMBERED ESTATES ACT :

Amendment to, suggested (*G. Pritamdas*) (257), (258), (259-60), 12197.
Effects of (*Lalchand*) 11364-8 ; (*Jhamatlal*) (237-8) ; (*G. Pritamdas*) (257), (259), 12196 ; (*Shikarpur Shroffs' Association*) (340) ; (*Shikarpur Grain Sale Society*) (372) ; (*Allahbux Khan*) 12879, 12919-20.
Repeal of, suggested (*Jhamatlal*) (238), 11959-63 ; (*Kamaluddin*) (280).

SOWCARS : *see under* MONEY-LENDERS.

TACCAVI :

Advanced by Government for agricultural improvements under the Land Improvement Loans Act (*Azimkhan*) (204), (205) ; (*Bombay Provincial Co-operative Bank*) (420) ; (*Beri*) (513) ; (*R. S. Patil*) (626).
Advanced by Government in special cases under the Agriculturists' Loans Act (*Azimkhan*) (204), (205) ; (*Beri*) (512).
Defects of the system (*Pritamdas*) (165), 11673-4 ; (*Kadir*) (297) ; (*Dwarkadas*) (298) ; (*Amir Bux*) (302) ; (*Khudadadkhan*) 12410-2 ; (*Allahbux Khan*) (379) ; (*Bombay Provincial Co-operative Bank*) (414) ; (*Beri*) (513), (515) ; (*Valvekar*) (551) ; (*Karnatak Central Co-operative Bank*) 14932-6 ; (*Shirgaokar*) (700), 15294, 15426-7 ; (*Palekar*) (723), 15443-51, 15555-7 ; (*M. L. Patil*) (760-1), 9 (765).
Improvements in the system, suggestions *re* : (*Beri*) (515) ; (*Shirgaokar*) (700), 15426-7, 15551-7 ; (*M. L. Patil*) (761), (765).
Rate of interest on (*Kadir*) (295) ; (*Khudadadkhan*) (306) ; (*Kaisarkhan*) (333) ; (*Allahbux Khan*) (379) ; (*Hajanshah*) (384) ; (*Lakshmeshwar*) (476) ; (*Beri*) (513) ; (*Patil*) (540), 13946 ; (*Sidhanti*) (719) ; (*M. L. Patil*) (759), (765).
Usually granted through co-operative societies (*Azimkhan*) (204), (205) ; (*R. S. Patil*) (626).

TAVERI, Mr. CHANDERBHAN, Karachi : 10561-10631 (30-32).

TENANCY ACT :

Introduction of, suggested (*Salimath*) (587), 14399-403, 14432-8 ; (*Huli*) (607), 14643-6.

THADANI, Mr. C. K., Inspector, The Sind Central Co-operative Bank, Ltd., Karachi : 10632-10782 (38-41).

TRADE :

Foreign, finance for (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (9), 10467 ; (*Lalchand*) (366), 12759-63 ; (*Gunjikar*) (667).
Internal, finance for (*Karachi Indian Merchants Association and Buyers and Shippers Chamber*) (7-8), 10411-3 ; (*Alavi*) 11293-7.

TREASURY BILLS :

Issue of, compete with indigenous bankers (*Shikarpur Shroffs' Association*) (347).
———, not favoured (*G. Pritamdas*) (261).
———, popularisation of, suggested (*Belgaum District Central Co-operative Bank*) (739-40), 15655-60, 15677-9).

USURIOUS LOANS ACT :

Advantage of, is not being availed of (*Azimkhan*) (215) ; (*Jhamatlal*) (238) ; (*Valvekar*) (558) ; (*Ankalgi*) (573), 14294.
General (*Shikarpur Shroffs' Association*) (340), 12606-7 ; (*Beri*) 13904-6.

VALVEKAR, Rao Bahadur K. B., B.A., LL.B., 14023-14178 (550-560).

VERMOHAL, Seth CHANDIRAM, Sukkur : (326-333).

VERNACULAR SCRIPTS :

Use of, in banking, advocated (*Ghulam Nabi*) (109) ; (*G. Pritamdas*) (261).
———, in drawing cheques, suggested (*Khudadadkhan*) (308) ; (*Bombay Provincial Co-operative Bank*) (427), (428) ; (*Valvekar*) (560) ; (*Huli*) (613).

WAREHOUSES :

Construction of, Government assistance for, need for (*Pritamdas*) (167) ; (*Bombay Provincial Co-operative Bank*) (418) ; (*Lakshmeshwar*) (476) ; (*Shirahatti*) (502), 13689-94, 13714 ; (*Patil*) (541) ; (*R. S. Patil*) (628) ; (*Basrur*) (638) ; (*Doddamani*) (663) ; (*Chavdi*) (676).
Licensed, establishment of, favoured (*Karachi Indian Merchants' Association and Buyers and Shippers Chamber*) 10416-9, 10485-9 ; (*Mudiraddi*) (482) ; (*Doddamani*) (663) ; (*Shirgaokar*) (699), 15387-9.

WEBB, Sir M. DE P., C.I.E., C.B.E., Karachi : 11391-11431 (129).

WEIGHTS AND MEASURES : *see under* MARKETING.

GLOSSARY OF INDIAN TERMS

Adat	Commission.
Adatya	A commission agent or broker.
Bagayat	Garden land.
Bajri	A small millet (*Pennisetum typhoideum*).
Bania	A trader.
Barad	Stony land.
Bazar	A market.
Bhar	A weight of 24 maunds.
Bidi	A country cigarette.
Bigha	One-third of an acre.
Bund	A dam ; a field embankment.
Chetti	Member of a money-lending class in Madras.
Dal	A generic term for pulses.
Dalal	A broker.
Dalali	Brokerage.
Darshani	Payable on demand.
Dekhadnarjog	Payable to bearer.
Dhanijog	Payable to the person who purchases (a cheque, a *hundi*) as distinguished from *Shahjog*, which is payable to any person of known respectability.
Dharmada	A payment made for charity.
Didhi	One and a half times.
Ganja	Hemp-flowers.
Ghee	Clarified butter.
Gujar	The name of a caste.
Guntha	1-40th of an acre.
Gur	Jaggery ; unrefined Indian sugar.
Hamal	A porter.
Harda	Myrobalan.
Hari	A tenant-at-will of a *zemindar* in Sind.
Hawala	Guarantee.
Hundi	A written order made by one person on another for payment on demand or after a specified time of a specified sum of money to a person named therein.
Inam	A gift or grant ; land held free of or at reduced assessment.
Inamdar	A holder of beneficiary grant of land.
Jalap	Sale in advance of a growing crop.
Jat inam	Personal *inam* land.
Jirayat	Dry crop land.
Juar	The large millet (*Andropogan sorghum*).
Kabala	Contract.
Kabjedar	An occupant.
Kambli	A blanket.
Kapas	Unginned cotton.
Karkhana	A factory.

Khaddar *or* Khadi	Cloth hand spun and hand woven.
Khandi	A measure of weight and capacity which varies according to the commodity.
Kharif	Crop sown at the beginning of the rains and reaped from October to December.
Khata	An account.
Khatedar	An occupant.
Khot	A holder of land or village under a special tenure in the Konkan.
Khoti	A system of land tenure which exists in the Konkan.
Kodra	A species of corn used for food by the poor (*Paspalum scrobitulatum*).
Kulkarni	A hereditary village accountant.
Kunbi	A peasant.
Kutcha	Literally "not solid" (opposite term is "*Pucca*").
Mahal	A revenue sub-division.
Mahalkari	A Revenue Officer in charge of a *mahal*.
Mahajan	A merchant; used to indicate money-lenders also.
Mahar	Member of a depressed class.
Mal	Stony or hilly land.
Mamlatdar	The revenue head of a *taluka*.
Mandi	A market.
Marwari	A class of merchants and traders coming from Marwar.
Mofussil	Upcountry.
Muccadam	A supervisor; a subordinate officer.
Mudati	Payable after a certain time.
Namjog	Payable to the person whose name is mentioned in the *hundi*.
Pan	Betel-leaf.
Panch	Literally "five"; a committee of five to decide disputes.
Panchayat	A committee consisting usually of five persons.
Panchnama	A document drawn up by a *Panch*.
Patil	Headman of a village.
Pedhi	A firm; an office.
Pedhiwalla	Owner of a firm.
Pucca	Literally "solid"; fast (colour); (opposite term is "*Kutcha*").
Rabi	The spring harvest; crop sown in the autumn and reaped at the end of the cold weather.
Rais	A landholder.
Rohilla	A tribe from Northern India.
Rokha	A bond.
Ryot	A cultivator.
Ryotwari	A land tenure in which land is held permanently by the holder from Government on condition of payment of land assessment as fixed by Government.
Saldar	A labourer engaged by the year.
Samvat	Hindu year.
Sanad	A document conferring a right or a title.
Saree	A long piece of cloth worn by women.

Sawai	One and a quarter.
Shah	A respectable person.
Shahjog	Payable to a *Shah*, a respectable person.
Shetia	A banker or merchant.
Shroff	An indigenous banker.
Sowcar	A money-lender.
Taccavi	An advance made by Government to cultivators for agricultural purposes.
Tal	An embankment.
Talati	A village accountant.
Taluka	A local revenue division of a district.
Til	A plant bearing oily seed (*Sesamum indicum*).
Tur	A variety of pulse (*Cajanus indicus*).
Vakhar	Godown.
Vandha	A dispute.
Vatav	Discount.
Watan	A service *inam*.
Watandar	A holder of a service *inam*.
Zemindar	A landholder.

MOY 106—100

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