

THE
HYDERABAD BANKING ENQUIRY
REPORT

COMMITTEE.

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RAJA SHIVLAL MOTILAL, Representative of the Indigenous bankers.	<i>do</i>
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CORRIGENDA.

- Page 3 line 10 from below, *for* "extrepot" *read* "entrepot"
- Page 36 line 15 from above, *for* "weighment" *read* "weighmen"
- Page 42 line 23 from below *for* "has" *read* "have"
- Page 46 line 22 from above *for* "buyers." *read* "buyers'"
- Page 51 line 7 from below *for* "case" *read* "case."
- Page 58 line 19 from above *for* "on their creditors" *read* "on Bombay"
- Page 58 line 18 from below *for* "profit or" *read* "profit on"
- Page 68 line 6 from below *for* "applied" *read* "supplied"
- Page 78 line 18 from below *for* "has" *read* "have"
- Page 96 line 17 from above *for* "clear" *read* "clean"

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*Proceedings of the Hyderabad Banking Enquiry
Committee meetings held on the 25th August
and 2nd September 1930.*

The Committee in the meetings held on the 25th August and 2nd September 1930, adopted the following resolutions :—

I. Uniformity of weights and measures for the market will be advantageous to both the buyers and the sellers, and the committee recommend that uniform scales should be introduced into the Dominions. The committee also accept the proposal of the Director-General of Commerce and Industries (*vide* para. 6 of Note) that in all markets established under the new Hyderabad Marketing Act, weigh-bridges of the latest type should be maintained to enable cultivators to check the weights used in the factories and dealers' godowns.

II. "Banking facilities may fairly be classed under three heads :—

(1) Money required by industrialists for capital expenditure in starting new industries ;

(2) Current banking facilities required by factories and similar concerns ;

(3) Current finance needed for commerce.

1. So far as the first class is concerned, *viz.*, the capital expenditure, the Industrial Trust Fund does all that is needed much better than any bank could do it. Government has its own experts and is able to command the services of other experts whenever required. It seems desirable that in the present circumstances in Hyderabad, the difficult task of industrial banking, as it has been undertaken in the continent of Europe, should be avoided at present. To build up such a bank in Hyderabad would be an extremely risky and hazardous task, whereas we have now a Trust Fund sanctioned by Government which can afford to risk this class of business better than any other agency and, unless and until the Fund is proved to be inadequate, nothing more should be done."

It is not desirable to change the present constitution of the Board of Trustees of the Industrial Trust Fund.

2. As regards current finance, the Committee recommend that the system of guaranteed cash credits suggested by the Indian Industrial Commission should be given a trial and that the Director-General of Commerce and Industries may in consultation with the local banks work out details of a scheme.

3. The provision of finance for commerce resolves itself into two problems (a) the remittance of funds to the marketing centres, (b) the provision of credit.

(a) In all those marketing centres where a branch of the Imperial Bank is established, there is no difficulty in obtaining funds. As regards those marketing centres where a branch of the Imperial Bank has not been started, the Committee discussed two alternative methods of providing facilities for remittance :

(i) It should be arranged that the system whereby the Imperial Bank now endorses the demand drafts presented by approved shroffs in Hyderabad and Secunderabad should be extended to outlying stations also, where a branch of the Bank is not situated. The Government Treasuries at those stations should encash these demand drafts.

(ii) The Government to announce that if any bank or banker deposited approved bonds with the Government as a security for its funds, the bank or banker will be authorised to encash demand drafts at the prescribed treasuries upto a certain percentage of the value of the securities. Proposal No. (i) was approved. Proposal No. (ii) might be considered later if the other leaves room for it. It was suggested that the difficulties in the encashment of Government currency notes at district treasuries (*vide* Mr. Collins' Note para. 9) should be removed. Sir Akbar Hydari said that the system of currency chests was being rapidly developed, and it was hoped that matters would gradually improve. He promised to enquire about the formalities which were alleged to be required before notes were cashed.

(b) (i) The British Indian Joint Stock Banks should be encouraged to establish branches at the important marketing centres in the Dominions and the Central Bank of India, if willing, may submit to the Finance Department a scheme for the establishment of its branches in the districts.

(ii) The Government should consider the advisability of supplying seasonal currency during the export season against trade bills.

(iii) The proposal made in (a)-(i) above should include the re-discounting of usance bills (Muddati Hundis) from approved shroffs in outlying centres also.

III. The non-official members of the Committee recommend that the minimum and maximum rate of exchange of O.S. Rs. should be narrowed down. It was pointed that this was the policy of Government and it was promised that a further narrowing down would be considered, though there were difficulties involved.

IV. a. The Director-General of Commerce and Industries informed the committee that he had proposed to the Government that two experimental warehouses should be established at Parbhani and Nanded. "The main object of these warehouses is to enable cultivators to store their cotton over night or for two or three days if they are unwilling to accept the prices offered, but it would be possible to use these warehouses also for an experiment of the type recommended by Mr. Ahmed Mohiuddin in para. 38 of his report." The Committee accept the proposal.

b. As regards the Nizam's State Railway making an experiment with one or two warehouses, the Committee recommend that the Department of Commerce and Industries should consult the railway as to whether an experiment could be made with locked godowns, possibly by granting facilities in existing sheds at important centres.

V. The Customs Department already maintains bonded warehouses for goods in transit through the Dominions. The possibilities of the extension of the present system for the convenience of the wholesale dealers should be explored with the view to develop an extrepot trade.

VI. The Committee do not recommend to the Government the introduction of either cash certificates or gold certificates, but believe there is considerable scope for the expansion of the Post Office Savings Bank.

VII. It is recommended that the local banks should make arrangements for a clearing house and that the Government should co-operate as far as possible by adjusting its own credits and debits through its account with the Imperial Bank.

VIII. The Committee expect that the schedule drawn up by the Director-General of Commerce and Industries (*vide* his Note para. 17) for the collection and compilation of statistics should make up the deficiency in the available trade statistics.

IX. The Committee resolve that the attention of the Government in Judicial Department be drawn to the finding of the Special Officer, Banking Enquiry (paragraph 58) as regards the delay in the disposal of civil suits in the Dominions.

X. It is recommended that the law as regards Stamp Duty on Demand Draft (including cheques) should be brought into conformity with the law prevailing in British India.

XI. The chairman proposed a vote of thanks to the Director-General and Secretary to Government, Commerce and Industries Department (Mr. B.A. Collins) for his interest and advice in respect of this enquiry and to all the non-official members who helped in the enquiry.

He also proposed a vote of thanks to the Special Officer who conducted the Banking Enquiry.

*Signed** HYDAR NAWAZ JUNG.
 B. A. COLLINS.
 FAKHR YAR JUNG.
 A. R. CHISHOLM.
 E. THOMAS.
 C. V. PADMA RAO.
 H. D. WATCHA.

* Raja Shivalal Motilal did not attend the meeting.

Note on the report of the Banking Enquiry Officer by Mr. B. A. Collins, C.I.E., I.C.S., Director-General and Secretary to Government, Department of Commerce and Industries.

I have now been through Mr. Ahmed Mohiuddin's report and will make a few remarks on it in the same order as he himself has dealt with the subjects.

1. The estimated outturn of cotton by the Statistical Department is quite worthless, and their figures may be disregarded, since they have taken much too high a normal outturn as the basis. Dr. Mann has now revised the normal outturn and the number of bales has been re-calculated in accordance with his figures. In two years out of four, the outturn is less than the export according to the customs figures ; but these figures include also the export of kapas or seed cotton in carts across the border. Dr. Mann's normal outturn is now, I consider, quite satisfactory and corresponds with results which we have obtained on the Government farms, but it is probable that the outturn calculated by the Statistical Department is now somewhat too low, since the anna estimates made by the district authorities tend to err on the low side. One of the best means of checking these statistics which we now have are the returns of bales pressed by the presses in the State. These returns are for the year 1927-28, 474,000 bales, for 1928-29, 398,000 bales and for the present year up-to-date just under 500,000 bales. The figures for cotton borne by the railway tend to agree fairly closely with these figures. After allowing, therefore, for use in the villages and leakage across the border to avoid customs duty, the figures correspond fairly well, and at any rate quite as well as similar figures for the British provinces.

2. The figures given for loans made in the Dominions by the Imperial and Central bank in paragraph 11 are most unsatisfactory. The Imperial Bank is doubtless handicapped by its rules, and it is satisfactory to see that the advances are steadily increasing. The advances made by the Central Bank, however, are on the decrease, and I understand that this bank now has directions to cut down its loans. This is said to be due to the difficulties which they are having in recovering money through the courts. I have had some experience of similar questions in Bihar and I think that one of the causes of the failure of the banks to give accommodation to industries is the fact that the local managers are not in such close personal touch with

the small dealers and manufacturers as they are in other countries. Anyone who has had experience of Great Britain or has read books such as Rae's "Country Banker" will realise how different the conditions are in India. In the first place, in England, the local bank manager knows all the local tradesmen and manufacturers personally. These people maintain their accounts in his bank and from watching the working of these accounts and his knowledge of the men themselves and their businesses, he is able to make advances and to open cash credits for them with complete safety. It is the lack of these facilities which hampers so much the development of small industries in India. I will return to this matter later on in discussing the proposals made by Mr. Ahmed Mohiuddin regarding the financing of industries.

3. I think we should press for the figures of deposits in the British Post Office Savings Banks in the Dominions.

4. The list of advances, grants and expenditure of the Industrial Trust Fund given in the report is not complete or well arranged. I have therefore asked for a complete statement, which I will put before the members of the committee.* The Industrial Trust Fund only commenced operations late in 1929 and its work only dates from the present Christian year. During this time, besides undertaking the Banking Enquiry itself, it has sanctioned surveys of the poultry industry, the fruit industry, the oil-seed and oil-crushing industry, the hides and leather industry, the hand-loom and dyeing industry and the salt-making industry. All these surveys are being carried out by experts in the subjects, some of whom have been and are being obtained from outside the State at considerable cost. The Trustees have also agreed to finance two experimental factories, one for carpet-making at Warangal, and another to revive the famous Pattan weaving industry in Aurangabad Districts. Grants have been made to two gentlemen to enable them to go abroad to obtain experience and training, one in connection with the Deccan Glass Factory, and another with a view to develop and improve the date-growing industry in the State. In addition to this, two large loans have been made, one to assist in the establishment of a marble quarry and the production of marble, and another to establish an up-to-date rice-hulling and saw-mill, while the Trustees have decided to invest a sum of one lakh in a new concern for making cigarettes in the State. A lakh of rupees has also been set aside for

*The statement reproduced in para. 17.

advances to industrial co-operative societies. The rate of interest on all these loans has also been reduced from $7\frac{1}{2}$ to 6 per cent. Negotiations are also in progress with a view to the establishment of a jute mill and another cotton spinning and weaving mill.

5. Mr. Ahmed Mohiuddin's account of the markets for cotton and other agricultural produce is complete and very interesting. As he has explained, Government have prepared an Agricultural Markets Bill and it was passed into law yesterday. This Bill is a great advance on any other legislation in the whole of India. It embodies not only all the provisions of the Bombay Cotton Markets Bill, but a number of others which were recommended by the Agricultural Commission, *viz.*, that markets should be established for other kinds of agricultural produce besides cotton, that market committees should be given power to arrange for storage accommodation for crops, and that arbitration of all disputes regarding quality and weight of produce should be made compulsory. It is proposed to apply the Act by way of experiment to Nanded cotton market during the coming season and with the experience so gained, it is hoped to establish a number of markets under the Act in the year following. The Act also enables Government to prescribe in any market, whether notified under the Act or not, that all bids for cotton and agricultural produce should be made in O.S. and that all payments in respect of such bids should be made in the same currency, and provides penalties for failure to comply with this section.

6. The Act enables the market committees, subject to the control of the Director-General of Commerce and Industry, to prescribe uniform weights and measures for their markets. There is, however, an Act already in existence in the Dominions which enables Government to prescribe uniform weights and measures for the whole of the Dominions. The Commerce and Industry Department is already considering taking advantage of this Act and has consulted the Indian Central Cotton Committee and other persons concerned as to the advisability of fixing for all transactions in cotton the standard weights recommended by the Indian Cotton Committee of 1918-19, which are already in use in the Central Provinces. There are a cotton maund of 28 lbs., a bhoja of 392 lbs. or 14 maunds, and a khandi of 2 bhojas or 784 lbs. In the Central Provinces, for all other weighments, the railway maund

of 82-2/7 lbs. has been adopted, and it is proposed to consult trade interests as to whether it would not be advisable to adopt these same standards in Hyderabad. There is no doubt that the present system or lack of system in respect of weights and measures results in loss to the cultivators and inconvenience to anybody who wishes to do honest business. It is proposed also that in all markets established under the Act, weigh bridges of the latest type should be maintained to enable cultivators who wish to check the weights used in the factories and dealers' godowns.

7. Mr. Ahmed Mohiuddin points out that the difficulty of obtaining funds in O.S. in various centres is a severe handicap to trade. He also comments on the lack of facilities for industries for both capital and current expenditure and eventually recommends that an Industrial Bank should be established. Banking facilities might be fairly classed under three heads ; (1) money required by industrialists for capital expenditure in starting new industries ; (2) current banking facilities required by factories and similar concerns and (3) current finance needed for commerce. So far as the first class is concerned, *i.e.*, capital expenditure, it is submitted that the Industrial Trust Fund does all that is needed much better than any bank could do it. Government has its own experts and is able to command the services of other experts whenever required. It seems desirable that in the present circumstances in Hyderabad, the difficult task of industrial banking, as it has been undertaken in the continent of Europe, should be avoided at present. To build up such a bank in Hyderabad would be an extremely risky and hazardous task, whereas we have now a Trust Fund sanctioned by Government which can afford to run the risk of this class of business better than any other agency and unless and until the Fund is proved to be inadequate, nothing more should be done.

8. As for current finance for industries, regarding which I have already made some remarks in the beginning of this note, it is difficult to see why a special industrial bank established in the State would do any better than the Imperial and Central Banks. The failure of these banks is due, as pointed out above, partly to the fact that the Imperial Bank is handicapped by its Charter, partly to the fact that the managers are unable to keep themselves in sufficiently closer touch as elsewhere, and partly to the

fact that the use of banking accounts is not sufficiently common. I suggest that the best plan would be to give a trial to the recommendations made by the Indian Industrial Commission on page 217 of their report in Chapter XX, paragraph 293. No fair trial has ever been given to the system of guaranteeing cash credits which they recommend. An attempt was made to give effect to it in Bihar, while I was Director of Industries, in accordance with the provisions of the Bihar and Orissa State Aid to Industries Act, but the experiment failed because the Imperial Bank was unable to adapt itself to the conditions. Government proposed to guarantee the cash credits or current advances made by the Central Bank to factories, on condition that the Imperial Bank would treat these advances exactly as though they had been made by themselves on security which they deemed sufficient, *i.e.*, that they would satisfy themselves regarding the maintenance of stocks and by watching the way in which the concern operated on the account, maintained a close watch over its proceedings so as to be able to take action in good time if the security at all depreciated. The Imperial Bank, however, was unwilling to accept this responsibility for reasons which have never been clear to me. It is suggested that the Central Bank of India might be willing to make advances under this system at the request of Government or of the Industrial Fund Trustees, who might guarantee such advances. I should be quite ready to work out the details of such a system in consultation with the Central Bank of India, should they be willing to consider the matter. An extract from the Industrial Commission Report is attached to my note as an Appendix.

9. The provision of current finance for what may be described as pure commerce, at the various centres in the province also presents great difficulties. There is no doubt that banks or branches of banks at every district head-quarter would be the best possible solution, but the question is whether the opening of such branches in Hyderabad is really a feasible proposition. It is understood that those branches which the Imperial Bank has opened do not pay and with this example before them, it seems unlikely that any other bank would be willing to open a branch at present. My feeling is, therefore, that what Government should do is to carry out such measures as are possible to make the transfer of funds easy to all concerned. As I have not much knowledge of the subject

my suggestions may be entirely out of place, but there seems no harm in making a few suggestions which may be accepted or rejected as practicable or impracticable.

(i) It is understood that when the Accountant-General issues bills, he will not accept cheques even on the Imperial or Central Banks and insists on having actual cash supplied to him. I cannot understand why this should be necessary, since he can always obtain confirmation by telephone or letter from the banks as to their willingness to cash the cheque.

(ii) I understand that notes to the value of Rs. 100 can only be cashed at local treasuries upto the value of Rs. 500 and odd. A written application has to be made and a good number of formalities should be gone through before this facility is allowed. It is suggested that notes of Rs. 100 should be cashed freely up to the amount available in the local treasury and without any of the present formalities.

(iii) It is said that Government only issues supply bills at their own convenience and they are not usually supplied at the time when they are required most. Mr. Ahmed Mohiuddin tells me, however, that he understands that a system of reserve treasuries is being developed, and it is proposed to introduce improved facilities for transfer of O.S. Funds. I suggest that it might be considered whether Government should not undertake to transfer funds to any part of the Dominions in any amount either at par or for some slight commission. When the Accountant-General is called on to issue bills to the treasury which has not sufficient funds, he would, of course, have to make a remittance and warn the purchaser of the supply bills accordingly. This remittance might either be made from head-quarters or from some reserve treasury nearby. This concession would, of course, cost Government something ; but it is for consideration whether the expenditure would not be of such advantage to trade that it would be worth while undertaking it. The concession also would very much facilitate the establishment of branches of banks.

(iv) The suggestion that the one anna stamp duty on cheques still imposed in Hyderabad should be removed seems also well worth consideration.

10. I have already proposed to Government that two experimental warehouses should be established at Parbhani and Nanded. The main object of these warehouses is to enable cultivators to store their cotton over night or for

two or three days if they are unwilling to accept the prices offered, but it would be possible to use these warehouses also for an experiment of the type recommended by Mr. Ahmed Mohiuddin in paragraph 38 of his report. I think also there is a great deal in the suggestion that the Nizam's State Railway might make an experiment with one or two warehouses at large centres.

11. I will make enquiries from the Indian Central Cotton Committee and the East India Cotton Association regarding the tender of *Gaorani* and Aurangabad cotton against hedge contracts.

12. Mr. Ahmed Mohiuddin's suggestion that Government should try and narrow down the margin between the minimum and maximum exchange rate for O.S. rupee seems worth consideration. This would entail an increase in the B.G. standard reserve in Bombay. It might be attempted at first to place the lower minimum at Rs. 116-8-0, and if this proves successful, it could then be lowered at Rs. 116.

13. The proposal that Government should allow remissions of duty on re-exports should be explored in consultation with the Customs Department. This might be practicable in all articles in which the bulk has not been broken.

14. The suggestion that Post Office cash certificates should be re-introduced seems to deserve serious consideration. If Government continue to receive Post Office Savings Bank deposits without limit, there does not seem any reason why they should not also sell cash certificates. Possibly the purchase of the railway has now changed the situation.

15. The suggestion that cheques and payments of salaries should also be issued direct on the Imperial Bank and Central Bank seems worth consideration. I do not agree to the proposal that savings bank depositors should be allowed to operate on their accounts by cheques.

16. Mr. Ahmed Mohiuddin's report about the effect of the delays in civil suits on industry and commerce are interesting, and at the same time, most serious. The figures which he gives of the average number of days for the disposal of suits are certainly very bad and I think this matter should be brought to the notice of Government in the Judicial Department.

17. Ever since I came to Hyderabad, I have been trying to get proper trade statistics published. I have now finally drawn up a schedule to which the Customs Department have agreed, and the Customs Commissioner is making proposals to Government for the staff necessary to introduce these statistics with effect from the 1st Azur 1340 F. I think these will be of great use both to Government and the public. The publication of statistics about treasury balances, rates of exchange, etc., will no doubt be considered by Finance Department. Such statistics as we do produce are published by the Department of Statistics and I think are generally available to the public.

(Sd.) B. A. COLLINS,
*Director-General and Secretary,
Commerce and Industry Departments.*

APPENDIX.

CHAPTER XX.—INDUSTRIAL FINANCE.

Other Measures to provide Financial facilities.

293. We recognise, however, that the adequate extension of industrial banks will be a matter of time; and we have therefore considered a proposal to meet the need experienced by middle class industrialists for current finance, a proposal which could, it would seem, be readily merged in any future system of industrial banking.

Provision of current
Finance for Mid-
dle class Indus-
trialists.

As we have already explained, the banks have no convenient agency for enabling them to ascertain whether the proprietors of small industrial concerns are working on sound lines and possess a good reputation for honesty and punctual payment. The proposal represents an attempt to supply this deficiency and to bring such men more and more into touch with banks of repute. The scheme would, in the first place, be confined solely to industrial businesses with a paid-up capital of from Rs. 5,000 to about Rs. one lakh. The provincial Director of Industries, assisted by his technical staff and by the advice of a committee of business men, among whom a representative of the lending bank might well find a place, would examine the financial position and reputation of applicants and their methods of manufacture, and would certify those persons whose position was found satisfactory, as suitable recipients for a loan. This would take the form of a cash credit for a definite period and amount with a bank. Government would, under this proposal, guarantee the principal sum lent with interest at a rate to be agreed on with the banks. Any bank of repute would be allowed to participate in the scheme, and applicants would select the bank with which they would deal. Suitable limits, both maximum and minimum, would have to be fixed for the cash credits. The rate of interest to be paid by approved applicants would be a matter for Government to decide. The latter might perhaps desire a rate somewhat higher than the rate guaranteed by the bank. Some portion of this margin could then be retained by the bank for its trouble, and the rest be used by Government as a set-off against possible losses. If interest at a higher rate

than the bank rate were levied, the bank would find in this an inducement to take over an increasing share of the business, free of Government guarantee. By doing this, the bank would receive the whole of the interest charged, instead of having to hand over some of it to Government. Similarly, if a certified applicant failed to pay his debt, the bank would only receive from Government, in addition to the principal, the guaranteed rate of interest; and the bank would naturally do its best to avoid the loss of its share in the interest in excess of this, by watching the way in which the account was operated and reporting to the Director of Industries anything which showed that action on his part was needed.

It is clear that the success of the scheme would rest almost entirely on the qualifications of the Director and on the nature of the organisation which he would have to create in order to determine the suitability of applicants for help. We recognise also that as a general rule, the task of ascertaining the soundness of a concern asking for financial aid can be best performed by a banker, and can only be undertaken by Government at some risk. But we have so strongly before us the difficulties experienced by the middle class Indian industrialists in obtaining financial assistance from existing banks, that we think the scheme deserves consideration, at any rate as an interim measure until industrial banking facilities can be extended. The same principles apply with even greater force to any organisation for the supply of initial capital to industries.

THE
HYDERABAD BANKING ENQUIRY
REPORT

BY

A. MOHIUDDIN, B. A.,

Special Officer, Banking Enquiry

CHAPTER I.

Introductory.

1. The following is an extract from the letter of the Secretary, Commerce and Industries Department No. 2317 dated 22nd December 1929 to the Secretary, Political Department, H.E.H. the Nizam's Government, which describes the method of enquiry and the scope of investigation :—

“ I am to request you to inform the Government of India through the Residency that H.E.H. the Nizam's Government has decided not to appoint a Banking Enquiry Committee, but to place an Officer on special duty to collect information regarding

1. the financing of the principal crops of Hyderabad ;
2. indigenous banking ;
3. the financing of industries ; and
4. the investment habit and attraction of capital.

“ His report will probably be considered by a small Committee and it is hoped to be able to forward the results of the enquiry to the Government of India by June or July next. As the question of agricultural credit has been investigated before, from time to time, and has recently been fully discussed in the report of the Agricultural Commission, it has been decided to exclude this subject from the present enquiry, which will be difficult to complete even without it.”

The term ‘ the principal crops of Hyderabad ’ was subsequently defined to cover Cotton, Ground-nut and Castor-seeds. Co-operative Societies, being essentially agencies for rural credit were also excluded from the scope of the enquiry.

2. I was appointed Special Officer, Banking Enquiry on the 2nd January 1930.

Date of appointment.

3. The questionnaire issued by the Government of India to the Provincial Banking Enquiry Committees was modified within the terms of reference and after its approval by H.E.H. the Nizam's Government, was issued to the public in English, Urdu, Telugu, Mahratti and Kanarese. I attended the Conference of the Chairman and Secretaries held at Calcutta on

Itinerary.

the 3rd and 4th of January 1930 and visited the following marketing Centres—Umri, Nander, Parbhani, Jalna, Aurangabad, Latur, Gulbarga, Raichur, Bhongir, Warangal and Jedcharla.

4. In the Dominions there is a singular lack of commercial bodies or associations for the expression of their opinions and the protection of their common rights for each plies his own trade or industry within his resources and the principle of joint liability and joint efforts are to a very large extent absent. There are only two Chambers of Commerce—one at Hyderabad which has been in existence for a number of years and one at Warangal which has only been very recently formed. Under such conditions there was, obviously, a paucity of authoritative information and considered opinion. The number of written replies to the questionnaire is 15 and that of the witnesses who were orally examined, 89. (Witnesses examined jointly in the marketing Centres in the district being taken as one).

5. The total cost of the Enquiry was Rs. 6,000.

Cost of Enquiry.

6. I wish to acknowledge the constant help and advice given to me in the conduct of the enquiry by Mr. B.A. Collins, C.I.E., I.C.S., Director-General and Secretary to the Government of Hyderabad, Commerce and Industries Department, and to thank for the help rendered to me in the elucidation of indigenous banking practice by Mr. Chisholm, Agent, Imperial Bank, and Mr. Thomas, Agent, Central Bank of India, Hyderabad.

CHAPTER II.

Natural Division and Population.

7. His Exalted Highness the Nizam's Dominions cover an area of 82,698 square miles, which is larger than that of England and Scotland put together.

"It is divided into two large and nearly equal divisions, geologically and ethnically distinct, separated from each other by the Manjira and Godavari Rivers. The portion to the north and west belongs to the trappean region, that to the south and east being granitic and calcareous. There is a corresponding agreement between the two ethnical elements. The trappean region is inhabited by speakers of Mahrathi and Kanarese, the granitic country by the speakers of Telugu. The Trappean or black Cotton soil country is a land of Wheat and Cotton; while Telingana, or the granitic region, is a land of rice and tanks."

The population in 1921 was 12,471,770 as compared with 13,374,676, in 1911.

The density of population per square mile in 1921 was 151 while that of 1911 was 162.

8. The following statement gives the actual and proportional figures for the four main classes of occupations and compares the present proportional figures with the corresponding ones in 1911 :—

Class	Total	Percentage in 1921	Percentage in 1911
A. Production of raw materials	6,947,913	56	68
B. Preparation and supply of material substances.	3,123,616	25	23
C. Public administration and liberal arts ..	763,092	6	6
D. Miscellaneous ..	1,687,149	13	8

The area under cultivation and under principal crops for the years 1922-23 to 1927-28 with percentages to total area under cultivation are given in Appendix.

9. The following table gives the total outturn of Cotton as estimated by the Department of Statistics and according to normals revised by Dr. H. Mann.

The estimated out-
turn of cotton.

Year	Area in acres	Total out- turn as esti- mated by Statistics Deptt.	Revised out- turn accord- ing to Dr. Mann's- normals	Total con- sumption by mills	Total export from Domi- nions accdg. Customs	Total of columns 5 & 6	Balance left from est. of Statistics Deptt.	Balance left from Dr. Mann's re- vised out- turn
1	2	3	4	5	6	7	8	9
		Bales	Bales	Bales	Bales			
1925-26 .. (1884-85)	87,81,288	10,60,406	4,44,625	20,180	8,91,011	4,11,191	6,49,215	88,484
1926-27 .. (1885-86)	82,67,408	8,07,541	8,57,698	22,470	8,81,680	4,04,150	4,08,891	46,452
1927-28 .. (1886-87)	86,80,822	9,50,910	4,91,401	22,988	5,78,650	6,01,588	8,49,827	1,10,182
1928-29 .. (1887-88)	40,01,744	9,98,572	5,50,448	27,014	5,12,662	5,89,676	4,58,896	10,772

The column 8 exhibits an extraordinary amount of Cotton left in balance in the Dominions. It is hardly necessary to comment upon the figures. The estimated outturn according to Dr. H. Mann's revised normals seem to be too cautious as according to them the Dominions should have imported over 1 lac 12 thousand bales during the four years under consideration. While according to the estimate of the Statistics Department the average yield of Cotton per acre is lbs. 103 the average according to the revised estimate is only lbs 50 per acre.

10. The value of imports and exports of the Dominions as well as the value of exports of Cotton, Ground-nut and Castor are given in Appendix I. It may be mentioned that a specific duty is levied on the exported Cotton, Ground-nut and Castor. The rate of the duty on Cotton is Rs. 5 per Palla of 120 seers or Rs. 8-5-4 a bale, and on the Ground-nut and Castor-seeds Re. 1-8 and Re. 1 a palla of 120 seers respectively. The total value of these commodities exported is calculated by the Customs Department from the amount of the duty received on the basis of 5 per cent. *ad valorem*. According to this basis the flat rate of the price of Cotton is about Rs. 166 a bale. If the market value of Cotton goes above the flat rate the figures of the Customs' Department fall short of and if it goes down they exceed the actual value of export. In 1927-28 the average price of Cotton was higher than the standard rate of the Customs Department and if we calculate the value of the quantity of exported Cotton during that year at that average price the figures of the Customs Department fall short by about 70 lacs of Rupees in that year.

The value of imports do not include 'Muafis,' *i.e.*, exemptions from import duty. "There are" says the Administration Report of the Customs Department of H.E.H. the Nizam's Government for the year 1336 F. (*i.e.*, year ending 5th October 1927) "two classes of exemptions from duty, *viz.*, "(i) for certain commodities imported and exported, and (ii) for commodities imported by the Departments of His Exalted Highness the Nizam's Government, those imported by the Garrison at Secunderabad and the Cantonment at Aurangabad for their requirements, or by the members of these Forces for their personal use, the Residency staff, articles imported by Railways and certain Companies or Mills, under special agreements, such as, the Singareni Collieries, the Shahabad Cement Co., etc."

Price in average Rs. 175 per bale.

CHAPTER III.

Existing Credit Agencies.

11. Of the existing credit agencies in the Dominions, the Imperial Bank of India, Limited, is, as elsewhere, the most important. Its branches are situated in Hyderabad, Secunderabad, Nander, Jalna and Raichur. The Branch of the Imperial Bank in Hyderabad performs the functions of a Government Bank in some respects. His Exalted Highness the Nizam's Government keeps a deposit with the Bank the average of which for the last 5 years ending the 5th October 1929 was 123 lacs British Government Rupees. The Government also utilises the agency of the Imperial Bank at Hyderabad and in the districts to regulate the exchange of Osmania Sicca Rupees (O.S. Rupees) with British Government Rupees (B.G. Rupees). It may be mentioned that the silver value of the O.S. Rupees as compared with the British Rupees is O.S. Rs. 116-14-7 equal to B.G. Rs. 100, and the exchange between the two currencies fluctuates according to the demand for one or the other in the busy and slack season respectively. During busy export season the Government supplies the O.S. currency through the Imperial Bank to prevent the B.G. exchange falling below O.S. Rs. 114-12 for B.G. Rs. 100.

Of the large Joint Stock Banks there is only one branch in Hyderabad that of the Central Bank of India, Ltd. The Imperial Bank and the Central Bank in Hyderabad are mainly deposit receiving and exchange banks. The percentage of their loans on all accounts to the deposits of all kinds received locally is surprisingly small as exhibited by the following table :—

		1925	1926	1927	1928	1929
		per cent.	per cent.	per cent.	per cent.	per cent.
Imperial Bank	..	5	8	10	14	19
Central Bank	..	85	85	81	82	24

But this table may be misleading as the deposits might increase very much and it cannot be expected that the advances should keep pace with the increase in the deposits. I give below a moving index number of the advances made by the Banks in which I have expressed the actual advances made in every year as the percentages of the advances made in the previous year.

	1925	1926	1926	1927	1927	1928	1928	1929
Imperial Bank ..	100	96	100	171	100	128	100	107
Central Bank ..	100	116	100	104	100	128	100	76

The Imperial Bank of India has recently adopted a more accommodating policy but the Central Bank is gradually adopting a more halting policy in its investments in Hyderabad. It may be conceded that in Hyderabad the number of large and organised industries is small, and, as compared with industrial and commercial towns, channels of safe investment are few, and the merchants and indigenous bankers are conservative. These are important factors which restrict the field for the employment of the funds at the disposal of the Banks, but at the same time there is a complaint amongst the small industrialists that they receive neither accommodation nor encouragement from the banks, which regard Hyderabad as a deposit-receiving Centre rather than a Centre for investments.

The main source of their profit in Hyderabad is the exchange between O.S. and B.G. currencies.

12. Other Joint Stock Banks are registered under the Hyderabad Company's Act of 1300 F., and in their articles of association they profess to undertake, in addition to receiving deposits and lending money, all other kinds of activities such as (i) to procure Government or private lands and sell them to members for cash or on the hire purchase system of monthly, half-yearly, and annual payments; (ii) to buy or sell or otherwise deal in horses, mules and cattle, etc., useful for the purpose of modern agriculture; (iii) to improve the breed of cattle, and other species and enhance their usefulness, etc.

Some of them keep banking as the main function and others delegate it to a subsidiary position. On account of

the combination of functions, it is difficult to fix the exact number of banks and to form a consolidated balance-sheet. The number of registered Companies whose chief function, professedly, is banking is given below with the authorised and subscribed capital as they stood at the end of the official year 1338 F., i.e., 5th October 1929 :—

No. of Companies	CAPITAL		
	Authorised	Subscribed	Paid-up
4 ..	12,30,000	5,14,190	2,90,350
4 ..	90,000	9,350	3,755
Total 8 ..	13,20,000	5,23,540	2,94,105

These banks can be conveniently divided according to their activities into (a) Mortgage Banks, and (b) Chit Funds.

13. (a) *The Mortgage Banks* which correspond in their functions closely to the loan offices in Bengal, are confined in their operations largely to the towns and are urban in respect of share-holders, depositors and borrowers. Their number is very small and all of them are situated in the Karnatic division of the Dominions. One of them was started in 1327 F. (October 1918) and was registered as a limited concern in 1331 F. (October 1922). Its first Balance-Sheet issued in 1327 F. shows the subscribed capital at Rs. 4,700 and a deposit of about the same amount. The subscribed capital in 1338 F. stood at Rs. 56,800, i.e., 60 per cent. of the authorised capital being called in. In the same year the deposits from the public were Rs. 1,83,841. The Mortgage Banks pay an interest on deposits varying from 3½ per cent. on current account to 7 per cent. on fixed deposit for 2 years or more. They lend money on the security of immovable property with an additional endorsement of an independent third party. They also lend against Gold. The rate of interest for the former varies from 9 per cent. to 15 per cent. and for the latter from 9 to 12 per cent.

Another feature of these urban Mortgage Banks is what is locally called the 'lots system.' Rs. 96 are advanced on the stipulated securities and the borrower executes a bond of Rs. 132, and, undertakes to pay Rs. 2-12

a month for 48 months. This system of loan is very popular with artisans and petty merchants. This method is a common feature of all the banks of the type under consideration but the amount of instalment vary according to the amount of the loan and the period over which the repayment is distributed.

14. (b) *Chit Funds*.—There are about 6 Chit Fund Banks, and all of them have been registered only recently. The authorised capital of most of these banks does not exceed Rs. 20,000 and the paid-up capital in many cases is extremely small. The system of Chit Fund which is becoming popular in Hyderabad has been imported from Madras.

The value of each Chit Certificate is of varying amount ranging from Rs. 125 to Rs. 1,200. For the Chit of Rs. 125 there are 25 subscribers who subscribe each Rs. 5 for 25 months or 25 weeks and for the Chit of 1,200 12 members subscribe Rs. 100 each for 12 months. The number of subscribers, the amount of instalment, and the period for which it is paid, is different for various Chits. Thus every Chit Certificate is a group by itself with a definite membership and runs a certain definite course. The bank itself is a member of every group to the extent of one or more Chits, and the membership of the ordinary members is transferable on payment of as. 8. Members failing to pay the Chit instalments on or before the fixed date are charged a penal interest. The amount collected in the first month is taken over by the bank without auction. The subsequent collections less 3 to 4 per cent. commission are auctioned and the highest bidder of discount takes the money, but in no case should the discount bid exceed a certain percentage of the Chit-value which varies with different Chit funds—in some it is 25 per cent. and others 50 per cent. The discount is distributed as profit amongst the subscribers. The bidder has to provide a security before he can draw the amount and he usually gives a personal security of a third party. The rate of interest depends upon the intensity of the demand of the borrowers. The higher they bid the less amount of loan they get and consequently the higher would be the rate of interest on the loan. But at the same time the dividends would also be higher. If we suppose the collected amounts to have been auctioned at the maximum discount throughout the course of the period, which is highly improbable, the average rate of interest for the bidder at the first auction works out at about 18 to 20

per cent. *p. a.* The danger in the Chit Fund is the default of the payment by the subscribers. One of the Chit Fund Banks in its short span of 1½ year has already had to resort to a Court of Law in 3 cases. Moreover, the membership of the bank expires on the termination of the period for the chit.

15. The number and functions of the indigenuous **Indigenous Bankers.** bankers has been dealt with in Chapter VIII. The deposits received by them from the public cannot be ascertained but they seem to bear a very small proportion to their working capital. They operate largely on their own funds and do not serve as the depositories of surplus wealth of the people and do not perform that important function of the bank of drawing the idle funds from the public and of establishing a channel between the savings of the public on the one hand and productive enterprises on the other. Whatever the source of their working capital may be, they are undoubtedly of very great use to the mercantile community who appreciate their method of dealing and prefer it to that of the joint stock banks. The indigenuous bankers' methods are swift and secret and do not involve much of documentation and delay. To an average member of the mercantile community in the Dominions, the Joint Stock Bank and the Imperial Bank are too stiff-necked and difficult to approach. The bankers on the other hand are more accommodating to the needs and urgency of the borrowers. Their condition with regard to security are more easy to satisfy than in the case of the banks, and as a matter of fact almost the whole of their advances to the mercantile community are on personal security. They do not keep any fixed hours of business and welcome a client at any odd hour of the day or night. Nor do they insist on prompt payment of loans. Even in the case of Darshani Hundis, they allow a period of grace of three days before the Hundi is returned as dishonoured.

They are in close touch with the people in general and their clients in particular. Every one—even the poorest of the folk—can approach them and lay before them his requirements. These and other facilities are ingrained in the habit of the public and the merchant class. It is no wonder that preponderantly large number of people go to them in preference to the joint stock banks. The higher rate of interest or of discount charged by the indigenuous banker is regarded by the customers as the price for the

extra facilities they get. The bankers are formidable rivals to the Joint Stock Banks, not on account of their resources or greater deposits from the public attracted by payment of higher rate of interest but on account of the fact that their method of business is more convenient and in conformity with the habits of the people. It is not, however, suggested that the banks should adopt the methods of the indigenous bankers. It only serves to show that a great uphill task lies before the Joint Stock Banks.

16. The Dominions are served by the Post Office Savings Banks of His Exalted Highness the Nizam's Government as well as that of the British Government.

The relevant figures as regards deposits and the number of accounts opened with the British Post Office Savings Banks in the Dominions are not available.

The Savings Banks of His Exalted Highness the Nizam's Government were opened in 1332 F. (1923). The number of Savings Banks at the end of the year 1338 F. (i.e. 5th October 1929) was 323. The number of accounts opened upto the end of that year and the deposit on balance with Government were respectively 28,896 and 8 lacs, 27 thousand.

Government as Credit Agency.

17. The Government of His Exalted Highness the Nizam is a very important source of credit. In the budget of 1337 F. a sum of one crore of O.S. Rupees was set aside as an Industrial Fund for the encouragement of industries in the Dominions. The trustees of the Fund are three Members of the Executive Council of the Government with the Finance Member as the President while the Secretary to the Government for Commerce and Industries acts as the Secretary of the Board of Trustees. The rules by which the use of the Fund is regulated are given in Appendix VI. According to the rules, the corpus of the fund may be utilised in purchasing debentures and for advancing loans to large industries. The income accruing from the corpus of the fund is utilised in helping the small industries and in financing industrial and other surveys and making industrial experiments and granting scholarships for studies. "The Industrial Trust Fund only commenced

operations late in 1929 and its work only dates from the present Christian year. During this time, besides undertaking the Banking Enquiry itself, it has sanctioned surveys of the poultry industry, the fruit industry, the oil-seed and oil-crushing industry, the hides and leather industry, the hand-loom and dyeing industry and the salt-making industry. All these surveys are being carried out by experts in the subjects, some of whom have been and are being obtained from outside the State at considerable cost. The Trustees have also agreed to finance two experimental factories, one for carpet-making at Warangal, and another to revive the famous Pattan weaving industry in Aurangabad Districts. Grants have been made to two gentlemen to enable them to go abroad to obtain experience and training, one in connection with the Deccan Glass Factory, and another with a view to develop and improve the date-growing industry in the State. In addition to this, two large loans have been made, one to assist in the establishment of a marble quarry and the production of marble, and another to establish an up-to-date rice-hulling and saw-mill, while the Trustees have decided to invest a sum of one lakh in a new concern for making cigarettes in the State. A lakh of rupees has also been set aside for advances to industrial co-operative societies. The rate of interest on all these loans has also been reduced from $7\frac{1}{2}$ to 6 per cent. Negotiations are also in progress with a view to the establishment of a jute mill and another Cotton spinning and weaving mill."* The list of advances, grants and other expenditure of the Fund is given below :—

* Note by Director-General and Secretary to Government, Commerce and Industries, circulated to the members of the Banking Enquiry Committee.

**STATEMENT OF LOANS MADE TO INDUSTRIES FROM THE
INDUSTRIAL TRUST FUND.**

Name of borrower	Amount	Purpose for which the loan is taken	Object
	Rs. A. P.		
Mr. Mirza Maksood Ahmad Khan, Dairy Farm, Habshiguda.	3,297 11 1	For the construction of building and for working capital of a dairy farm.	For developing & encouraging small scale industries in the State.
Mr. Syed Meeran, Glue-Maker, Nizamabad.	1,847 15 6	For working capital of glue-making.	do
Mr. Ahmad Ali Ahmedya, Knitting Factory, Hussaini-alum.	240 5 0	For the purchase of machinery for knitting Factory.	do
Mr. Anwarul Huq, Superintendent of Exhibition.	9,530 11 0	For the purchase of machinery for Pharmaceutical work	do
Mr. Syed Shabuddin, The Deccan Electroplating works.	1,650 0 0	For the purchase of machinery and for working capital of electro-plating	do
Mr. Zoolfikar Hussain Shamshi, Boot Polish Factory.	1,912 10 10	For working capital of a Boot Polish Factory.	do
Mr. Ikramulla Khan, The Himayath Osmania Furniture Mart, Station Road, Hyderabad (Deccan).	10,000 0 0	For the purchase of machinery and erection of shed for furniture making.	do
Mr. Syed Abdul Khadar, Azam Steam Press.	4,392 5 11	For the purchase of machine press for printing.	do
Mr. Syed Ahmadulla Hussaini, The Osmania Hosiery Factory.	5,904 5 0	For the purchase of machinery and for working capital of Hosiery Factory.	do
Mr. Ahmad Mohiuddin Hussaini, Furniture Maker, Kachiguda.	3,500 0 0	For the purchase of machinery for furniture.	do
Mr. Nizamuddin Proprietor, Riaz Islam Factory.	60,000 0 0	For the purchase of machinery and for developing marble found in the quarry of Juxtapalli (Warangal District).	do
Mr. Syed Amir Ali, Proprietor, Nizamia Restaurant.	10,000 0 0	For the purchase of expeller for extracting oils.	do
Hakeem Ghulam Ali Khan, Boot Polish maker.	933 5 4	For working capital of a Boot Polish Factory.	do
Mrs. E. H. Taraporewala, Weaving Factory, Nampalli.	1,800 0 0	For the purchase of imported hand-loom	do
Mr. Syed Ismail, "Darus Sanat, Chaman, Afzalgunj, Hyderabad.	8,400 0 0	For the purchase of machinery and for an erection of shed for moulding and filing factory.	do
Mr. Syed Abdul Wahhab, Proprietor, Glass cutting Factory, Afzalgunj.	2,000 0 0	For the purchase of glass cutting machinery.	do
Kardi Mochi of Hingoli	3,000 0 0	For working capital of a shoemaking factory.	do
Ahmad Mohiuddin	9,000 0 0	For installation of rice mill	do

Name of borrower	Amount	Purpose for which loan is taken	Object
Mr. G. M. Kale, Managing Agent, Deccan Glass Factory	<p style="text-align: center;">Rs. A. P.</p> <p style="text-align: center;">3,500 0 0</p>	For going to England and Germany to obtain information regarding the erection of furnace and glass producer.	For effecting improvement in the Glass Factory.
Registrar, Co-operative Societies.	50,000 0 0	For financing the Non-artisan Co-operative Societies.	For the improvement of cottage industry.
Total ..	1,90,909 5 8		

**STATEMENT OF GRANTS MADE FROM THE
INDUSTRIAL TRUST FUND.**

Nature of grant	Amount	Object
	Rs. A. P.	
Poultry Industry	2,000 0 0	To carry out a survey of Poultry Industry in the State for improving Poultry.
Oil and crushing Industry	18,000 0 0	To carry out a survey of oil-seed and oil-crushing Industry for establishing oil-mills, etc.
Poultry Demonstration	1,691 10 8	To enable Y.M.C.A., Hyd'bad, to give Poultry Demonstration to arouse interest in poultry farming.
To visit England and Germany to gain information regarding the erection of a furnace and Glass Producer by the Managing Agent Mr. G. M. Kale, of the Deccan Glass Works.	3,500 0 0	For effecting improvement in the Deccan Glass Works.
Fruit Industry	5,000 0 0	To carry out survey of Fruit Industry in the State.
Timber Seasoning Plant inclusive of recurring expenditure.	6,455 0 0	For seasoning wood produced in the State Forests for making Furniture.
Carpet Factory at Warangal	52,328 0 0	For the development of carpets once famous in Warangal.
To undergo training in Pharmaceutical Chemistry by one of the representatives Mr. Abdul Aziz of Messrs. Abdul Razack & Sons.	2,000 0 0	For effecting improvement in the method of manufacture of Pharmaceuticals, etc. by Messrs. Abdul Razack & Sons.
To undergo training in Iraq in date cultivation by Mr. Abdul Shukur.	1,261 5 4	For effecting improvement in date cultivation in the lands owned by Mr. Abdul Shukur.
Banking Enquiry	6,000 0 0	For the development of Agricultural Banks in the State.
Economic Enquiry	25,000 0 0	Investigation of indebtedness by ryots.
Pattan Weaving Factory	20,757 0 0	For reviving the once famous Industry of Gold lace.
Do	15,000 0 0	Pagris of Phaitan.
Hand-loom Industry	8,200 0 0	To carry out a survey for the development of hand-weaving & dyeing industry of the State.
Hide & leather Industry	10,000 0 0	To carry out a survey of hide and leather industry.
Total	1,77,198 0 0	

CHAPTER IV.

Present Method of Marketing Cotton, Ground-nut and Castor.

21. In the absence of any regulations, the markets in the Dominions are run according to traditional lines and are fully controlled either by the agents of the important buying firms or by the local adatyas. The method of auction, the weights and market allowances and customs vary in different markets. No two markets, however closely situated they may be, are identical in weights and customs. The unit of weight for the sale of Kapas, Ground-nut and Castor varies as follows, at the undermentioned places which I personally visited :—

Kapas.

Nander ..	..(656 seers=Khandi.)
Umri ..	..(480 " ")
Parbhani ..	..(240 " ")
Jalna ..	..(132 " Palla.)
Aurangabad	..(132 " ")
Raichur	..(576 " Nugg.)
Latur ..	..(800 " Khandi.)
Warangal .	..(240 " ")

Ground-nut.

Latur ..	..( 96 " Atki.)
Gulbarga ..	..( 96 " ")
Raichur ..	..(200 lbs.=Nugg.)

Castor-seed.

Bhongir ..	..(1,280 lbs.=Khandi.)
Warangal .	..(800 Seers or 1,676½ lbs.=Khandi)
Jedcharla .	..(Paili)

(At Jedcharla Castor-seed is auctioned in terms of Pailis but the Castor is weighed and paid for according to a bag of 156 lbs. which is according to market custom equal to 36 pailis).

22. The Nander marketing yard is divided into two sections—one for Banni Cotton (Long Staple and another for Howri Short Staple.) The Officers of the Agricultural department allow

Nander.

the carts to pass to one section or the other according to the quality of the Cotton. Separate prices are settled for both the qualities.

The Local Fund Board levies a market cess of 1 anna per cart at the gates of the market and no cart is allowed to enter the compound of the marketing yard after 1 P.M. The carts arriving after that time wait, according to the local custom, till the next day for the sale of the Kapas. The sellers, as a rule, sell the Kapas through one of the seller's adatyas. Most of the adatyas perform the functions of an agent both for sellers and buyers and also buy the Kapas on their own account as dealers.

The sellers' adatyas at Nander divide themselves into groups in such a way that every group has a turn once a week. This group is supposed to close the contract of the sale with the buyers and is obliged to deliver the whole produce that they have to sell that day to the highest bidder—the other groups being free to sell their produce to other buyers at the fixed rate. If the other groups do not find a buyer who is willing to buy at the price fixed for the day, the highest bidder, is, according to the custom of the market, obliged to buy all the arrivals of the day. This custom of the market by which the highest bidder is obliged to take the delivery of all the arrivals in the marketing yard (*i.e.*, all the carts that have been admitted into the marketing yard till 1 P.M., prevents the buyer of small means to bid higher and thus spoil the market.

The sellers' adatyas and buyers meet in a hall in the middle of the marketing compound. The bid takes place 'under the cloth.' One of the sellers' adatyas out of the group whose turn it is on the day to close the contract goes round to the buyers with his hand under a cloth. The buyer indicates by the grip of the fingers the price he wants to offer. At Nander where the Khandy is of 656 seers, Rs. 100 are taken for granted and the buyer first indicates the 'tens' by gripping as many fingers of the sellers' adatyas as he wants to offer and then indicates in the second grip the units. For example if he wants to offer 157, the buyer grips the 5 fingers first indicating 50 and then 7 fingers. The sellers' adatyas goes round only twice. If a buyer is anxious to buy he should bid high immediately. When the contract is closed the adatyas declares the price as well as the name of the buyer.

The carts move to the factories for weighment. The weighment is done on beam-scales. Each Dokra (the bag in which the Kapas is brought) is suspended from one end of the beam and the weights are hung down on the other. The Dokras are ripped open and a sample taken to the buyer. The sample which amounts to about 2 lbs. from every dokra is not returned to the seller. If the buyer approves of the quality, he allows it to be weighed. If the Kapas is not of the standard quality or contains foreign matter he specifies the deduction to be made from the weight which in some cases is exorbitant. The sellers' adatyas does put up a semblance of a fight on behalf of the seller but almost always yields to the draconic judgment of the buyer.

The weighment at Nander are the employees of the buyers and receive a salary according to their efficiency in weighing. The greater the number of dokras they can weigh during the day, the higher is their salary.

The various deductions in weight other than that made on account of quality, and other incidental charges are as follows :—

Sample 1 Seer per dokra.

Scale allowance for every Dokra less

 than 100 seers 1 do

Over 100 but less than 150 .. 1½ do

Over 150 but less than 200 .. 4 do

Over 200 seers 6 do

Hammalage 2 as. per Khandi.

Charity 2 do

Pinjrapole 4 as. per Khandi.

For Tekri (a temple) ½ anna ,,

Sellers' adatyas charge commission at the rate of 1½ per cent. for Kapas and 1 per cent. for Cotton Lint.

The buyers sell B.G. Hundis usually on Bombay in exchange for O.S. Rupees either in the bazaar or to the Sub-Branch of the Imperial Bank wherever the rates are more favourable, and the O.S. proceeds are paid to the sellers' adatyas who in turn distributes the money to the cultivators after deducting his commission and other incidental charges and the loan with interest which he may have advanced to the cultivator.

23. Marketing of Kapas is a seasonal operation. The figures of the export of Cotton from the Dominions show that from 76 per cent. to 81 per cent. of the whole exports of that commodity falls in the six months—October—March—while 81 per cent. of the total Kapas carts that arrive at Nander Market during the marketing season (November-March) are concentrated in the two months, *i.e.*, December and January. The heavy concentration of the sale of Kapas in the two months immediately after the harvest does indicate the financial pressure on the cultivators but it is very interesting to find out whether the forced sale of the Kapas results in the lowering of the price of that commodity. The problem cannot be solved by the study of prices at one market. The forces that govern them are world-wide and beyond the control of one market or one country. The following table however exhibits an interesting result.

In the table the first column under every month gives the percentages of kapas-carts that arrived and were sold in the market to the total arrivals in the 5 months November-March. In the second column the average price for the month has been expressed as percentage of the average price for the same period (November-March).

Year	NOVEMBER		DECEMBER		JANUARY		FEBRUARY		MARCH	
	Carts	Price	Carts	Price	Carts	Price	Carts	Price	Carts	Price
1927-28 ..	8.2	102.0	53	101.1	28	101.7	6.3	95.2	4.4	99.8
1928-29 ..	5.3	92.9	48	99.5	35	101.0	6.4	101.5	5.2	104.8
1929-30 ..	6.2	109.3	41.2	114.2	41	107.4	6.8	88.8	5	80.6
Average ..	6.5	101.4	47.4	105.9	34.7	103.3	6.5	95	4.9	95.0

These figures show that in the months of December and January the price of Cotton was 3 to 5 p.c. above the average for the season, while the quantity sold was 81 per cent. of the total for the same period. The highest price coincides with the highest sale. But it should be remembered that the figures are for too short a period to enable us to derive a final conclusion from them and that the extraordinary fall in the price of cotton in the months of February and March 1930 has increased to a very great extent the percentages of the prices in the earlier months of that

season. It may however be safely concluded that the cultivators have not lost by selling the kapas in the earlier part of the season of the three years under consideration.

24. Umri is an important market for pure Banni. Though there is a market-yard in Umri provided by the Local Fund Board of the district of Nander, the carts are not parked there. Instead, they proceed straight to the ginning factories. The system of sale at Umri is different from that of Nander. The sellers' adatyas receive from the buyers intimation of their requirements for the day. The adatyas send the carts of their adat to the various ginneries according to their instructions, and the weighment begins even before the price is settled. The weighment takes place on weigh-bridges. The adatyas assemble at one of the ginning factories which is the most important purchaser in the locality and settle the price for the day by open auction.

An important feature of the Umri Market is the 'Laoni' purchase. Laoni is a forward transaction on cash basis. The local adatyas and the Sahukars in the interior buy the Kapas forward from the cultivators at fixed prices making them payment of the price after deducting the commission and other incidental market levies. The adatyas may buy from the sahuakar who in turn deals with the cultivators. No dates are fixed for the delivery but it is generally expected that the delivery will be made before the end of the season, *i.e.*, March. As no detailed investigations were carried out in the villages the percentage of the cultivators who enter into contract for delivery at fixed prices, nor the season in which such contracts are made, could be, definitely, ascertained. But the Central Cotton Committee in their General Report on Eight Investigations into the Finance and Marketing of cultivators' cotton say "The investigations in seven totally different cotton growing areas—and these the most important ones—clearly show that loans are required only at or before the commencement of cultivation operations." It may therefore be assumed that the cultivators enter into the contracts for the delivery of Kapas before or at the time of sowing in order to finance their cultivation operations.

The Sahukars and adatyas who have bought the Kapas at fixed prices and have paid the price, do not wait for the sale of their kapas till it has been delivered. They hedge themselves by sale to the gin-owners who usually buy only

Each cart contains 3 to 4 dokras of about 300 to 400 seers of kapas.

from the middle of October. The adatyas remain uncovered by sale from the month of June to September. In the case of the sahuakar sellers also no date for delivery is fixed. They are free to make the delivery before the end of the season.

On enquiries from various sources I have ascertained that the difference between the price at which the Sahuakars sell and at which they buy is from Rs. 15 to 20. The Laoni system is on the wane, and there is a sudden decrease in the quantity of kapas purchased by the gin-owners. The following are the figures of 'Laoni' kapas sold by the 'adatyas' to a gin-owner at Umri. As the gin-owner from whom these figures are obtained is the most important buyer of kapas at the market the figures may be assumed to indicate the general tendency in the market.

Total quantity purchased by a Gin-owner in the year.

October to December 1924	..2,177	Khandis of 480 Seers.
October to December 1925	..2,167	do
October to January 1927-28	..1,180	do
November to December 1928	..1,180	do
October to February 1929-30	.. 910	do

The fall in the Laoni contract sale is ascribed by the local sahuakars to the default of delivery by the cultivators. In case of default by the cultivators, the sahuakars have to buy the kapas in the market to fulfil their contract with the gin-owners. If the price at which the sahuakar buys the 'spot' kapas is higher than the price at which he had bought from the cultivator, the difference is naturally debited to the cultivator. Though, they allege, they have devised this method of covering themselves against the loss, they are, in case of default of delivery by the cultivators, put to great inconvenience and anxiety to fulfil their contract with the gin-owners, but I cannot say to what extent the non-delivery of kapas by the cultivators is responsible for the fall in the Laoni system.

The obvious cause for the fall in the quantity of kapas purchased on Laoni system seems to be the general fall in the price of cotton and the consequent loss or shrinkage in the margin of profit, to the purchaser. The average prices

for 'Laoni Purchases' made by the gin-owners and the average market prices for 'spot' are given below :—

AVERAGE PRICE OF LAONI PURCHASE PER CANDY OF 480 SEERS			AVERAGE MARKET PRICE PER CANDY OF 480 SEERS		
Month	O. S. Rs.		Month	O.S. Rs.	
Oct. & Nov. 1924 ..	205	12 0	Season		
Dec. 1924 ..	212	0 0	Dec. 1924 to	Highest 221	
Oct. & Nov. 1925 ..	171	12 0	March 1925	Lowest 209	
Dec. 1925 ..	163	6 0	Dec. 1925 to	H.	161
Oct. & Nov. 1926 ..	104	5 0	March 1926	L.	135
Dec. 1926 ..	107	9 0	AVERAGE		
Oct. & Nov. 1927 ..	155	11 0	Dec. 1926	106	7 0
Dec. & Jany. 1927-28 ..	162	5 0	Jany. 1927	105	4 0
Nov. & Dec. 1928 ..	135	1 0	Feb. 1927	117	8 0
Oct. & Nov. 1929 ..	121	15 0	March 1927	121	0 0
Dec. & Jany. 1929-30 ..	125	0 0	Dec. 1927	160	3 0
			Jan. 1928	162	12 0
			Feb. 1928	155	5 0
			March 1928	152	5 0
			Dec. 1928	187	8 0
			Jany. 1929	140	6 0
			Feb. 1929	142	0 0
			March 1929	142	0 0
			Nov. 1929	122	1 0
			Dec. 1929	128	0 0
			Jany. 1930	126	6 0

The purchasers who have to bear the interest charges have lost considerably on their Laoni purchases and have consequently abandoned the system.

25. Raichur is a centre of considerable importance both for Ground-nut and Cotton. It is the Central Market for that part of the Nizam's Dominions which is enclosed on one side by the Krishna and on the other by Tungabhadra. There is a Sub-Branch of the Imperial Bank at Raichur.

The marketing season, here begins from November when the Mungari (early sown Kapas) begins to arrive. The late sown kapas (Hingari) locally called Westerns, lasts from March to June—the Ground-nut being sold from November to March.

There is no marketing yard at Raichur but almost all adatyas have well constructed godowns with big compounds where the carts are parked. The sellers' adatyas

and buyers meet at Volkart's Town Office at about 9 in the morning and settle the prices for the day. They then proceed to the godown where the Kapas or Cotton is examined and the bags (Cheks) marked by the buyer. The weighing takes place on the beam scales in the compound of the godown and the Kapas or Lint is stored in the godown or delivered at one of the ginneries according to the instructions of the buyers. The bags in which the Kapas or Cotton Lint is brought is not given back to the sellers who have got to buy them back again the next season.

According to the market custom the highest bidder is not obliged to buy the whole of the arrivals that day. He selects the Kapas, or Cotton and buys as much as he requires at the settled rate. The other buyers may also do the same or may wait to see whether the sellers agree to sell at a lower price. It often happens that the cultivators who are anxious to dispose of their produce and go back to their villages are obliged to sell at a lower price. The system practically leads to settlement of different rates on the same day for the same kind of Cotton. The sellers have got the alternative of storing the produce in the godown. They have considerable convenience for storage and if the produce is stored in the godowns for short periods, say one week, they are not charged any rent either. The cultivators however do not resort to the use of the godowns, and are anxious to dispose of their produce on the same day. The petty traders, who form the majority of the sellers at Raichur, do make use of the godowns and also obtain an advance against the produce from the adatyas. These traders buy the Kapas from the cultivators and gin it with what is called stone-gin and sell the Lint in the market.

A remarkable feature of the Raichur Market is that the sellers' adatyas charge a commission both from the sellers and the buyers. The former pay 1 per cent. and the latter $1\frac{1}{2}$ per cent.

The customary allowances and incidental charges are as follow. They are, it is hardly necessary to mention, in addition to deductions made for quality and foreign matter in the kapas.

Sample— $\frac{1}{2}$ seer to 1 seer ($\frac{1}{2}$ of the sample is given to the sellers' adatyas and $\frac{1}{2}$ to the buyer).

Allowance— $13\frac{1}{2}$ seers per Chek (bag) if it weighs less than for tare 9 Mds. (1 Md.—12 Seers).

16½ seers per Chek if it weighs between 9 to 12 Mds.

19½ Seers per Chek if it weighs above 12 Mds.
(If the gunny bag is double folded 3 seers in addition to the above rates.)

For a temple—3 pies per cent.

Dharmada—1 anna per cent.

Hammali —2 as. a Chek of Kapas ;

1 anna Chek (Boja) of Cotton Lint.

26. The rise of the Market at Jedcharla is due to the opening of the Hyderabad-Dronachalam Meter Gauge Railway. Before the opening of this line, Jedcharla was a market of small dimensions but of considerable importance as the road from Hyderabad to Mahbubnagar bifurcated here to Nagarkarnool.

Before the opening of the Railway line the Castor-seeds sold at Jedcharla were carted to Secunderabad for shipment. The price paid at Jedcharla was supposed to be the Secunderabad price and 8 annas per bag of Castor were deducted from the price paid to the Kunbis on account of the transport charges to Secunderabad.

The arrivals of Castor and grains has very much increased since the opening up of the Railway.

There are about 40 sellers' adatyas, locally called Kantawala (Scale-wala). The cultivators and dealers bring the produce to the respective Kantawalas. There are about 10 buyers' adatyas who supply the seeds to foreign firms according to the 'limits' supplied them. The Agents of these firms also reside at Jedcharla.

The carts stand in front of the shops of the sellers' adatyas. The sellers' adatyas, buyers' adatyas and the cultivators meet in a shop in the village at about 11 A.M. where the open auction is held. The common customs of the market at the various grain markets in the Dominions is to auction separately the carts or the bags on sale at every adatya's shop. The number of separate auctions is as many as the number of sellers' adatyas who have got something to sell. In some places, viz., Bhongir the buyers move from shop to shop—starting at different shops every day. In other places as at Warangal, the sellers' adatyas bring their samples to a shop where all gather together. But at Jedcharla the sellers' adatyas pool the bags together. In the first bid an adatya may throw in 25 per cent. of the bags he has to sell, in the

second the rest, or may distribute his stock over a larger number of bids. The adatyas usually throw in a small number of bags in the first bid in order to see which way the wind is blowing. On the day I went to Jedcharla there were 1,500 bags of 166 lbs. each for sale. The first bid took place on 650 bags and the second for the rest. Before the auction opens the names of the adatyas and the number of bags offered are read out. The highest bidder must take the whole stock offered for auction or he may share the stock by previous private understanding with another buyer.

At all other marketing centres, as indeed all over India, a fixed quantity of grain or cotton is offered for auction in terms of Rupees. In the wholesale trade the rupee is usually the variable factor. At Jedcharla the quantity of Castor is the variable factor. The unit of quantity which is offered for sale is the number of Pailis for a Rupee. The Paili is divided into 16 as. and anna into Chirka, *i.e.*, $\frac{1}{8}$ of an anna, Kani, *i.e.*, $\frac{1}{16}$ of an anna. For a rupee two Pailis being understood, the bidders bid for Annas, Chirka and Kani.

On the day I visited the market the first auction closed for 2 Pailis and 12 Annas, *i.e.*, $2\frac{3}{4}$ Pailis and the second auction for 2 Pailis and $11\frac{7}{8}$ Annas. Those sellers' adatyas who had offered a lesser number of bags for the first bid were jubilant over their tactics and a chorus of cheers rose up when the bid was closed. But the Paili is only a fictitious unit for the purpose of sale.* The Castor-seed is not weighed or measured according to Pailis. The bags are filled with 166 lbs. of seeds and a man who bought *e.g.* 10 bags must pay for 360 Pailis according to the price fixed in the auction. One bag of 166 lbs. is supposed to be equal to 36 Pailis. Assuming the price fixed is 3 Pailis for a Rupee the value of a bag of Castor of 166 lbs. is Rs. 12. But Rs. 12 are not paid. Eight annas are deducted according to the custom that prevailed before the opening of the railway and only Rs. 11-8-0 are actually paid. The commission charged by the sellers' adatyas varies from 8 as. to Re. 1

* Some interesting illustrations of the market custom by which a produce is sold in one and delivered in a different unit are:—

In the city of Hyderabad the unit for which price of unripe Mangoes is settled is

		100 while	192 are delivered	
do.	ripe	do.	126	do.
do.	Bamboos	1,000	100	do.

per cart. Other charges deducted are :—

Market allowance	.. $\frac{1}{2}$ lb for every bag.
Dharmada	.. 2 as. per cart.
Muthi or payment to labourers.	$\frac{1}{4}$ lb per bag.

The adatyas freely advance cash to cultivators and consequently the percentage of cultivators bringing their own produce to the market seems higher here than at Bhongir or Warangal. It may be about 50 per cent. in the beginning of the season. But at the end of the season the village Banyas preponderate.

27. Middle-men are of various types performing functions of different degrees of responsibility.

Part played by Middle-men.

First of all there are sellers' adatyas. The sellers' adatyas are always the Sahukars of the town. They are money-lenders and make advances in cash or in kind to the cultivators for their agricultural operations on the understanding that the cultivators bring the produce to them for sale. They receive interest on their advances, the commission on the sale of the produce of the cultivators, and a certain quantity of the produce by way of Muthi, false weightment or deductions from weight for quality or foreign matter. The accretion of income through the latter is a source of great attraction and, I believe, a cause of the great increase in the numbers of adatyas at every market. The loans to cultivators is not a necessary function of the adatyas. It is only a method of ensuring business in the next season. Only the Sahukars with sufficient cash make advances to the cultivators. Otherwise the adatyas business requires very little capital. The adatyas is usually paid by the buyer the same day on which the produce of his cultivator-client is sold, and he passes on the money to the cultivators after deducting his commission and other incidental charges. He requires no appliances or furniture except a cheap scale with a horizontal bar and ropes hanging down on either side, weights, which in some cases are improvised by chipping the ordinary granite stones, and a note-book. Every well-to-do cultivator sets up a shop of sellers' adatyas. At all the Marketing Centres the number of adatyas has grown out of all proportion to the needs of the business. The post-war boom period had yielded the adatyas considerable income but with the fall in prices and in the outturn of the crops the total proceeds of the commission have decreased. As

the commission per head has declined the adatyas, uncontrolled by any organisation, unscrupulously resort to all kinds of unfair means for depriving the sellers, and if they can the buyers, of their legitimate dues. A number of the sellers' adatyas at the Marketing Centres also keep a retail shop for the supply of various articles to the cultivators. The extent to which the articles are supplied on credit could not be ascertained.

Buyers' adatyas are of various types. There are adatyas who undertake to supply the produce—*e.g.*, Cotton—to their principals according to their instructions in respect of daily prices. They buy the Cotton within the limits received, finance their purchases, get the Cotton ginned and baled and rail it to its destination. They are held responsible for the quality of the Cotton supplied. They finance the purchases themselves drawing on their principals only either after the produce has reached its destination or after it has been booked at a railway station for transport. The middle-men carrying all these responsibilities receive a commission from Rs. 4 to 5 per cent. Of these however there are very few in the Dominions.

There are other middle-men who are purely commission agents. They buy the produce in the market according to the daily limits given them by the representative of the buyer who almost always resides at the Marketing Centre. The commission agents or adatyas are not held responsible for the quality of the produce though if they are very careless in the selection of the produce they are liable to be dispensed with and another appointed in their place. They supervise the weighing, ginning and pressing the Cotton and may also finance the purchase of the day. If they do so they are however re-imbursed very soon. They may remain out of funds for at the most a week. The Mills and exporting firms usually employ the local adatyas for the performance of the above-mentioned functions in addition to appointing their representatives at the important Marketing Centres. The adatyas business of this kind carries neither responsibility nor financial liability. They make themselves useful to the buyers on account of their knowledge of local customs and local conditions. They are paid 4 to 12 annas p.c. as commission. This kind of commission agency is very popular with the Sahukars in the district Centres and they compete with one another for the favour of being appointed as agents by the Mills or exporting firms.

Other Sahukars are 'dealers.' They buy the produce in the market at the rate fixed for the day and may sell it next day or a few days later to the agents of the mills or the exporting firms if they can get a small profit on the transaction. If they have adatyā-connection in Bombay they send the produce there to be stocked in godowns and sold at a profitable rate. The Bombay adatyā allows them to draw against the Railway receipt upto 75 per cent. of the market value of the produce despatched. They also receive orders from their clients at other places. These clients are Khatadars, *i.e.*, those who keep a running account with them. They are in constant communication with each other and with their Pedhi or adatyā at Bombay. If on the available information they find that the export or import of a produce would bring them a profit they immediately take steps to move the produce from one place to another. The local adatyā on the receipt of such orders despatches the produce and draws a hundi usually on the consignee's Bombay Pedhi. The adatyā charges a commission of about 4 to 8 annas on the value of produce sent.

It may, however, be mentioned that all the buyers, adatyās and dealers are also the sellers' adatyās.

The Mills and exporting firms have penetrated into the districts and buy direct from the cultivators at almost all marketing centres of importance in the Dominions. They also purchase, as has been mentioned before, from the dealers if the price offered suits them. In addition to these two methods of purchase, the firms also enter into contract with the dealers for forward delivery, when the dealer is responsible for the accuracy of the weight and of the standard purity. He draws against the railway receipt 90 per cent. of the value of the produce despatched—the remaining 10 per cent. being settled after the weighing of the bags and the analysis of the seed.

The system of forward sale is not common in the Dominions as the chances of the local sellers being able to buy at lower rates are remote unless there is a general downward trend in the prices of the produce and the local dealers do not possess enough knowledge to prejudge the probable course of prices. The presence of the agent of the firms at the Marketing Centres has to a very large extent eliminated local influences on prices.

The presence of the agents of the Mills and of exporting firms at the important markets has, on the one hand,

enabled the cultivators to get the world price of their produce and, has, on the other hand, converted all the dealers who as dealers bore the risks and the responsibilities of an independent business-man into commission agents whose duties are devoid of all those qualities which go to make a successful man of business. The small dealer has been absolutely ousted out from the markets. The process of substitution is complete and it is a remarkable proof of the efficiency and superiority of modern business organisation which has at its disposal unlimited financial resources and up-to-date knowledge of the general movements in the world-markets. The petty ignorant and conservative business-man with limited knowledge and resource which in most cases was confined to the cash in his box, could not, naturally, compete with superior organisation. And the Sahukars are conscious of their position and are content with what they can earn as the hirelings of superior forces.

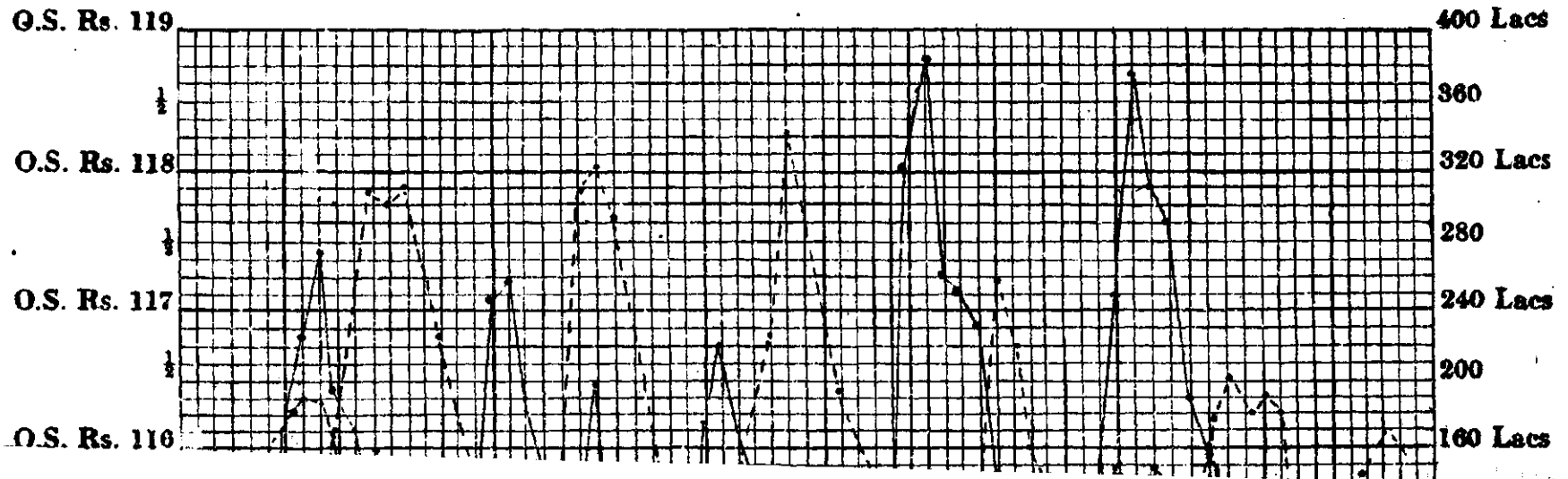
28. The variety of weights is very confusing to an investigator in the methods of marketing. The buyers at the marketing Centres convert the 'limits' of prices they receive into local equivalent according to the local unit of weight. The mental training of the Sahukars in matters of conversion of prices into different weights or the different weights into prices is such that they calculate the equivalents of any place without any exertion or loss of time. The variety of weights restricts the freedom of the cultivators in the choice of the markets for the sale of their produce. It is impossible for them with their present education and training to find the equivalents of various marketing centres, and they are consequently compelled to take their produce to the market where they are accustomed to go. Though the value of the produce would be approximately the same at different centres, the provision, at a competitive marketing centre, of greater facilities of lower rate of interest on loans, adatyas commission, of ginning and pressing charges all of which go to increase the net price obtained by the cultivators, fail to attract them immediately to that centre. They are accustomed to sell in one market; and they lose their bearings and are at a loss to find their actual position in another market where weights and customs are different.

The variety of weights seems to have been deliberately introduced by the Sahukars in order to prevent the cultivators from going over to other centres and thus deprive

the sahlukars of the commission or avoid the repayment of their loans. The introduction of uniform weights would make the marketing simple and intelligible to the cultivators. It would, to a certain extent, enable the cultivators to make free choice of the market at which to sell their goods. It would also be a great convenience to the buyers who operate from a head-office far removed from the markets.

The checking of the accuracy of beam-scales and the provision of Government-stamped weights are more important than the introduction of the uniform weights for the sale of the produce. The beam-scales and the weights are provided either by the sellers' adatyas or the buyers' adatyas. The representatives of the exporting firms and mills check the weights which are used for the weighment of their own purchases but there is no control over the weights or scales used by the dealers for weighing the produce purchased on their own account and there is reason to believe that in this case the weighment is not always fair.

CHART SHOWING RATE OF EXCHANGE OF O.S. Rs. FOR B.G. Rs. 100
AND
IMPORTS AND EXPORTS IN LACS OF O.S. RUPEES.



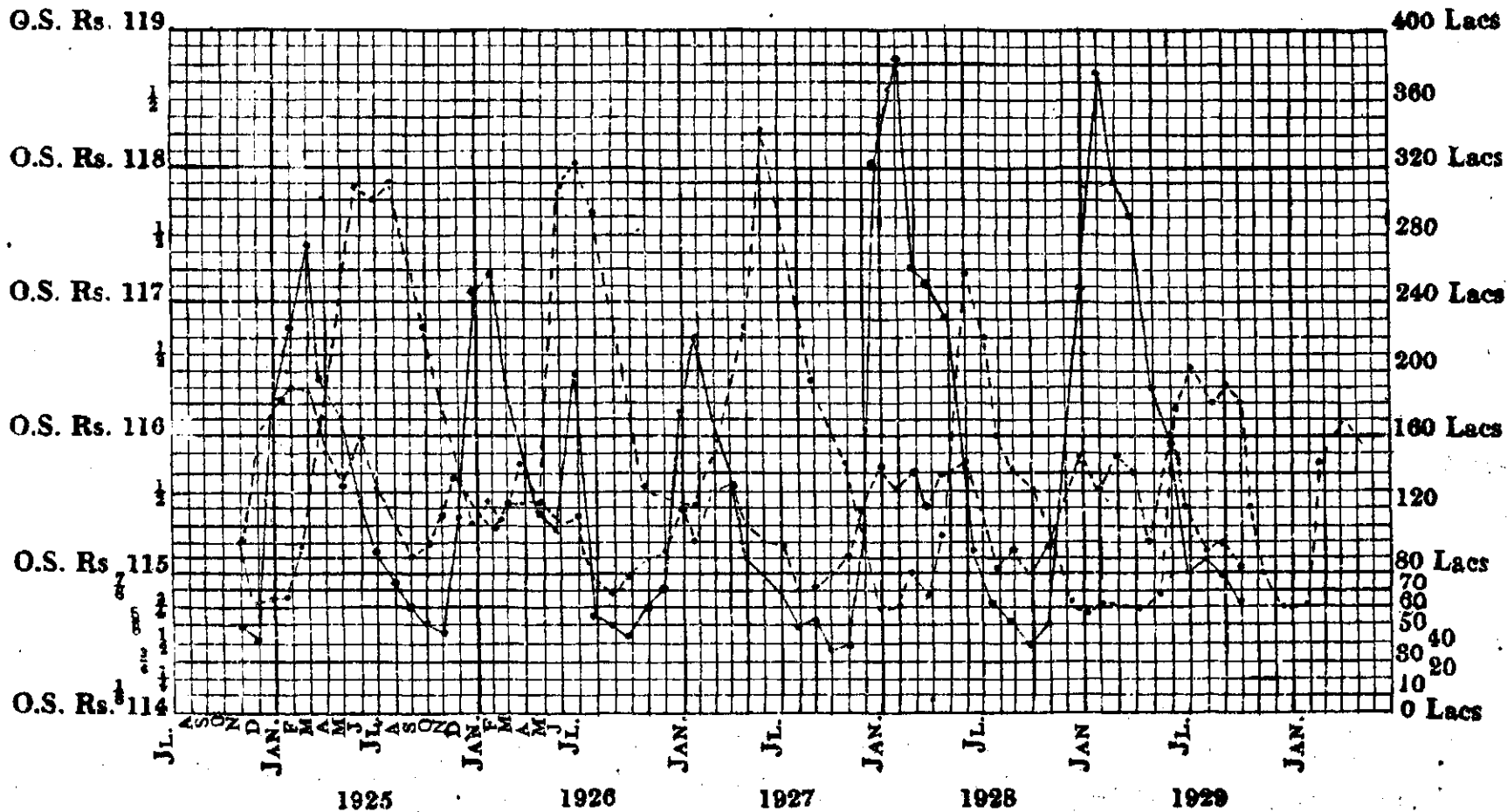
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Red dots show Imperial Bank of India, (Hyderabad Dn.)

buying rate of Bombay Hundi (Monthly averages)

Black line shows Total Exports from the Dominions.

Black dots show Total Imports in the Dominions.

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O.S. Rs. 119

400 Lacs

O.S. Rs. 118

320 Lacs

O.S. Rs. 117

240 Lacs

O.S. Rs. 116

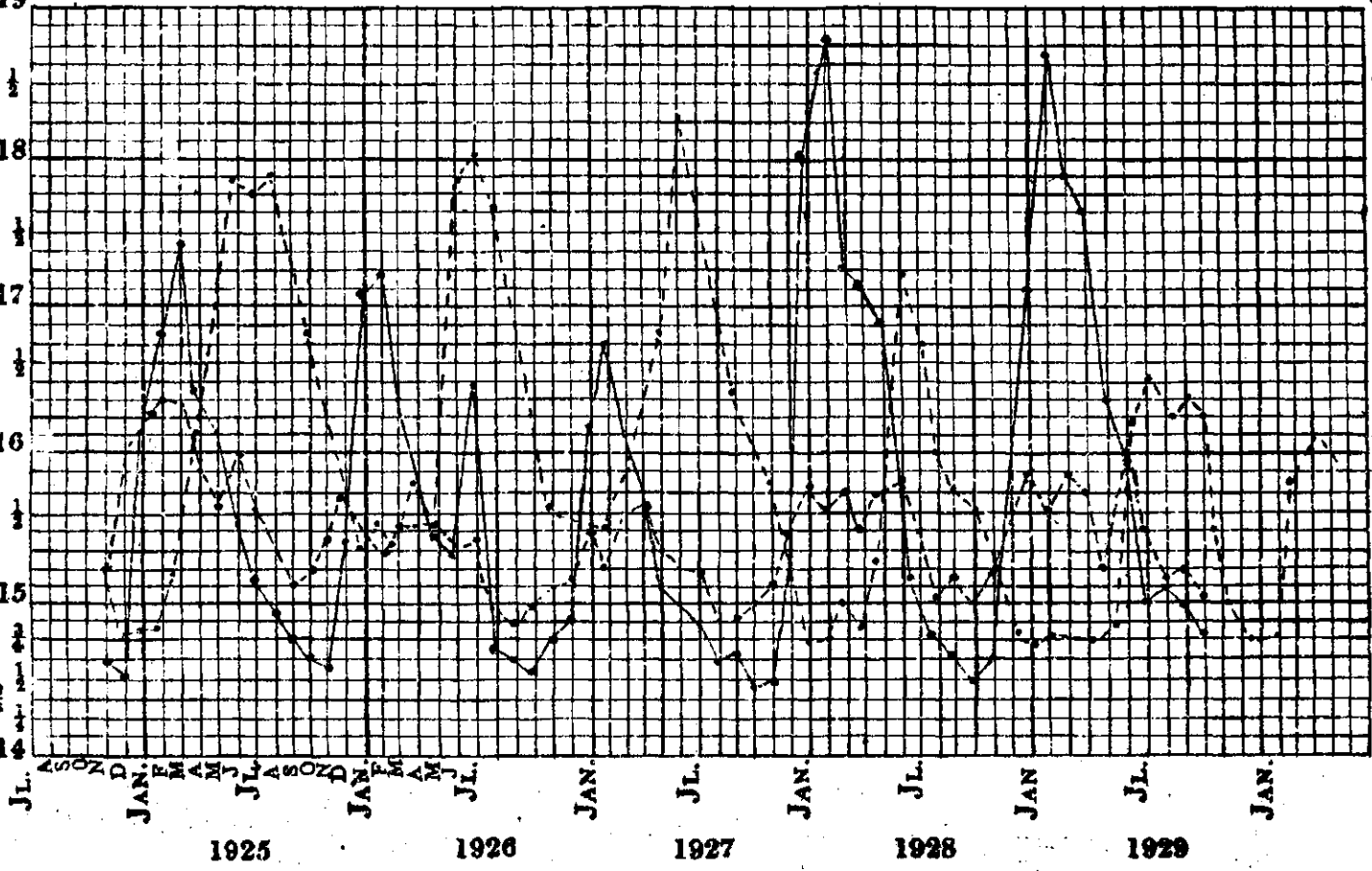
160 Lacs

O.S. Rs. 115

80 Lacs

O.S. Rs. 114

0 Lacs



Red dots show Imperial Bank of India, (Hyderabad Dn.)

Black line shows Total Exports from the Dominions.

Buying rate of Bombay Hundi (Monthly averages)

Black dots show Total Imports in the Dominions.

CHAPTER V.

Finance for the Export Trade.

29. The export trade of the Dominions exhibits a sudden rise from the month of October. The rise and fall in the export trade is shown on the chart on the opposite page. The export-curve reaches its peak in January and then falls precipitately though the fall is not so precipitate as its rise.

Approximate value
of exports Fi-
nanced by O.S.
Rupees.

The aggregate export from the Dominions during the last five years from 6th October 1924-25 to 5th October 1928-29 according to the figures of the Customs Department, was over 84 crores, 32 lacs—the annual average being 16 crores, 86 lacs. Out of this annual average 50 per cent. or 8 crores, 85 lacs is concentrated in the four months from November to February every year, and 66 per cent. of the whole export or a little over 11 crores takes place in the six months from October to March. For a predominantly agricultural country the concentration of exports during one part of the year is a common phenomenon, but the concentration of heavy exports in the space of a few months, in the absence of banks and banking habit, puts a very great strain on the currency authority for the supply of funds. It may however be mentioned that the whole 11 crores worth of exports of the busy season are not financed by the O.S. currency alone. The cotton, ground-nut and other exports from Aurangabad district, including Jalna, and exports from Raichur and Osmanabad district are wholly financed by B.G. Rupees.

The figures of the total exports from the districts using B.G. currency are not available, but an approximate estimate can be made from the traffic statistics of the Railways. The annual average value of cotton, gram and pulse, jawari and bajra and linseed booked for export from Sailu to Manmad on the N. S. Railway, and of cotton from Raichur proper on the G.I.P. Railway, is over 2 crores 50 lacs. The value of exported ground-nut from Raichur and of other produce from all the stations mentioned above and the value of the export by road from the Osmanabad district are not included in the above figure. If all these figures were taken into account the total may go up very high. The bazaar estimate, however, is that 3 to 4 crores

of B.G. currency is required for the marketing of the crops during the busy season. Allowing for the fact that the value of exported articles by the N.S. and G.I.P. Railways given above are for the whole of the year and not for the export season only the bazaar estimate of 4 crores of B.G. requirements may be taken as approximately correct. This leaves us with about 7 crores of export for the busy season which has to be financed in O.S. Rupees.

It may be mentioned that the export trade during the slack season (April to September) except that of the late sown cotton is wholly financed by the import of piece-goods and other articles.

The estimate of O.S. Rs. 7 crores of finance is only for the export trade. The internal trade obviously must be much more than the external trade. As the food and other important crops of internal consumption have been excluded from the Enquiry I am not in a position to say how much finance is required for them and what is the method adopted by the Komtis and Banyas to carry the stock from one season to another.

30. In the following paragraphs an attempt has been made to analyse the sources of supply of O.S. Rupees but it need hardly be said that there is no line of demarcation between the supply of O.S. Rupees for the exported produce or for the produce sold for internal consumption.

One of the sources of supply of O.S. Rupees is the Government through the Imperial Bank in Hyderabad and its branches in the districts. But the Government supplies O.S. Rupees in unlimited amount against B.G. only to prevent the fall of B.G. exchange below the minimum, *i.e.*, O.S. Rs. 114-12-0 for B.G. Rs. 100. Following are the figures of purchases of drafts by the Government :—

1334 F. (year ending 5th Oct. 1925)	O.S. Rs.	19,99,990
1335	Do	1926) ,, ..
1336	Do	1927) ,, ..
1337	Do	1928) ,, 1,94,08,250
1338	Do	1929) ,, 1,80,59,334

The figures of the purchases of Drafts by the Government, however, show that the supply is intermittent and that the annual average bears a comparatively small proportion to the total O.S. finance required in the export season.

The Imperial Bank and the Central Bank supply a considerable amount. The total supply through these two sources may be between $1\frac{1}{2}$ crore to 2 crores. The exact figures are not available.

The indigenous bankers lay down O.S. funds earlier in the monsoon and it is estimated by the bazaar that about a crore of O.S. Rupees are supplied by them during the export season.

According to these estimates $3\frac{1}{2}$ to 4 crores of O.S. Rs. are supplied by the Government, the banks and the bankers. The rest are supplied by the importers and sahu-kars in the districts and private individuals.

The cultivators, on the sale of their produce, pay back the loans which they had received earlier, to the Sahukar-adatyas who employ this fund for the finance of the market. In view of the fact that the Sahukars of the districts are more or less independent of the bankers in financing the cultivation operations the finance through them may be considerable.

Another source of supply is the importer. A part of the money that flows into the pockets of the cultivators through the sale of their produce returns to the coffers of the importers of piece-goods and other articles. These importers buy the hundis drawn by the buyers of the produce in order to transfer their funds into B.G. for the payment of their imports. This function—essentially that of a bank—is performed by the traders as there are no banking institutions in the country. Wherever there is a bank the importers, during the export season, prefer a bazaar hundi to bank draft. The reason seems to be the convenience which the custom prevailing in Bombay gives them by which the firm on which the hundi is drawn has to deliver the amount at the payee's firm while a bank draft has to be collected at the bank. But this convenience may be a point of consideration only for those who collect the hundi in cash. It is not a convenience for one who keeps an account with a bank in Bombay. Another reason for the preference of the importers for the bazaar hundi to the bank draft is the ease and lack of formality with which the bazaar transaction is performed.

The visible supply of O.S. funds, if I may call it so, from the Government, the banks and bankers is, according to the above calculation, only about 60 per cent. of the total O. S. finance required for the export during busy season. If we take the currency required for the whole of

the produce —food crops as well as commercial crops—the percentage of supply from the abovementioned sources is very small. The funds made available through the importers cannot be much at least during the earlier part of the season because it is only later in the season that they realise the credit granted to the retail dealer. The sahu-kars and the money-lenders of the districts and the landlords and the rich members of the community should supply a considerable proportion of the total O.S. funds required for marketing the produce.

31. The silver contents of the O.S. Rupees—the legal tender currency of the Dominions—is, as mentioned before, O.S. Rs. 116-14-7 for Exchange. B.G. Rs. 100. But the silver contents of the respective Rupees do not, under normal conditions, determine the exchange. Both are token coins. They are notes printed on silver, and their exchange rate is the result of demand and supply.

His Exalted Highness the Nizam's Government, according to the Finance Department Notification No. 7 of 1335 Fasli, have put the maximum and minimum limits to the exchange at O.S. Rs. 119 and O.S. Rs. 114-12 for B.G. Rs. 100. If the B.G. exchange tends to go above O.S. Rs. 119 for B.G. Rs. 100 the Government undertake to supply B.G. Rs. in unlimited amount and if it tends to fall below O.S. Rs. 114-12-0 for B.G. Rs. 100 they undertake to supply O.S. Rupees in unlimited amount. The Government accordingly control the exchange through the Imperial Bank at Hyderabad and its branches at the districts. During the export season the Treasury supplies the Imperial Banks with O.S. Rupees for the purchase of hundis at the exchange rate of O.S. Rs. 114-12-0 and O.S. R. 114-10-0 for B.G. Rs. 100 at the City of Hyderabad and the district centres respectively where a branch of the bank is situated. This operation checks the fall of B.G. Rupees below the limit.

The chart opposite page 49 shows a rise in the B.G. exchange from the months of February or March. The rise coincides with the fall in export trade and the consequent decrease in the demand for O.S. Rupees. Concurrent with the decrease in the demand for O.S. Rupees, there is a gradually increasing demand for B.G. Rupees by the importers of piece-goods and other articles who having accumulated O.S. funds are desirous of remitting them to Bombay or other cities in British India for the payment of

the imported articles. This demand for B.G. accentuates the rise in its exchange till it reaches the highest peak in the month of May or June. Though the export continues to fall till the end of September the O.S. begins to appreciate as early as June. The reason for this curious phenomenon is not far to seek. The indigenous bankers, speculators and other dealers in currency begin to lay down funds in O.S. at the most favourable rates. The bubble of rising B.G. exchange is perhaps pricked first by the sahuکار-اداتyas who need the O.S. currency to be advanced to cultivators for their agricultural operations. The turn leads to a scramble on the part of the holders of B.G. currency to convert their balances at the most favourable exchange. The precipitancy of the downward curve is checked to a very small extent by the cautious policy of the banks which lay down O.S. funds only after they are sure of the success of the monsoon and thus hold back from the market a little longer.

It may be noticed from the chart that the B. G. exchange has not, since 1928 risen to the heights to which it had risen before. It cannot be said whether this is due to trade conditions, Swadeshi movement or the nervous anxiety of amateur speculators in exchange who unload their hoardings of B.G. Rupees early. It may be mentioned that the rich members of the community have taken to the exchange business only recently.

The rise and fall in the exchanges have provided the rich people with a safe method of earning a profit. They convert their O.S. cash into B.G. in the months of December and January and reconvert it into O.S. in the month of June. The operation yields them Rs. 2 to Rs. 2-8-0 p. c. according to the height to which the B.G. exchanges goes up. The difference in exchange value of the Rupees is a source of extra profit for the banks and bankers. They convert as much of their surplus cash balance as they can afford into O.S. during the monsoon and reconvert it into B.G. in the export season. The operation brings them good profit.

The rich people have not been slow in taking to this exchange game which brings them an easy profit of 2 to 3 per cent. without involving them in risk or trouble and offers them the further inducement of always enabling them to keep their whole wealth in cash. Their hoards only see the light of day twice a year to take advantage of the difference in exchange. As every one dabbles in exchange there is considerable excitement in the bazaar at

the turn of the half year. The usual question asked of the bankers by the 'gentlemen with the cash' at the time of precipitate rise and fall in exchange is whether he should liquidate his operation at that moment.

This sure and easy profit on exchange prevents the development of the banking habit and the utilisation of the savings in productive enterprise. Instead of the savings being invested in industries or commerce they lie idle and at the same time earn a small interest. The bankers, on the other hand, discourage the deposits of O.S. Rs. for less than a year, otherwise the depositors would withdraw their funds from the bank during the busy season when they are most needed by the bank. We have thus a peculiarly unfortunate position. The rich members of the public and the banks both contribute towards hindering the development of the banking and investing habit. The effect of the profit on exchange permeates every economic activity of the people. The borrowers have to pay during the export season higher rate of interest on the loans in O.S. to make up the potential loss on exchange to the lender. The prices of imported articles are affected. These last two points have been referred to in the chapter on Import and Industries.

If the difference between the lowest and highest point of exchange were reduced, the tendency of the people to hoard cash and be content with the yield on exchange operation would be considerably checked and those who have a desire to earn something on their savings would be induced either to deposit their money in the banks as long term deposits or invest it otherwise.

32. The remittance of funds is of considerable importance in every part of India as the produce has to be purchased, at the marketing centres, in cash which is supplied either by a branch of the Imperial Bank locally or where there is no branch of the bank, is brought from the chief supplying centres of the district or the province. In the Dominions the O.S. funds can be obtained at the Imperial Banks in Hyderabad and its branches at Nander Jalna, and Raichur. The buyers cannot always carry the cash with them to the marketing centres though in some cases they do make an arrangement for regular shipment of rupees to the place of their operation. It is the indigeneous banker who performs the function of transferring funds from a place where they are not required to a place where

Remittance of O.S.
Funds to the
marketing centres.

they are and earn a discount on the transaction. The discount includes the cost of transportation, premium for risk and their profit. The discount on the ready cash at those marketing centres where there is no branch of the Imperial Bank is considerable. It may be mentioned that of the important O.S. using markets Nander is the only market which possesses a branch of the Imperial Bank. All the other centres are supplied with cash by the indigenous bankers who send the money either by railway parcels or through a trusted servant. The remittance through the treasury by the purchase of supply bills is comparatively insignificant, the average amount remitted through this means for the last 5 years from October 6th 1924 to October 5th 1929 being just a little less than 3 lacs a year. The reason is that the Government issues supply bills at its own convenience and they are not usually issued at a time when they are required most.

Some indigenous bankers keep branches at the marketing centres which purchase the hundis drawn by the buyers—the mills or exporting firms—and send them to Hyderabad to be endorsed and discounted at the Imperial Bank. The proceeds of the bill are sent to the marketing centre either by un-insured railway parcels or through a trusted servant. The risk of loss of funds in transit is borne by the indigenous banker. The indigenous bankers also act as commission agents for their clients at the marketing centres. The clients purchase the hundis and send them to the indigenous bankers in Hyderabad to be rediscounted at the Imperial Bank and the proceeds to be shipped to them. The indigenous bankers charge a commission of about 2 as. p. c. While the risk for the loss of funds in transit is borne by the clients, the indigenous bankers hold themselves responsible to the Imperial Bank for the encashment of the hundi in Bombay or any other place it is drawn upon. The indigenous bankers and the local shroffs in the marketing centres undergo a considerable risk in the operation. The funds in transit are not insured and the railway does not bear any responsibility for the loss of the parcels. Secondly the advances made against the hundis are clean credits. They are not covered by any documents of title to the produce.

The cost of transportation of funds is reduced by the device of sending Government currency notes along with silver rupees in the same parcel.

The average monthly rate of exchange at Latur—an outlying important cotton market on Barsi Light Railway—is given below with the average monthly exchange at Hyderabad for comparison :—

AVERAGE RATE IN O.S. Rs. FOR B.G. Rs. 100 AT LATUR.

Month	Hyderabad Latur		Hyderabad Latur		Hyderabad Latur		Hyderabad Latur	
	1926-27		1927-28		1928-29		1929-30	
November	115 9 0	115 10 0	115 1 4	114 14 6	114 12 8	114 18 6	114 15 6	115 4 4
December	115 8 0	115 4 0	114 11 0	114 6 9	114 11 10	114 7 4	114 12 0	114 6 4
January	115 8 2	115 3 0	114 12 0	114 8 0	114 12 0	114 6 6	..	114 7 6
February	115 12 6	115 6 9	115 0 0	114 12 6	114 12 0	114 6 0	..	115 8 4
March	116 8 0	115 18 0	114 18 5	114 3 9	114 12 0	114 6 6	..	..

The daily exchange rate at any market Centre, in the absence of a source for ready supply of money, is determined by the quantity of Cotton, and other produce sold, on the one hand, and the supply of cash available in the market that day. The difference between the Hyderabad and Latur rate ranges from about 8 annas to 4 annas. It is hardly necessary to repeat that the lower the B.G. exchange falls the less value in O. S. Rupees the cultivators get for their produce.

As far as financing the commerce of the Dominions is concerned, the chief function of the indigenous bankers is the supply of cash at the marketing centres, and the difference in exchange or the commission from the clients whom they supply the funds, the main source of their profit in this respect.

33. The dealers in produce and merchants are conservative and regard the publicity of the fact of their having borrowed from a bank or banker as derogatory to their status and prestige though they have no hesitation in borrowing from an agency in a far off place like Bombay. The traditional methods of financing the trade holds its sway. The traders use their own funds to finance their operations. They always allege that they buy the produce from their own funds and regard this independence in finances as a matter of pride and prestige. They might receive some deposits from the public, but in cases of Sahukars in the districts it could not be much. A large number of the Sahukars in the districts are the agents (munims) of the big indigenous bankers who keep them supplied with funds as they are required for the purchase of the produce. The local Sahukars have limited means at their disposal for their operations in the market. They either borrow funds from the indigenous bankers on personal credit or from their adatyas in Bombay against the bales of cotton or bags of Ground-nut, Castor, etc., sent to them and deposited in locked godowns there. The agents of mills or exporting firms usually make arrangements for cash credit, etc., with their banks or bankers in Bombay. It is not possible to estimate or even guess at the proportion of the borrowed capital to owned or the proportion of funds borrowed from the Bombay adatyas against produce and from the indigenous bankers in the city of Hyderabad as clean credit. But it seems that the funds borrowed from Bombay adatyas' banks or bankers against produce are much more than funds borrowed from the indigenous bankers,

Lack of short terms
Accommodation.

It may be mentioned that indigenous bankers in the city or the marketing centres also lend against produce locked in their godowns but this system is not common and borrowers fight shy of it and look upon such system of advance in their own centre of operation as derogatory to their prestige. The advances against produce from the branches of the Imperial Bank at such important marketing centres as Nanded, Jalna, and Raichur are very small or none at all. Thus the actual state of finance for export trade is—Credits are obtained largely from Bombay or other centres and only to a small extent from the local indigenous banks or bankers. This conclusion is to a certain extent confirmed by the very small amount of accommodation obtained by the indigenous bankers of the city from the Imperial Bank in Hyderabad. Thus the credit centre for the Dominions is not Hyderabad but Bombay. The purchasers of the produce—the sahuakar dealers or agents of mills or exporting firms—draw hundis according to the needs of the day on their creditors and sell the hundis in the bazaar for O.S. Rupees. All these hundis are Darshani Hundis or Demand Drafts and they are drawn in B.G. rupees. The importers of piece-goods, indigenous bankers and banks purchase these hundis for O.S. Rupees and the necessary amount of cash for the purchase of hundis is sent from the city of Hyderabad to the district centres in the manner described above. The banks and bankers supply their surplus O. S. cash against B.G. hundis thus transferring their funds into B.G. This operation, as explained before, brings them a profit or exchange. The banks and bankers are thus largely not agencies for short term credit but only agencies for remittance of funds and exchange houses. They are at best an agency for credit only for that period which elapses between the encashment of hundi at a marketing centre in the Dominions and its encashment at Bombay or any other centre in British India. The Sahukars in the district centres are not linked up for credit with the indigenous bankers nor the latter with the Imperial Bank except for the purpose of remittance. The lack of proper credit for short or long term periods is a great handicap in the way of commercial and industrial development. I have made some suggestions for the development and encouragement of credit institution in Chapter VI.

34. The indigenous bankers, merchants and dealers draw, endorse, and discount Hundis and drafts as a matter of course. It is one of

the essential features of their activities. The common kind of Hundi, however, is the Darshani Hundi—the Demand Bill. The Hundis are purchased and drawn for remittance of O. S. funds to the marketing centres. It may, however, be mentioned that the indigenous bankers in Hyderabad are now tending to draw more of Dhanijog Hundis in preference to Sahajog. The indigenous bankers of Hyderabad usually draw on their own branch or head-office in the Cities of British India and to protect themselves from the responsibility to “see that the presenter is the proper person to get the payment” they are now issuing Dhanijog which is, more or less, a bearer cheque. The payer of the Hundis has another protection in the custom by which he is obliged to make the payment for the Hundi at the office of the payee.*

The indigenous bankers always allow their clients a certain limit previously agreed upon upto which they can draw, the drawer paying the rate of interest agreed upon on daily outstanding loans. As the City of Hyderabad is the chief centre where cash can be obtained the usual practice of borrowing seems to be as follows. The client instructs the banker by telegram or letter to send a certain amount of money. If necessary the banker draws a Hundi on his own branch or head-office in Bombay and discounts the bill at the Imperial Bank and sends the proceeds to the client. The banker writes on the top of the Hundi the name of the client or the firm to whose account the money should be debited. The advances made against the Hundis are all clean credits without any cover but they are all drawn according to previous agreement and within prescribed limits. Dishonouring the Hundi is an event of rare occurrence. It may happen in a case when a drawer having to meet a maturing liability overdraws his account and the drawee is not willing to accommodate him. If the Hundi is returned unpaid, the drawer has to pay a penalty of Rs. 2 to 3 p. c. according to the local custom. At some places the custom imposes a fine of only Rs. 2 per Hundi whatever the amount of the Hundi may be.

* This custom is observed in the City of Hyderabad with modifications. The payer makes the payment at the office of the payee only when the latter is of equal status with the former. Moreover for the purposes of the honouring of the Hundis the City of Hyderabad and Secunderabad are regarded as separate places with the result that if the payee is in Secunderabad he has to collect money from Hyderabad or *vice versa*. As far as export trade is concerned the Hundis are not made payable in Hyderabad or Secunderabad. Bombay is the chief clearing centre for the Dominions.

The duty on Cheque and Dasshani Hundis has been abolished in British India but 1 anna Stamp duty is still imposed in the Dominions. As the cities in British India are the clearing centres for the Dominions and there is intimate financial relations between the firms in the State and outside, it is advisable that the Stamp duty on Cheques may be abolished in the State. The retention of the duty unfavourably affects the bankers who reside in the city of Hyderabad as compared with those who live in the British administered area in the State. There is a strong desire on the part of the former to give them relief by abolishing the duty, and I recommend that the duty on cheques and Hundis should be abolished to conform with the conditions prevailing in British India.

CHAPTER VI.

Better organisation of the Market.

35. As there are no regulated markets in the Dominions, there are no market committees, no licensed adatyas, no rules governing the conduct of sales, no regular methods for settling the disputes and no control over the market allowances and deductions.

Bill for Regulating
the Markets.

A bill called The Hyderabad Agricultural Produce Market Bill has been introduced in the Legislative Council of the State in 1929. The law, when passed, would empower the Government to declare by notification that a place shall be a Cotton Market or a market for any other agricultural produce under the Act. Every such market will have a defined area within which no other market will be allowed to function except by the special permission of the Government. The Bill provides for the constitution of market committees. The Committee shall consist of not less than 8 and not more than 16 members of whom not less than half shall be agriculturists. One quarter of the non-agriculturists would be representatives of the dealers and the rest would be Government Officers. The bill proposes to introduce licenses for commission agents, weighmen, godown keepers, and the commission agents will be prohibited to act both for the buyers and the sellers. The rest of the provision, which need not be detailed here are generally on the lines of the Bombay Cotton Market Act of 1927.

The bill proposes to abolish or at least to regulate the customary allowances or deductions from the produce. Section 13 runs as follows :—

“ No trade allowance other than an allowance prescribed by rules or bylaws made under this Act, shall be made or received by any person in any transaction in a Cotton Market established under this Act, and no Civil Court shall, in any suit or proceeding arising out of any transaction in any such Cotton Market, have regard to any trade allowance not so prescribed.”

“ *Explanation.*—Every deduction other than deductions on account of deviation from sample, when the

purchase is made by sample, or of deviation from standard, when the purchase is made by reference to a known standard, or on account of difference between the actual weight of the sacking and the standard weight, or on account of the admixture of foreign matter, shall be regarded as a trade allowance for the purposes of this Act."

The proposed law recognises two kinds of deductions. The first are the customary allowances recognised by practice and known beforehand and the second are the arbitrary deductions made on account of quality, dampness and admixture of foreign matter. Only the former will be regulated by the law.

The cultivators, in the unregulated markets, suffer more by arbitrary deductions than by deduction made according to recognised practices of the market. The prices of Kapas at the Marketing Centres in the Dominions are governed by the Bombay prices, and, wherever there are Mills and exporting firms, competing with each other, they take the net yield of the produce which they actually receive after recognised market allowances have been deducted, as the basis for the calculation of the local equivalent of the Bombay prices. In calculating the local equivalents the extra quantity of produce received through recognised market allowances goes to the credit side in the same way as the Dharmada or the commission paid by the buyers to the local adatyas or the export duty are included on the debit side. The customary allowances which are recognised by practice and known beforehand are not, in the competitive markets, a net deduction from the produce sold by the cultivator and do not deprive him of his legitimate dues. The regulation by law of these practices will, however, make the market system simple and easily comprehensible.

The arbitrary deductions, on the other hand, are extremely difficult to regulate by law. It may only be expected that the existence of panchayat for the settlement of disputes would encourage and embolden the cultivators not to submit meekly to the decisions of the buyers in respect of quality, dampness or admixture of foreign matter.

The export duty on the Cotton, Ground-nut and Castor seeds is another important deduction from the price obtained by the cultivators for their produce. Under the present state of commodity prices the rate (Rs. 8-5-4 per

bale of Cotton) is very high. I recommend that the rates should be lowered.

36. Under the present organisation of the money market in the Dominions the banks and the bankers are more the agencies for the encashment of hundis, Demand Drafts, than agencies for credit. The usance bill is rarely used and advances against produce or raw-material except in cases of textile mills are not resorted to. This system encourages quick disposal of the produce from the grower to the ultimate dealer in the Dominions. The grower of the produce does not, during the export season, get accommodation facilities from the sahuکار-dealers of the districts; the sahuکار-dealers, it appears, do not get sufficient accommodation from the indigenous bankers to carry the stock for better prices. They finance themselves either from their own funds or by borrowing against stock from the Bombay adatyā. The district sahuکار are in respect of credit for commerce independent of the Hyderabad indigenous bankers or at least not so much dependent on them as they would be under an advanced stage of credit-institution. For credit purposes they seem to have more relations with Bombay adatyā than with Hyderabad indigenous bankers. The indigenous bankers do not borrow against stock or against commercial papers from the Imperial Bank. The branches of the Imperial Bank in the districts apparently do not get any customers for short term accommodations. Thus the three credit agencies—the sahuکار in the districts, the indigenous bankers and the Imperial and Joint Stock banks are not roped together for credit. But district sahuکار depend for the encashment of the hundis and for the remittance of funds on the indigenous bankers who in turn are dependent for the supply of cash on the Imperial Banks.*

At the marketing centres there is a very great need of banks which may act as proper credit agencies and which may establish intimate business relations with the dealers and traders and if possible with the cultivators and which may guide them to the uses and advantages of the modern methods of finance. It is therefore recommended that facilities as regards remittance of funds and warehouses should be provided so that either joint stock banks may be started or the British Indian Joint Stock banks may be encouraged to establish their branches at the district marketing Centres.

* The encashment of darshani-hundi does imply credit but is not a short-term loan *see* p. 58.

37. The banks have to face large number of difficulties in the districts, the most important of which is the remittance of funds from the city of Hyderabad to the Marketing Centres. Joint Stock banks cannot, obviously, run the risk of loss by transporting the funds in uninsured parcels by rail or through trusted servants. As far as the O.S.-B.G. exchange is concerned, a joint stock bank in the district cannot compete with the sahlukars and the indigenous bankers who by importing funds at less cost can easily oust the bank out of the exchange market. The Sahukars and the bankers do, at the present moment, run the risk of importing funds in uninsured parcels but they feel very uneasy about it and strongly desire some other and safer method of remittance to be introduced.

According to the present arrangement the Imperial Bank and its branches situated in the districts are supplied with O.S. funds from the local treasury free of cost. The Bank purchases Hundis for the Government at 114/12 or 114/10 for B.G. Rs. 100 in the city and districts respectively and thus prevents the fall of B.G. Rs. below that limit. The Imperial Bank is held responsible for the encashment of the hundis purchased for the Government. This arrangement should be extended also to those important marketing centres in the districts where there is no branch of the Imperial Bank. The indigenous bankers or the branch of a British Indian joint stock bank, if established, may rediscount the Hundis at the Imperial Bank and instead of withdrawing the proceeds in cash from the Bank may get a Supply-bill from it on the Government Treasury in the district where the funds are to be sent. This method of remittance will ensure freer flow of funds to the districts during the export season and will reduce the difference between the Hyderabad rate of exchange and the district rate of exchange. It would provide safe method of remittance of funds to the district and may encourage the establishment of joint stock banks or their branches in the districts.

If a branch of a British Indian joint stock bank were started in the districts the Government may keep a certain amount on deposit with the Branch and the Local Fund Boards and other semi-Government bodies should be encouraged to keep their banking accounts with it.

The development of the system of credit against stock will, it is expected, provide the banks with considerable

field for rediscount of trade bills at the Imperial Bank. Pending that development the Imperial Bank may be expected to give all reasonable rediscount facilities to the branches which are recognised and receive concession from the Government. If in all these respects the policy of the Imperial Bank is not accommodating, the Government should consider the advisability of starting a State Bank.

There are, at the present moment, no local banks with such capital and management that they may be safely entrusted with all the functions mentioned above. If, however, a bank is started with sufficiently large paid-up capital and by its management and organisation presents reasonable prospects of future development the Government may help it in any of the above-mentioned ways. The Government should also provide for the bank storage facilities as recommended below. The proposed remittance facilities, however, depend on its relations with Imperial Bank.

38. Immovable property is not an ideal security for a bank for its advances. Cotton, Ground-nut and grain are more easily saleable and if properly warehoused form the best security for a bank.

Warehouse.

“It is generally recognised by Banks and other financial institutions, that cotton properly warehoused affords more satisfactory security for loans than perhaps any other commodity but the difficulty hitherto has been the lack of a satisfactory warehouse receipt. The physical conditions attached to the warehouse must be considered. The ownership and management must be responsible, so that holders of receipts for goods stored in it may feel assured that the commodities represented by the receipts will, under all circumstances, be in the warehouse awaiting the return of receipts. Furthermore, the Banks and others making loans against warehouse receipts for cotton must be protected against adverse liens, and must be satisfied that the pledger of the commodities covered by the receipt has a good and legal title to such commodities.”*

A properly organised warehouse is a necessary condition for the growth of the modern credit institution. The godowns at the marketing centres in the Dominions are owned by private individuals and are not properly constructed. They may, in the beginning, be useful to the

* Governor Hardinge quoted by Mr. B. F. Madon in a note circulated to Banking Enquiry Committees.

banks to keep the cotton and other produce hypothecated to it for the advances it has made. But the receipts of such godowns, if there be any, would not be acceptable to a third party as 'a good and legal title' to the commodities covered by the receipt. The owner of *e.g.*, bales of cotton stored in the warehouse should be able to sell his produce by simply transferring the warehouse receipt, and the bank, if in possession of it, should in case of need, be able to rediscount the documentary bill at the central credit institution. This facility, if provided, will go a long way in making the warehouse and the credit institutions popular with the traders in cotton and other produce. Under present conditions of enterprise in the Dominions I do not expect that private capital would be forthcoming to establish such organised godowns as will command the confidence of the banks and traders.

I recommend that the N. S. Railway should provide the warehouses and wherever the N. S. Railway does not pass, the 'Market Committees' to be established under the proposed law for marketing should do so.

The rent charged by the warehouse plays a disproportionately important part in the imagination of the traders who disregarding the superior services compare it with the charges levied at the ordinary godowns in the town. The rent may, therefore, be kept as low as possible at least till the traders have fully realised the advantages and the material gain accruing to them from the warehouse system. The Government should bear on the N. S. Railway or guarantee the Market Committees, any loss incurred in running the warehouse. In view of the very great importance of the development of the system of advances against warehouse receipt for the traders and ultimately for the cultivators, this expenditure will be fully justified.

The Certificates issued by the warehouse authorities should, by law, be given the characteristic of a negotiable instrument.

39. At the present moment Gaorani (large staple) and Howri (short staple) of the Dominions do not constitute valid tenders either against Hedge or Delivery contract as prescribed by the By-laws of the East India Cotton Association.

Gaorani as valid tender.

"However it would be open to a seller to enter into Delivery contracts for specified growths of cotton,

e.g., Nander Gaorani and Aurangabad Howri, in which case the seller would be justified in tendering these growths of cotton against this contract, provided such cotton shall have been pressed at the place or places mentioned in the contracts." *

I am not in a position to discuss the difficulties in the way of the recognition of the above-mentioned growths as valid tenders against delivery or Hedge Contracts. But such a recognition is an essential feature of the scheme recommended above. It would be a very great convenience to the dealers and stimulate the use of credit agency and warehouse. I recommend that necessary steps should be taken in this direction.

* Extract from the Letter from Secretary, East India Cotton Association.

CHAPTER VII.

Import Trade.

40. The average imports of the Dominions are 14 crores 28 lacs a year. The heaviest import season is November, December and January. It is during the export season that the cultivators who bring the produce to the market make the purchases of the imported articles before returning to their villages. Moreover, the low exchange value of B.G. in terms of O.S. Rupees is an incentive to import in the busy season. As far as foreign goods are concerned, the local wholesale dealers purchase them from the Bombay importing firms and do not have direct relations with manufacturers or exporters in the country of origin. The Customs tariff of the State gives a preference to direct import from the country of origin to import from the wholesale dealers in Bombay, Madras or Calcutta. According to the ruling of the Executive Council made in 1331 F. "the real value of a consignment should be taken to mean its value at the place from which it was consigned, *i.e.*, exclusive of the railway freight and other charges upto a sea port of that country, and exclusive of freight and other charges upto a sea port in India." In spite of this preference, the Commercial Community in the State, on account of difficulties of clearance at Bombay and chiefly due to the fact that Government does not remit the import duty on re-exports, have not developed business relations with the foreign countries and direct imports from them is negligible.

The wholesale importers are not commission agents but dealers who buy the goods in Bombay for cash or on credit. The usual method is to pay a certain percentage of the price in cash and get an accommodation for the balance for a period of about a month. The wholesale dealers of the Dominions sell to the retail dealers on personal credit according to individual 'limits.'

Most of the importers in the Mahrattwada districts are Muslim merchants from Kathiawar called Kutchis. Every Kutchi has a Pedhi at Bombay which keeps him supplied with goods according to his indent. The Kutchis sell the goods to the village traders and petty merchants who usually get an accommodation for about a month. The Kutchis send round their trusted servants to collect the money from their debtors and to make enquiries about the financial position and business affairs of their clients.

During the monsoon when the cart-tracks become impassable and business is at its lowest ebb, the Kutchis close their shops and return to their homes for a sojourn of three months.

The method and amount of accommodation the Kutchis get at Bombay for financing their imports could not be definitely ascertained. Their Pedhi at Bombay, however, is the central organisation for the supply of commodities and acts as a clearing centre. If they order goods from any place other than Bombay they ask their principals to draw the hundis for the goods sent to them on their Bombay Pedhi. They transfer the funds accumulated by sale of goods by buying the hundis in the local bazaar and send them to Bombay Pedhi to be encashed.

The Kutchis also borrow money from the local Mahajans to finance their imports. The local Mahajans buy the B.G. hundis during the export season in exchange for their surplus O.S. funds and instead of holding the B.G. funds or depositing them with the Bombay banker, lend the money to the Kutchis at a rate of interest varying from 9 to 12 per cent. The Kutchis use these B.G. funds to finance their import trade and pay back the money in B.G. Rupees or in O.S. Rupees at the prevailing rate of exchange in the months of May or June before they leave for their homes. As they borrow B.G. at a time when its value in O.S. Rupees is low and pay it back when it is high, this difference of Rs. 2 or Rs. 2-8-0 is obviously carried over to the price at which the imported articles are sold. The consumers ultimately pay for the difference and the lender gets the profit on exchange in addition to the rate of interest. The value of the whole of the imports in the Dominions is converted into O.S. at the unfavourable rather than the favourable rate of exchange of the local currency. The importers could not do otherwise. By the time their stock is cleared and debts from the retail merchants realised, the B.G. exchange goes up and they have to pay a higher price in O.S. Rupees to get the given amount of B.G. for the repayment of the advances they had obtained to finance their imports. The ultimate effect is that the consumers do not get the benefit of low exchange for B.G. Rupees. The profit on exchange goes into the pockets of the bankers and lenders, or to the extent of their own funds, into the pockets of the dealers themselves. But there is a very important consideration in this respect. Practically the whole of agricultural produce is sold in the market at a time when

B.G. Rs. 100 are worth only O.S. Rs. 114-12-0 or O.S. Rs. 115. But the cultivators pay for their purchases of imported articles at a higher rate of exchange, *i.e.*, about O.S. Rs. 117 for B.G. Rs. 100. The net loss to the consumer of imported articles arising out of the difference in exchange is about 28 lacs a year on the annual average import of the Dominions. As the agriculturists are about three-fourth of the total population, the loss on their purchases of imported articles due to the exchange is considerable. The loss to the consumers arising out of the exchange can be rectified only by narrowing down the margin between the minimum and maximum exchange value of the O.S. Rupees.

41. There is no chief distributing centre for the im-
Distributing centre. ported articles in the Dominions.

The traders in the North-western districts of the Dominions import articles direct from Bombay *via* Manmad. On account of the length of the N. S. (Metre Gauge) Railway in those districts, the railway freight has been arranged in such a way that the cheapest route "for piece-goods press packed from Bombay to all stations between Bolarum and Manmad is *via* Manmad." The railway freight, as it stands, precludes the City of Secunderabad from developing into a distributing centre for the North-western districts of the Dominions. But, nevertheless, Secunderabad occupies a position of great advantage as a distributing centre for the eastern, north-eastern and southern districts of the Dominions and for the out-lying districts of the Madras Presidency and Central Provinces. It has direct Broad Gauge connection from Bombay, Sholapur and Ahmedabad—the chief industrial centres of the western presidency—leading to Madras Presidency and Central Provinces *via* Bezwada and Balharshah respectively. The Meter Gauge connection (Hyderabad-Dronochalam) gives it access to the district in the south. Secunderabad has to a considerable extent taken advantage of these facilities in communication. But its expansion as a distributing centre is prevented by the fact that the Government does not allow remission of duty on re-exports. The importers of piece-goods and other articles have to be very careful and cautious in their indents lest stock may remain unsold on their hands, and, which cannot be re-exported except at a loss. If duty were remitted on re-exports, Secunderabad may develop into an important distributing centre.

CHAPTER VIII.

Industries.

42. As agricultural credit was not included in the scope of the present enquiry, I have had no opportunity of studying the methods of financing Cottage Industries or industries subsidiary to agriculture. The Himru industry of Aurangabad was the only one I could cursorily examine during my visit to that place and a reference has been made to it at the end of this Chapter. Nor have the larger industries, *e.g.*, textile mills, been dealt with. There are seasonal industries like cotton ginning and pressing factories and oil-presses, etc. They are owned by indigenous bankers, exporters or mills. The number of gins and presses as compared with the quantity of cotton is so large that a considerable number of them remain closed every year. At most of the cotton markets, the owners of the gins and presses have an agreement amongst themselves as regards the charges to be levied, the number of factories to work during the season and the distribution of profits to all the factory owners in proportion to the number of gins and presses in their factories. The high ginning and pressing charges undoubtedly reduce the price of cotton obtained by the cultivator.

43. The organised industries in the city of Hyderabad are few. The glass, button and tile and other factories are small joint stock or private concerns. Most of them were set up by private capital and are run by individuals from their own funds. They do not deal with the banks for any kind of credit. The evidence shows that the local banks have in some cases turned down the request for accommodation and do not encourage the industries to deal with them on any account except on that of cash basis, *e.g.*, releasing of railway receipt for imported articles on the payment of the price. A witness informed me that a factory owner was asked by a bank to secure the guarantee of the Government for its advances. Though the factories do not provide sufficiently liquid securities *viz.*, Government bonds or stock in godown, the general impression amongst the industrialists is that the banks are unsympathetic towards them. This, I believe, is true. In the present stage of industrial evolution in the

Finance for small
Scale Industries.

Dominions, the bank should be a sympathetic adviser to the rising industrialists. They are to be educated into the uses of those methods of accommodation which are both safe to the banks and advantageous to the industries. There is reason to believe that the local banks are not prepared to go to the extent of actively encouraging the industrial development of the country.

The advances from indigenous bankers are uncertain and the rate of interest high. The real rate of interest paid by the industries on the short term loans is higher than the nominal rate of interest. If the accommodation is for one year—from one busy export season to another—the borrower does not stand to lose on account of exchange. If the accommodation is required only say for about six months, the banks and bankers prefer to make advances, during the busy season, only in B.G. Rupees. As the value of B.G. Rupees in terms of O.S. rises in the slack season, the borrower has to pay more in O.S. Rupees towards the liquidation of his debt.

For the industries, the Government Industrial Fund is another source of credit. The advances from the Fund are, however, for fixed capital expenditure to be repaid in annual instalments over long periods. Though advances for current expenditure are allowed by the rules of the Fund, the trustees do not and obviously cannot under its present organisation keep a current account with their customers and provide them the same current account facilities as a bank can. The Trust Fund, being a purely Government affair, cannot be expected to be as expeditious as a bank could be. The procedure for the sanction of the loan and the process of mortgaging the property must be gone through before an actual advance is made.

The needs of short and long term credits are not wholly fulfilled either by the banks or the Trust Fund. Those who have started industries are facing difficulties in the way of accommodation and do not present a particularly attractive picture to those who aspire to undertake a new enterprise.

44. Cotton ginning and pressing and Crude Oil pressing are the only industries which even a business-man can think about or aspire to establish. He is at a loss to know what other industries can be started and profitably developed. He is lacking in technical knowledge and advice. This ignorance is due to the lack of education and of intimate touch with

Technical know-
ledge.

the outside world. Neither have the possibilities of industrial development in the State yet been explored by an authoritative body of experts whose findings might give guidance and lead to those who possess capital and enterprise to start new industries. The dissemination of authoritative advice as regards new industries and the methods of production are necessary for the industrial awakening of the people in the State.

45. The Himru industry at Aurangabad is now entering that stage in the evolution of industries which may be called the factory stage.

Himru.

A few of the Himru weavers have purchased the foot-power looms, winders, etc., and employ weavers on piece-wages. One enterprising weaver proposes to use Electric power to drive the looms. The looms have considerably increased the production. The Himru factory owners finance the purchase of looms mostly out of their own savings supplemented by borrowing from the indigenous bankers or co-operative societies. They sell the Himru either through the local shahukars or the sahuksar-adatya in the city of Hyderabad. The adatyas add, according to the arrangement, a certain commission to the price fixed by the weaver for every piece of Himru and sell the cloth in the market. The Himru factory owner also draws on the adatyas previous to the sale of the cloth paying the usual rate of interest on the borrowing.

The coats made of Himru and women's pyjamas made of Mashru are used only on festive occasions and the sale of the produce corresponds to the season in which marriages and other religious ceremonies fall. The demand is thus seasonal and the looms are liable to lie idle in the slack period.

The weavers use imported yarn—both silk and cotton—and have to pay the import duty on it. An Octroi duty is levied on the Himru imported into Hyderabad and Secunderabad city and an export duty on the export outside the Dominions. The removal of these restrictions would give considerable relief to the Himru weavers.

The sale of the produce is a problem of considerable importance for the future of the industry. The sale of the finished product to the local sahuksars cuts deep into the profits of the weaver. The adatyas in the city of Hyderabad on account of the small amount of business that it brings, have no inducement to push it. The weavers themselves are neither educated nor broad-minded enough

to pool their produce for sale. Under the circumstances I believe the multiplicity of adatyā connections at different towns combined with accommodation facilities for the purchase of raw material, etc., from the co-operative societies is the only probable way out of the difficulty.

All the industries large or small are considerably handicapped by the imposition of import and export duties and an Octroi duty on the import of commodities from the districts of the Dominions into the City of Secunderabad and Hyderabad. Machinery is exempted from duty but the imported raw material is taxed. Export duty is levied on all commodities exported except those which have been specially exempted. The octroi duty at the City of Hyderabad and Secunderabad prevents the city from developing into a distributing centre for the products of the State and deprives the small industrialists of those facilities of sale which only a City can offer. The textile mills situated in the city have to pay octroi duty on the finished goods consumed in the city in lieu of octroi duty on the import into the city of raw cotton, while the textile mills in the districts are exempted from the payment of the octroi duty on the goods imported into the city. As the tariff committee is expected to deal with these problems, they are here mentioned only to emphasise the difficulties and anomalies of the tariff arrangement as in force today.

46. For the active encouragement of, and, the provision of accommodation facilities for the
Industrial Bank. industries, the existence of an industrial Bank is essential. It is recommended that an Industrial Bank should be established with the active participation of the Government. Debentures and shares of the bank should be floated for subscription by the public and the Government should contribute towards the capital of the bank by purchase of share of an amount equal to the total subscriptions by the public of banks' shares and debentures. The purchase of shares by the Government will inspire the public with full confidence and it is expected that the shares and debentures will be fully subscribed by the public. The share-holders should be given the right of electing their representatives on the Board. The Government nominees on the Board which should be in proportion to the shares held by the Government, will be sufficient guarantee for the safety of the Government funds. An advisory committee consisting of representatives of share-holders of the bank and of prominent members of

commercial and industrial section of the people may also be instituted.

The experts of the Industrial and Commercial Department should be placed at the service of the bank. The bank should be accorded the same privileges in respect of registration, etc., which the Co-operative banks enjoy at the present moment.

The bank may be allowed to receive current and fixed deposits and to grant in addition to long term loans short term accommodations to the industries.

CHAPTER IX.

Indigenous Finance.

47. The number of indigenous bankers, money-lenders and other financing agents cannot be ascertained. As there is no income-tax in the Dominions, even that partial source of information is not available here. In the table XVI of the Census Report of 1921 (occupation or means of livelihood) under order 24, *i.e.*, Banks Managers, money-lenders, exchange and insurance agents, money changers and brokers and their employees, the number of actual workers is 9,233 (male 6,698 and females 2,625) while under the order 25 *i.e.*, brokers, commission agents, commercial travellers, warehouse owners and employees the number of actual workers is only 250. As the occupations in the orders 25 and 24 over-lap each other and are combined with other occupations, *e.g.*, merchants, dealers and land-lords, the exact number of financing agents cannot be arrived at.

The term 'Indigenous Banking' is defined, in the questionnaire issued by the Finance Department of the Government of India for the use of the Provincial Banking Enquiry Committees, as follows "It includes any individual or private firm receiving deposits, dealing in hundis or lending money." The Chairman of the Central Banking Enquiry Committees, at the Calcutta Conference, explained that a money-lender was one who used his own money and turned it over, while a "banker" lent borrowed money as well as his own. These definitions of the term not only reduce the number of bankers to a very small figure but also make its connotation uncertain.

The Mahajans or rich sahu-kars and the small sahu-kars keep a 'Chalu Khata' or 'running account' with each other and with the cultivator-merchants paying or receiving interest on the outstanding balances at rates which are previously agreed upon. The sahu-kars may and do owe the Mahajans money in one season and may have a credit balance with them in another. These accommodations granted by the Mahajans to the sahu-kars are 'borrowed money' for the latter, but can, by no stretch of imagination, be included under the term 'deposits' as contemplated by the Finance Department of the Government of India. If they are to be regarded as deposits,

almost all the money-lenders and sahu-kars would have the privilege of being included in the category of the 'bankers.'

The Mahajans or wealthy sahu-kars have a prejudice against the fact of their receiving a deposit or borrowing being known to the public. They do receive deposits from the public and allow an interest in some cases or none in others but this transaction is regarded by them more as a favour conferred on their clients of long-standing. They do not make an attempt to draw deposits from the public much less to advertise it in the newspaper.

It may be said that the very wealthy Mahajans are more or less pure bankers. Though all of them do not receive deposits from the public yet in their case the trading and commission agency business is subordinated and becomes supplementary to the lending and hundi business. They are the financing agents of the small sahu-kars, merchants and dealers. Their wealth gives them a prestige and inspires their clients with confidence. The well-to-do members of the public may deposit their savings with them and may in some cases receive an interest from 6 to 9 per cent.

There are, on the other hand, small sahu-kars who lend money to cultivators, deal in hundis and in produce and aspire to set aside one day the weighing scale and occupy the gadi of a Mahajan or indigenous banker. They are essentially traders and dealers and operate on their own funds or funds borrowed from the indigenous bankers. Thus the line of division runs between the more wealthy Mahajan whose operations are largely confined to financing the less opulent sahu-kar who deals in produce. The former may receive the deposits but deposit-receiving is not an essential feature of their activity. The more wealthy they are the less anxious they become to receive deposits from the public. The number of such big Mahajans or indigenous bankers in the Dominions does not exceed 60. Most of them reside or have their offices in the City of Hyderabad and in Secunderabad.

One indigenous banker has set up a bank with the modern paraphernalia of counters, cheque books and drafts and keeps the fixed deposit and current account on the lines of the joint stock banks. Another—a branch of a Bombay firm—deals mainly with the British regiments in the Cantonment area carrying cash to the regiment quarters and encashing the cheques of its clients. Most of the indigenous bankers are Marwaris. They have either their head-offices or branches in the cities in British India.

Though they are extremely clever in their own traditional methods of dealing, they lack the characteristics of leadership in commerce, industry, or banking. They are conservative and lack originality and enterprise. Their sons are educated on traditional lines and they take to their heritage with religious enthusiasm. Most of them own cotton ginning and pressing factories which have been established in large numbers everywhere. A few of them are Managing Agents of textile Mills.

48. It is not possible to ascertain their capital or the amount of deposits. Their working capital is distributed according to trade demand between Hyderabad and the City in British India where they have their branch or head-office. In the majority of cases, it is Bombay which acts as the Clearing Centre for the Dominions.

The indigenous bankers, in addition to making advances against mortgaged property, have adopted the method of lending against stock in godowns. As Hyderabad is more of a consuming centre and the dealers look upon the method of hypothecating their produce with disfavour, the method of advances against stock is not common. Their business with big land-owners and Jagirdars seems to have, lately, been reduced.

The chief clients of the indigenous bankers are the sahu-kars in the city and the district. It is probable that the percentage of loans to the sahu-kars which are employed for productive purposes has increased since the loans to jagirdars has received a check. The sahu-kars keep a Chalu Khata or Running Account with the indigenous bankers. The rate of interest to be paid or received on balances is agreed upon previously and every sahu-kar has a limit beyond which he cannot draw. The bankers usually receive more interest than they pay. In many cases the bankers do not pay an interest on the sahu-kars' balances left with them. It is however very rare that the bankers are the debtors of the sahu-kars. Paying less or no interest to the sahu-kari client is looked upon as a sign of superior status. The rate of interest charged during the export season, *i.e.*, from November to April ranges from 12 to 18 per cent. and during the slack season 6 to 9 per cent. according to the standing of the borrowers. In addition to the interest, the bankers charge 2 as. per cent. to 4 as. per cent. for every fresh loan made to their clients as a fee for the entry of a new transaction in the books.

49. The indigenous bankers convert B.G. into O.S. funds in the monsoon. This O.S. fund mostly lies idle till the export season. The rate of interest during the slack season, as already mentioned, ranges from 6 to 9 per cent. But how is this fund employed? The banks do not accept O.S. funds during this season unless they are deposited for not less than a year. It may be expected that the indigenous bankers finance the cultivators either directly or through the sahlukars for the agricultural operations. But comparatively a very small amount of money is lent to the districts for this purpose. The indigenous bankers do not deal directly with the cultivators. They lend a part of their funds to the sahlukars in the marketing centres who, in turn, lend it to the cultivators. The estimate of the advances made to the sahlukars by the indigenous bankers residing in the city of Hyderabad and Secunderabad at the beginning or during the monsoon, ranges from 20 lacs to 60 lacs. The enquiries made at the marketing centres in the Dominions revealed that the advances from the bankers living in the districts are not much. Even if the latter figure (50 lacs) were accepted, it forms an insignificant proportion of the total needs of all the cultivators in the Dominions to carry on their operations. An extremely large percentage of the advances made to the cultivators is supplied by the sahlukars of the marketing centres and the Komtis and Banya of the villages. But the sahlukars have another source of supply to draw upon. It seems rich land-lords accommodate the sahlukars to a certain extent. A banker offered me the information that he knew of a land-lord who advanced 10 to 15 lacs a year to the sahlukars. No estimate of total finance from the latter source could be made.

It is, however, certain, that the contribution of the indigenous bankers towards the financing of cultivators is very small and that a very large amount of money lies idle with them during the slack season.

There is a lack of free flow of capital from the indigenous bankers to the country when it is required most for financing the cultivators. This paucity of loans to the sahlukars in the districts is due to the uncertainty of their repayment at a time when funds are required for the export trade from the months of October onwards. The indigenous bankers prefer the profits on exchange and remittance during the busy season to investing their funds

with the sahu-kars which involves the necessary danger of its being locked up for a considerable period. It is obvious that they convert the B.G. into O.S. before and during the monsoon only with the purpose of utilising the O.S. funds later in exchange operations. It may be mentioned that if the indigenous bankers advanced money to the sahu-kars of the districts at 6 to 9 per cent. per annum, their net earnings for the average period of 6 months would be between 3 to 4½ per cent. While the yield on the exchange is about 2 to 3 per cent. with the very great advantage that the latter operation does not involve the bankers in any danger of loss or of lock-up of funds. The exchange operation is an effective substitute for loans to the sahu-kars in the districts.

50. Exchange and remittance are the chief functions of the bankers in Hyderabad and Secunderabad. The operations connected with the profits on exchange and remittance have already been dealt with and need not be repeated here. The bankers keep as much of O.S. cash with them as they can afford or which they cannot more profitably employ elsewhere and supply the money to the sahu-kars at the marketing centres at the most favourable rate of exchange. When their own O.S. cash hoarded from the month of June is exhausted and converted into B.G. they discount the hundis at the Imperial Bank in exchange for O.S. Rupees. As already mentioned, their clients in the marketing centres buy the hundis drawn by the exporting firms or mills and send them to the bankers in Hyderabad. The bankers rediscount the hundis at the Imperial Bank within the 'limits' assigned to them. If they supply the funds to their clients in the districts they get a commission of 2 as. per cent. and if they buy the hundis at the marketing Centre through their branch they bear the expense and risk of remitting the funds and get the profit according to the rate prevailing in the markets.

It is to the interests of the bankers that the sale of the produce should be quick so that the remittance may bring them the commission. The quick turn-over of their 'limits' at the bank and remitting of O.S. to districts brings more profit than locking up the amount against the stock in the godowns. Consequently, the bankers are averse to accommodating the dealers by making short term advances and the only source of accommodation for the dealers is the adatyat at Bombay.

51. The relation of the Imperial Bank and Joint Stock Banks with the indigenous bankers may also be conveniently dealt with in two respects—short term credit and supply of cash against demand drafts.

The advances made by the banks, as shown in Chapter II are extremely small and it may be presumed that the indigenous bankers do not resort to the banks for accommodation. Their operations are mainly confined to the sale and purchase of Demand Drafts. The whole organisation of the money-market and of the disposal of the produce is such that short term accommodations are neither required, nor encouraged. The most important thing is the supply of O.S. cash against the B.G. Demand Drafts.

The supply of O.S. funds against Demand Drafts is sufficient and more or less free. The Imperial Bank and the Joint Stock Bank discount the hundis endorsed and presented by the approved indigenous bankers and other parties within the 'limits' assigned to them. Of late there is a complaint that the 'limits' of the bankers has been cut down which in the absence of sufficient supply of O.S. funds from the Banks on any particular day, makes the course of exchange of O.S.—B.G. uncertain, and the cash available in the bazaar tends to play a predominant part in it. As I have not received any evidence on the point from the Imperial Bank, I am not in a position to say anything definite. As the 'limits' allotted by the bank to the indigenous bankers have a very great influence on the course of exchange and as the Imperial Bank and the branches are the only sources of supply of O.S. funds in the Dominions, I think the Government of Hyderabad may enquire into any changes in this respect that may have been effected by the bank. It may however be mentioned that the reduction of 'limits' in one case and an increase in another leaves the bazaar, as far as supply of O.S. Rupees is concerned in the same position as before. But an absolute cut in the 'limit' may seriously disorganise the market.

There is a free flow of cash against Darshani Hundis from the Imperial Bank to the indigenous bankers and from the latter to the sahu-kars in the marketing centres. But for credit for short or long term they have not got close relation or co-operation.

52. In the marketing centres almost all the sahu-kars are adatyas or commission agents and dealers in produce. They are owners of godowns, and, in many cases, run a retail shop. These adatyas and dealers are invariably the money-lenders. They lend money on mortgage of movable and immovable property. They finance the handicraftsmen and the cultivators and dispose of their produce. They are, as Dr. Harold Mann said, 'the commercial managers of the ryots.' They make the advances for the agricultural operations either direct to the cultivators or to the village Komtis and Banyas who in turn lend the money to the cultivators. To what extent they operate on their own funds and to what extent they borrow from the rich zemindars and indigenous bankers could not be ascertained. It has already been mentioned that they do not borrow much from the indigenous bankers.

The rate of interest on the loans made to the cultivators by the adatyas-sahu-kars varies from 12 to 36 per cent. The majority of the advances seems to be made at about 24 per cent. The 'Sawai' system by which the borrowers had to return one and a quarter of the amount borrowed however short the period may be during which the loan was outstanding, has almost disappeared, at least, from the big marketing centres of the Dominions. The system of lending seeds and demanding an equal amount or one and a quarter of the amount of produce at harvest time is also practically non-existent at big centres of commerce and trade. The sahu-kar-adatyas lend to the cultivators under the understanding that the borrowers bring the produce for sale to or through the lender. The lender not only gets the interest on the loan, he also gets the commission on the sale of the produce and a certain amount of produce by way of sample and deductions in weight.

The functions of the adatyas-money-lenders as the commission agent or dalal have already been dealt with. His relations with the cultivators, however, fall out of the scope of the present Enquiry.

53. The indigenous bankers are too jealous and suspicious of each other to combine together in a joint liability concern; nor are they willing to publish the whole or part of their operations. They have a definite preference to their traditional methods of business and do not seem inclined to adopt the modern principle of accommodation against liquid securities which,

The need for
Reforma.

through rediscount facilities, places at their disposal the vast resources of the Imperial and other banks. The secrecy of their operations is a great obstacle in the way of the public confidence. Those who keep a deposit with them do so with a view to getting higher rate of interest or in case of need, a clean credit which is difficult to obtain from a joint stock bank. Generally the public are chary of leaving their hard-earned savings on deposit with them. The failure of a number of firms during the last 15 years has contributed considerably towards the shattering of the public confidence in the bankers.

The compulsory publication of their 'arawa' or balance-sheet would seem to be an unnecessary interference in their private affairs and the publication of only that part of their balance-sheet which is connected with the deposits from the public would be too complicated and vague and would, unaccompanied by their 'investments' and 'cash on hand,' be useless as an instrument of inspiring confidence in the public.

Education and competition of the joint stock banks, I believe, are the only means of bringing about a change in the methods of indigenious finance. The bankers of high standing may however be appointed as agents by the Imperial Bank in those centres where there are no branches of the joint stock banks and arrangements should be made for teaching commerce and allied subjects as optionals in all the High Schools situated in the City and at the marketing centres in the Dominions.

CHAPTER X.

Investment Habit.

54. The number of Post Office Savings Banks and the number of accounts have been given in Chapter II. The progress of the State Savings Banks may be judged from the following figures :-

<i>Date</i>	<i>Amount deposited</i>	<i>Amount withdrawn</i>	<i>Balance of deposits</i>
1. 1st Isfandar 1332 F.	2,04,929 0 3	51,180 12 9	..
2. „ 1333 F.	4,80,239 5 1	3,08,805 0 10	3,25,182 7 9
3. „ 1334 F.	5,87,084 3 4	4,80,306 14 10	4,31,959 12 3
4. „ 1335 F.	5,91,854 6 8	5,54,770 2 10	4,69,044 0 1
5. „ 1336 F.	6,48,469 5 0	5,84,748 10 2	5,32,764 10 11
6. „ 1337 F.	7,43,762 1 5	6,27,342 3 8	6,49,184 8 8
7. „ 1338 F.	8,58,663 4 4	6,80,610 2 0	8,27,237 11 0

At the end of 1338 F. i.e., 5th October 1929 the total balance of deposit with the Government was only 8 lacs 27 thousand and the average per account only Rs. 28 while the average balance per depositor in British India for the year 1927-28 was Rs. 125. I believe there is considerable room for the expansion of the Post Office Savings Banks in the Dominions. The existence of the Savings Bank is not widely enough known in rural areas. They may be advertised by placards and posters at the Post Offices and by distribution of pamphlets in the languages of the locality concerned. The use and advantages of savings and investment in the Savings Banks should in fact be brought home to the people by every device at our command and every resource that is available.

55. Postal Cash Certificates are not issued by the Government of Hyderabad. "A scheme for the introduction of Cash Certificates," it is reported, "was put up for Government sanction, but Gold certificates.

the Finance Department would not agree to it on the ground that the Government do not want any further money from the public.*”

The finances of the State are in a particularly prosperous state. There has for the last many years been a surplus in the Budgets. Under the circumstances, the receipt of interest-bearing deposits is very embarrassing to the Government. The loans for study in Europe and for the purchase of Motor Cars or for construction of houses do not offer wide enough channels for laying out these funds. The Industrial Trust Fund and the proposed Industrial Bank are however expected to be remunerative.

It is therefore recommended that Gold Certificates should be introduced.

The aggregate value of Gold and Silver imported on other than Government account in the Dominions during the last ten years—1329 F. to 1338 F.—(i.e., 6th October 1919 to 5th October 1929) is as follows :—

		Rs.
Gold	..	.. 13 crores
Silver	..	.. 4 crores, & 40 lacs.

The figures of the imported Treasures are not net. The export, however, is very small. The average annual import of Treasure per head is O.S. Re. 1.

The presentation of gold ornaments at the time of marriage and other ceremonies is a social obligation and the parents either buy gold and hoard their savings in an unproductive form or resort to borrowings at exorbitant rates of interest at the time of the ceremony to fulfil their supposed obligations. “As a powerful incentive to investment and a powerful antidote to hoarding” the Savings Certificates, as proposed by the Hilton Young Commission, should be introduced and be made redeemable after five years in legal tender money or gold at the option of the holder. The measure may be introduced as an experiment at first only in the City of Hyderabad and a few district towns, and the certificates issued through the Imperial Banks and the Central Bank. It may, however, be mentioned that gold certificates are not necessarily an adjunct of the Gold Bullion Standard. They may be usefully adopted as a means of safe and attractive investment for the public under any form of currency. The obligation of the Government to redeem the certificates

* Evidence by the Director of Postal Department, Hyderabad.

in Gold can be treated as an ordinary business transaction. It may be objected that by the introduction of gold certificates and by treating the supply of gold as a business transaction without the corresponding obligation to supply it for the purposes of currency, the Government would be stepping beyond its proper limits and would consequently deprive the bullion-dealers of their share of business. As in the opinion of the Royal Commission on Indian Currency and Finance "the Certificates will greatly assist in an ultimate solution of the problem of India's hoards," the comparatively small amount of loss of profit to the bullion-dealers may be overlooked.

56. The deposits in the banks—both Imperial and Joint Stock—in the Dominions have not made an appreciable progress during the last five years (1925-29). As the marketing centres in the Dominions are practically devoid of well-to-do middle class society and as the mercantile community does not consider the rate of interest paid by the Banks as sufficient, the branches of the Imperial Bank in the districts have not made any headway in the amount of deposits or in the number of accounts. Bearing in mind this apathy of the public both in the districts and in the city towards the Banks, it may be said, on the other hand that the banks have not made any special attempt by advertisement, etc., to attract more depositors. They look stolid and content with their present resources which in many cases are backed by the Treasuries of the Government. If the banks reduce their conditions of minimum deposit to keep a current account and make arrangements by which the encashment of cheques may be expedited without unnecessarily wasting the time of their clients, the banks would be able to attract more depositors.

57. The average number of cheques for each account with the Imperial Bank and the Central Bank is very small. The highest annual average during the last 5 years was 39 and lowest 15. On the other hand the average amount per cheque on the Imperial Bank was very high. In 1929 it was Rs. 6,173, the lowest being Rs. 2,938 in 1925. The small number of cheques per account and large amount per cheque are the index of the class of people who keep an account with the Banks. The men of average means is not the customer of the bank.

The Accountant-General's office at Hyderabad issues either cheques on the Imperial Bank or Cheques on the Treasury in payment of the salary of the Gazetted Officers of the Government of Hyderabad in the city or in payment of other accounts *e.g.*, to contractors. Cheques on Imperial Bank are issued only to those who so desire. The number of Officers who keep the account at the Imperial Bank is presumably very small. A very large number of officers in the City receive their salaries by the cheques on the Treasury.

As there is no clearing arrangement between the banks and the Treasury, the Treasury cheques have to be collected from the Treasury in cash through the Shroffs of the bank with which the cheque may be deposited. The Banks have to employ a Shroff only for the purpose of encashing the cheques at the treasury and they consequently recover the extra expenditure incurred by charging their clients 2 to 4 annas per cent. commission. The employees and other payees of the Government, in order to avoid the payment of the commission, get their cheques encashed through the Shroff or the Chaprasi of their respective offices and so do not deposit the cheques with the Banks. The expectation that the issue of cheques in payment of the salaries by the Accountant-General's Office would encourage the banking and cheque-using habit has not been fulfilled.

If all the cheques in payment of the salaries of the Government Officers were issued on the Imperial Bank, the joint stock and the cheque-using private banks would be saved the trouble and expense of realising the cheques in cash at the Treasury. If this recommendation were accepted, the cheque-using habit would be considerably encouraged amongst the employees of the Government.

The banks do not allow the Savings accounts to be operated upon by cheques. If clients were allowed to draw on their savings accounts through cheques the number of which per month may be limited, the use of cheques would be considerably increased and the deposits on savings accounts encouraged.

CHAPTER XI.

Miscellaneous.

58. I may here make a personal confession. It was in the course of this Enquiry that I fully realised the significant relation between the Courts of Justice and the development of credit agencies. If the civil suits drag on and the banks and bankers do not possess confidence in the courts, all properly organised sources of credit are blocked up and only usury prospers. Joint Stock Banks which cannot afford to lock up their funds indefinitely or to bear the cost of prolonged litigation dread to enter the field and the money-lenders are left free to play havoc with dire consequences to the needy borrowers. The credit institution of the modern type is a delicate growth nurtured on the sap of confidence in all its surroundings. Confidence is the primary condition for its success.

I am not in a position nor do I possess the necessary material or equipment fully to discuss the present conditions of the disposal of civil suits in the Dominions. I deem it, however, necessary to report that the credit agencies generally complain of delay in the disposal of cases. However unfounded in fact this opinion may be, I think the existence of this impression does hamper the growth and development of credit institutions. I give below the figures of the decision of Civil Suits in original and appellate jurisdiction and the relevant figures for the execution of decrees.

The average duration of Civil Suits for the year 1338 F. (ending 6th October 1929) was as follows :—

Original Jurisdiction ..	Regular suits	With contest	193 days
		Without ..	135 ..
	Miscellaneous	With contest	177 ..
		Without ..	91 ..
Appellate Jurisdiction.	Regular	..	173 ..
	Miscellaneous	..	178 ..

The details of the duration of Civil Suits in the various Courts of Original Jurisdiction for the year 1338 F. are not available. The relevant figures of 1336 and 1335 F. are given below :—

		1336 F.	1335 F.
		Days	
High Court	With contest	614	391
	Without „	304	217
City Courts	With „	404	303
	Without „	181	171
Sessions	With „	682	554
	Without „	673	341
District	With „	572	375
	Without „	308	200
Munsiffs	With „	316	301
	Without „	144	31

Total No. of applications for the execution of decrees in the year 1336 F. in all the Khalsa Courts of the Dominions were 27,422 out of which 18,021 were disposed of, the corresponding figures for 1335 F. being 27,109 and 17,304.

59. There is a lack of Statistics in every department of economic activity in the Dominions.
 Statistics. The defects in the outturn of crops and in the export and import figures have already been pointed out before. Trade statistics are not published. Neither are the figures of Treasury balances, rate of exchange, available to the public. The prices and the area of cultivation are issued periodically but the figures are not available in a handy form. These figures and the statements concerning the registered companies can be had only from the publications of the Government of India. A student of economics feels as if he is floating on unknown waters with neither compass nor rudder. The lack of information about the economic condition lulls the people into false notions of poverty or prosperity. It is by rousing the interests of the people in their present economic condition that they will be enabled to find out remedies for economic ills. An ignorant public is as helpless in economic advancement and progress as it is in political.

The ignorance of the dealers and adatyas has already been referred to before. They are not even acquainted

with the figures of the area under cultivation in the Dominions or British India or their average outturn. They receive intimations and advice as regards future course of prices from their Pedhis or adatyas in British India. That is the only source of information for an average business-man in the Dominions. Out of the members of commercial community that I met in the districts including a few highly educated and cultured business-men there was hardly an individual who had heard or read about the proposed law to regulate the markets which, when it would come into operation, would touch them most intimately.

I recommend that all available information concerned with commerce, trade, industry and finance should be regularly published in a form which may easily reach the public.

CHAPTER XII.

Summary of Conclusions.

(1) The presence of the agents of the mills and exporting firms at the important Marketing Centres has on the one hand enabled the cultivators to get the world price of their produce, but on the other has converted all the dealers into commission agents. (Para. 27).

(2) The variety of weights is confusing both to the cultivators and the buyers who operate from a far off centre. If uniform weights were introduced it would be a great convenience to the buyers and the cultivators would be more free in the choice of the market for the sale of their produce. (Para. 28).

(3) More important than the uniformity of weight is the supply of Government stamped weights and their checking from time to time. There is reason to believe that weightment is not always fair. (Para. 28).

(4) The approximate value of export trade financed in O.S. Rupees is 7 crores. The finance required for the internal trade must be much more. (Para. 29).

(5) The 'visible' supply of O.S. Rupees from the Government, the banks and the bankers is about 4 Crores. (Para. 30).

(6) The supply of cash from the money-lenders in the districts and rich land-lords and other private individuals should be very large. The analysis proves that the wealthy people keep their wealth in the form of cash. (Para. 30).

(7) The rise and fall in the B.G. exchange are very precipitate. (Para. 31).

(8) As the exports are concentrated in the space of a few months there is a very great demand for O.S. currency in the export season and for B. G. currency in the slack season. (Para. 31).

(9) The total supply of the currency by the Government during the export season bears a very small proportion to the total demand. The Banks supply considerable amount and control the exchange. (Para. 30).

(10) The regular rise and fall in the exchanges have provided the rich people with a safe method of earning a

small profit. They keep their savings in cash which sees the light of the day twice a year to take advantage of the exchange. (Para. 31).

As the exchange operation enables them to keep their savings in cash as well as earn a small profit on it, hoarding is encouraged and agriculture and industries are starved of capital. (Para. 31).

(11) The exchange also yields the banks and bankers a profit. They convert their B.G. funds into O.S. during the monsoon and reconvert them into B.G. during export season for investment in British India cities. (Para. 31).

(12) Government sells supply bills only at its convenience and they are not usually available at a time when they are required most, the average amount of supply bills for the last 5 years being just a little less than 3 lacs a year. (Para. 32).

(13) As far as financing the commerce is concerned remittance of O.S. funds to the marketing centres is the chief function of the bankers and the main source of their income. (Para. 32).

(14) The dealers in produce regard borrowing against produce in their locality as derogatory to their prestige, though some of them get advances from their *adatyas* in Bombay against the produce sent to them. (Para. 33).

(15) The Banks and bankers on the other hand regard the profit on exchange as the main source of their income and have not made any attempt to develop the short term loan business. (Para. 33).

(16) The retention of stamp duty on cheques in the Dominions effects unfavourably the bankers who reside in the State as compared with those whose offices are situated in British administered areas in the State. (Para. 34).

(17) The duty on cheques and hundis should be abolished to conform with the conditions prevailing in the British India. (Para. 34.)

(18) The Hyderabad Agricultural Produce Market Bill proposes to regulate the customary and recognised allowances in the markets. In competitive markets the customary allowances are not a net deduction from the value the cultivators obtain for their produce. Their regulation by law would however make the marketing system simple. (Para. 35).

(19) The chief source of loss to the cultivators is the deduction on account of quality, dampness or admixture

of foreign matter and these are the most difficult to regulate by law. The provision of arbitration or panchayats is, however, expected to embolden the cultivators not to submit meekly to the decisions of the buyers. (Para. 35).

(20) The present rate of export duty on Cotton, Ground-nut and Castor is very high. It should be reduced. (Para. 35).

(21) At the Marketing Centres there is very great need of banks which may establish intimate relations with the dealers and if possible with the cultivators. (Para. 37).

(22) The chief difficulty in the way of the joint stock banks at the Marketing Centres is the importation of O.S. funds from the sources of supply. They cannot obviously take the risk of importing them through railway parcels as the indigenous bankers do. (Para. 37).

(23) Unless the joint stock Banks are provided with special remittance facilities through the Treasury they can be easily ousted out of the exchange-market by the indigenous bankers who can import funds more cheaply. (Para. 37).

(24) It is recommended that the British Indian joint stock banks should be encouraged to establish their branches at the important Marketing Centres by providing them these facilities of remittance through the Imperial Bank. (Para. 37).

Some other recommendations have been made in (Para. 37).

(25) There are at present no banks with local capital and local enterprise. If one is established which gives reasonable prospects of future development, the Government should give it all reasonable encouragement. (Para. 38).

(26) Properly organised warehouses are essential for the development of Banks and of short term credit. (Para. 38).

(27) The ownership and management of the warehouse should inspire confidence in all the parties concerned. (Para. 38).

(28) It is recommended that N. S. Railway or where the N. S. Railway does not pass, the market Committees should run the warehouses. (Para. 38.)

(29) The rent charged should be kept as low as possible and the Government should bear the loss incurred on account of the warehouse. (Para. 38).

(30) In view of the importance of the development of advances against warehouse receipt for the traders and ultimately for the cultivators this expenditure will be fully justified. (Para. 38).

(31) The warehouse receipt should by law be given the characteristic of a negotiable instrument. (Para.38).

(32) Gaorani and Howri growths of Cotton do not constitute valid tenders either against Hedge or Delivery contracts. Such recognition will be a very great convenience for the traders and would stimulate the use of warehouse and the credit from the Banks. It is recommended that steps should be taken in this direction. (Para. 39).

(33) The difference in exchange involves the cultivators and consumers of imported articles in considerable loss. The cultivators realise the price in O.S. currency when the B.G. exchange is low but they pay for their purchases of imported articles at the unfavourable rate of exchange of the local currency. (Para. 40).

Chapter VII.

(34) Secunderabad occupies a position of great advantage as a distributing centre for a very large part of the Dominions. Its development as a distributing centre is hampered by the fact that the Government does not remit duty on re-exports. It is recommended that the duty on re-exports should be remitted. (Para. 41).

(35) Financing of cottage industries and of industries subsidiary to agriculture has not been dealt with nor are the large scale industries included in the Report. (Para. 42).

Chapter VIII.

(36) The organised industries on small scale have three main sources of credit—the Imperial Bank and the Joint Stock Bank ; the indigenous bankers and the Industrial Fund.

The Banks do not give the required facilities for accommodation. The bankers charge a high rate of interest and the advances are uncertain. The Industrial Fund has rendered considerable help to the industries but the advances from the Fund are for capital expenditure and the Trustees of the Fund, as constituted at present, cannot be expected to extend current account facilities to the industries ; moreover the advances from the Fund are not so expeditious as they would be from an industrial Bank. (Para. 43).

(37) It is recommended that an Industrial Bank should be established. (Para. 46).

(38) The Himru weavers of Aurangabad encounter great difficulty in the sale of their produce. Finance and sale through local sahumars cut deep into their profit. Sale through adatyas or commission agents brings them higher return. Co-operative Societies should be started to finance them for their purchases of raw materials and adatyas connections established in various towns for the sale of their produce. (Para. 45).

(39) All the industries are handicapped by import and export duties and by the Octroi duty imposed at Hyderabad and Secunderabad. The Customs Committee is expected to deal with this very important problem. (Para. 45).

(40) Lack of technical knowledge is a very great drawback in the industrial development. (Para. 44).

(41) The money-lenders in the districts are to a very great extent independent of the bankers for their advances to the cultivators for agricultural operations. The loans from the bankers to the district sahumars before or during monsoon amounts only to about 60 lacs a year.

Chapter IX.

The bankers are also independent of the Imperial or Joint Stock Bank in respect of credit.

These three main credit institutions are not dependent upon one another for credit.

During the export season short term credit is not required as an extremely large proportion of the Cotton, Ground-nut and Castor crops is purchased by the mills or the exporting firms.

The dealers in the marketing centres under the present organisation of marketing finance require only a small amount of credit which they obtain from the bankers in Hyderabad as clean credit or probably from their adatyas in Bombay against the produce despatched.

The three credit institutions, the dealers or sahumars in the district, the bankers, and the Banks are not roped together for credit.

They are dependent on each other for cash against demand drafts for marketing the produce. The whole export is against cash. (paras. 49, 50 and 51).

(42) It could not be ascertained what proportion of the indigenous bankers' working capital is derived from deposits from the public. But it seems to be very small. As such they do not perform that important function of the bank of providing a channel between the savings of the community on the one hand and the productive enterprise on the other. (Paras. 53 and 15).

(43) The indigenous bankers are conservative and have definite preference for their traditional method of dealing. (Para. 53).

(44) The secrecy of their operations hinders the confidence of the public. Those who deposit the savings with them do so either with a view to getting higher rate of interest or in case of need a clean credit.

Sahukars are their chief client. (Para. 53).

(45) Their lack of insistence on liquid security, their readiness to grant clear credit and other facilities they provide, are ingrained in the habits of the commercial community. It is on account of these extra facilities which a Joint Stock Bank cannot be expected to give to their clients that the indigenous bankers are formidable rivals of the Joint Stock Banks. (Para. 15).

(46) It is however not proposed that they should be compelled to publish their arava or balance-sheet. It is only through education and competition of the joint stock banks that they may ultimately be induced or compelled to adopt modern methods of finance. (Para. 53).

(47) They may be appointed agents of the Imperial Bank at those marketing Centres where there is no branch of that or any other joint stock bank. (Para. 53).

(48) The balance of deposits in the Post Office Savings Banks of His Exalted Highness the Nizam's Government at the end of 1338 F. was only 8 lacs—the average per depositor being Rs. 28 only. There is considerable scope for the expansion of the Post Office Savings Banks. They should be advertised and their advantages brought home to the public by every means. (Para. 54).

Chapter X.

(49) Gold Certificates should be issued. (Para. 55).

(50) The Imperial and Joint Stock Banks may attract more depositors and deposits by advertisement and relaxation of their rules as regards current account. (Para. 56).

(51) The salaries of the Government employees should be paid through cheques on the Imperial Bank instead of the cheques on the Treasury. (Para. 57).

(52) The Banks should allow the Savings Bank account to be operated upon by cheques the number of which may be limited. (Para. 57).

(53) There is a general complaint of the delay in disposal of the Civil Suits and the execution of the decrees. The delay in the disposal of suits and the execution of the decrees hampers the growth of the credit institutions. (Para. 58).

(54) The statistics as regards the economic condition of the Dominions are either lacking or defective. They should be published regularly in such a form that may reach the public easily. (Para. 59).

APPENDIX I.

MONTHLY FIGURES (IN THOUSANDS) OF IMPORTS* AND EXPORTS OF THE DOMINIONS.

With Details for exports of Cotton, Ground-nut and Castor-seed for the year 1934 F. (1924-25).

Months	Total Imports O.S. Rs.	Total Exports O.S. Rs.	EXPORT OF COTTON		EXPORT OF GROUND- NUTS		EXPORT OF CASTOR SEED	
			Quantities In Pallas	Approx. Price	Quantities in Pallas	Approx. Price	Quantities in Pallas	Approx. Price
6th October	1,08,45	48,79	4	4,75	4	4,75	21	4,74
November	1,61,47	44,79	9	9,82	8	1,84	8	2,10
December	1,70,55	1,67,09	92	79,52	19	3,84	25	6,17
January	1,90,64	2,23,95	2,09	1,55,52	39	8,99	49	10,86
February	1,87,65	2,71,45	1,65	1,70,14	28	4,04	1,03	20,27
March	1,55,71	1,90,95	86	81,72	14	4,16	1,53	82,06
April	1,84,15	1,72,01	47	52,18	11	2,27	1,29	29,20
May	1,60,82	1,25,26	40	46,30	11	2,35	90	22,63
June	1,33,62	94,08	34	34,74	10	1,71	51	10,26
July	1,09,38	77,40	18	25,64	8	1,56	39	11,19
August	90,81	59,31	11	9,28	4	81	64	17,79
September	99,53	58,46	5	5,51	4	70	84	16,50
Total	17,02,28	15,28,54	7,19	6,74,64	1,59	32,33	8,16	1,88,77

* Excludes the value of commodities imported by persons or institutions specially exempted from Customs duty.

1 Palla = 120 seers.

MONTHLY FIGURES (IN THOUSANDS) OF IMPORTS* AND EXPORTS OF THE DOMINIONS.
 With details for exports of Cotton, Ground-nut and Castor-seed for the year 1885 Fashi (1925-26).

Months	Total Imports O.S. Rs.	Total Exports O.S. Rs.	EXPORT OF COTTON		EXPORT OF GROUND-NUTS		EXPORT OF CASTOR-SEED	
			Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.
6th October	1,15,92	46,09	3	8,04	8	43	64	11,58
November	1,40,58	1,16,94	31	85,74	10	1,77	42	7,75
December	1,22,99	2,47,36	1,82	1,62,88	51	9,18	35	7,64
January	1,09,81	2,55,03	1,62	1,64,62	97	18,89	75	10,61
February	1,22,87	1,85,47	1,15	1,00,02	82	15,42	1,09	16,59
March	1,23,88	1,44,20	66	60,82	46	7,50	1,40	15,14
April	1,26,27	1,14,70	54	89,80	51	6,88	1,86	18,42
May	1,17,87	1,10,31	85	89,85	89	4,98	1,11	19,44
June	1,16,82	1,94,34	26	27,45	28	8,64	78	18,16
July	85,22	55,21	12	18,41	10	1,67	28	4,89
August	67,18	51,33	11	12,47	10	1,41	44	7,61
September	80,96	46,72	3	6,67	2	39	44	8,08
Total	18,29,82	15,67,70	6,51	6,71,27	4,30	66,61	9,02	1,40,36

* Excludes the value of commodities imported by persons or institutions specially exempted from Customs duty.

1 Palla=120 seers.

MONTHLY FIGURES (IN THOUSANDS) OF IMPORTS* AND EXPORTS OF THE DOMINIONS
 With details for exports of Cotton, Ground-nut and Castor-seed for the year 1886 F. (1926-27).

Months	Total Imports O.S. Rs.	Total Exports O.S. Rs.	EXPORT OF COTTON		EXPORT OF GROUND-NUTS		EXPORT OF CASTOR-SEEDS	
			Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.
6th October	86,05	61,14	2	2,34	5	77	60	9,02
November	91,77	70,86	11	8,14	18	2,71	31	8,54
December	1,21,46	1,76,68	1,21	1,10,00	61	10,90	39	6,74
January	1,02,21	2,20,68	1,97	1,55,56	53	7,56	49	10,88
February	1,29,15	1,74,41	1,21	87,02	69	10,25	98	17,45
March	1,33,45	1,42,42	68	57,80	87	5,50	77	8,27
April	1,12,82	91,51	84	88,16	28	3,74	16	3,80
May	1,08,31	82,81	28	29,27	31	6,60	26	4,04
June	1,00,45	74,86	25	26,01	28	4,82	16	3,29
July	75,03	50,35	12	15,72	22	3,92	16	3,02
August	74,68	51,37	11	7,00	25	6,48	18	3,38
September	79,68	35,59	4	3,54	14	2,72	28	2,78
Total	12,10,02	12,32,68	6,36	5,25,57	3,81	65,93	4,71	7,562

* Excludes the value of commodities imported by persons or institutions specially exempted from Customs duty.

1 Palla = 120 seers.

MONTHLY FIGURES (IN THOUSANDS) OF IMPORTS* AND EXPORTS OF THE DOMINIONS.

With details for exports of Cotton, Ground-nut and Castor-seed for the year 1887 F. (1927-28).

Months	Total		EXPORT OF COTTON		EXPORT OF GROUND-NUTS		EXPORT OF CASTOR-SEEDS	
	Imports O.S. Rs.	Exports O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.
6th October	84,68	39,42	3	2,94	12	2,44	16	3,21
November	1,21,85	1,01,66	66	65,67	25	4,97	87	7,56
December	1,42,50	3,23,25	2,13	2,13,56	1,13	22,71	48	9,58
January	1,82,69	3,83,05	2,49	2,89,16	2,30	46,08	60	12,05
February	1,41,91	2,62,24	1,26	1,26,52	2,13	43,64	1,19	23,76
March	1,22,44	2,51,97	1,05	1,05,17	1,59	31,72	1,68	33,58
April	1,41,92	2,31,08	94	94,38	1,25	25,07	1,50	29,97
May	1,42,47	1,54,39	55	54,78	95	19,06	81	16,12
June	1,28,29	95,72	31	31,27	43	8,66	39	7,87
July	88,81	63,52	13	13,80	82	6,84	36	7,14
August	92,28	53,22	5	4,89	25	5,19	36	7,17
September	81,80	39,31	8	2,81	11	2,15	26	5,88
Total	14,10,51	19,98,82	9,64	9,64,42	10,85	2,17,06	8,17	1,68,40

* Excludes the value of commodities imported by persons of institutions specially exempted from Customs duty.

1 Palla = 120 seers.

MONTHLY FIGURES (IN THOUSANDS) OF IMPORTS* AND EXPORTS OF THE DOMINIONS
with details for exports of cotton, ground-nut and castor-seed for the year 1888 Fasli (1928-29).

Months	Total Imports O.S. Rs.	Total Exports O.S. Rs.	EXPORT OF COTTON		EXPORT OF GROUND-NUTS		EXPORT OF CASTOR-SEEDS	
			Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.	Quant. pallas	Approx. price O.S. Rs.
6th October	96,26	50,46	5	5,15	8	1,71	41	8,81
November	1,25,80	1,09,73	40	40,58	54	10,81	44	8,78
December	1,51,02	2,45,44	1,20	1,19,68	2,44	49,80	28	5,64
January	1,85,53	3,71,81	1,92	1,91,67	4,58	99,34	62	12,48
February	1,50,46	3,13,27	1,52	1,52,31	88	72,40	1,34	26,88
March	1,44,01	2,87,50	1,43	1,43,26	96	28,25	1,99	89,79
April	1,01,62	1,98,60	74	74,34	79	23,45	1,56	31,26
May	1,62,19	1,55,89	50	49,91	69	20,41	1,14	22,79
June	1,21,31	83,92	27	26,86	41	12,23	17	3,47
July	93,02	88,88	20	20,13	85	25,31	14	2,77
August	99,80	81,73	17	17,27	85	24,94	22	4,33
September	86,99	63,91	18	18,25	25	7,52	88	6,66
Total	14,68,04	20,46,15	8,54	8,54,43	18,33	3,76,18	8,65	1,73,08

1 Palla = 120 seers.

* Excludes the value of commodities imported by persons or institutions specially exempted from Customs duty.

APPENDIX II.

VALUE OF TREASURIES IMPORTED IN THE DOMINIONS
(on private account only).*From 1329 F. to 1338 F. (6th October 1919 to 5th October 1929).*

Years				Imports of gold	Imports of silver
				O.S. Rs.	O.S. Rs.
6th Oct. to 5th Oct.					
1919—20	..	..	..	2,68,46,766	11,30,896
1920—21	..	..	..	2,20,816	2,15,725
1921—22	..	..	..	37,71,569	27,08,189
1922—23	..	..	..	1,34,18,121	62,43,257
1923—24	..	..	..	1,82,68,928	71,58,015
1924—25	..	..	..	3,46,93,321	77,71,657
1925—26	..	..	..	1,15,37,955	45,22,901
1926—27	..	..	..	55,08,710	50,36,952
1927—28	..	..	..	84,29,215	39,46,220
1928—29	..	..	..	83,00,068	52,38,987
			Total	18,09,95,469	4,39,72,799

APPENDIX III.

LIST OF TAQAVI ADVANCES MADE DURING THE PAST 10 YEARS
FROM 1328 FASLI TO 1337 FASLI.

(6th October 1918 to 5th October 1928).

Year	Taqavi for im- provement from Revenue grant	Year	Taqavi given as relief from the Famine grant
	Amount advanced		Amount Advanced
6th Oct. to 5th Oct.	Rs.	6th Oct. to 5th Oct.	Rs.
1918—19 ..	8,18,858	1918—19 and 1919—20	19,82,510
1919—20 ..	5,896	1920—21 and 1921—22	28,67,519
1920—21 ..	35,385	1923—24	1,15,284
1921—22 ..	89,112	1926—27	80,000
1922—23 ..	89,045	1927—28	..
1923—24 ..	58,949	..	..
1924—25 ..	28,187	..	..
1925—26 ..	12,653	..	..
1926—27 ..	10,830	..	..
1927—28 ..	19,886	..	..

APPENDIX IV.

AREA (IN ACRES) UNDER CROPS AND SPECIFICATION OF CROP IN THE DOMINIONS.—(1922-23 to 1926-27).

Season	Food-grains	OIL-SEEDS			Cotton sown	Miscellaneous crops sown	Total
		Castor	Ground-nuts	Others			
1922-23	1,72,68,037	9,13,099	1,48,067	10,60,585	38,25,454	38,21,604	2,68,36,816
1923-24	1,73,00,531	8,98,208	1,98,871	11,68,282	38,90,892	35,06,601	2,69,57,835
1924-25	1,74,35,562	8,81,872	2,26,967	11,78,466	38,98,561	38,95,680	2,75,12,108
1925-26	1,81,12,500	9,48,220	1,98,026	12,33,786	38,64,725	29,00,199	2,72,52,406
1926-27	1,80,68,128	6,49,108	3,06,432	10,98,891	38,36,241	38,48,986	2,73,07,726
		Percentages to total area sown.					
1922-23	64·34	3·40	·55	3·95	14·25	13·49	100·00
1923-24	64·18	3·33	·72	4·33	14·43	13·01	100·00
1924-25	63·87	3·20	·82	4·26	14·17	14·16	100·00
1925-26	66·46	3·46	·72	4·52	14·18	10·64	100·00
1926-27	66·16	2·33	1·12	4·02	12·21	14·09	100·00

APPENDIX V

ABSTRACT STATEMENT OF JOINT STOCK COMPANIES IN HYDERABAD FOR THE OFFICIAL YEAR 1888 FASLI.

Items	No. of companies	COMPANIES DIVIDED INTO SHARES			COMPANIES LIMITED BY GUARANTEE AND POSSESSING NO CAPITAL PAID-UP	
		Authorised	Subscribed	Paid-up	No. of companies	No. of Members
		Rs.	Rs.	Rs.	Rs.	Rs.
Working at the close of the preceding year	15	O.S. 15,80,000 B.G. 2,77,00,000	5,89,660 1,81,20,590	4,57,081 1,59,71,087	....	....
Registered during the year 1888 F. (1928-29)	10	O.S. 18,80,000 B.G. 50,000	69,500 4,850	66,670 2,085	....	....
Ceased to work during the year 1888 F. (1928-29)	1	B.G. 2,00,000	10,140	4,090	..	..
Capital increased during the year 1885 F. (1925-26) .. .. .	..	..	..	..	..	..
Capital decreased during the year 1885 F. (1925-26)	1	B.G. 6,00,000	6,00,000	5,98,000	..	..
Working at the close of the year 1888 F. (1928-29)	24	O.S. 29,60,000 B.G. 2,69,50,000	8,16,140 1,75,18,650	6,44,848 1,60,21,602	....	....

APPENDIX VI.

Copy of the letter No. 808 dated the 8th May 1929, from the Financial Secretary, addressed to the Accountant-General, His Exalted Highness the Nizam's Government, Hyderabad-Deccan.

I am directed to communicate sanction of His Exalted Highness under the Firman Mubarak dated the 15th Shawal 1347 H. to the constitution of an Industrial Fund with a crore of Rupees as State Aid to Industries to be controlled and utilised as under :—

(1) The Fund will be controlled by a Board of three members without powers of delegation consisting of the Finance Member, the Member for Revenue (Commerce and Industries), *Ex-officio*, and one other Member nominated by the Executive Council who have now selected the Member for the P. W. Department. The Director-General and Secretary, Commerce and Industries, will be the *Ex-officio* Secretary of the Board.

(2) Each Member of the Board will have power to initiate proposals and each proposal will be decided by majority of votes except of course that, keeping in view the financial responsibility as laid down in the Constitution of the Council, any proposal regarding expenditure vetoed by the Finance Member will not be carried. But proposal from the Finance Member will be decided by majority.

(3) The *corpus* of the Fund will be invested—

(a) in the form preferably of debentures but also, if necessary, of shares as State Aid to large Industries within the State.

(b) After the above requirements have been fully satisfied as State Aid to such industries outside the State as may be calculated to bring to the State any benefit direct, indirect, immediate or potential ;

(c) Failing the above two, in gilt edged securities.

(4) The return in the form of dividends or interest on the *corpus* of the Fund as above invested will be utilised :—

(i) for the improvement and development of small as well as cottage industries ;

(ii) for industrial experiments and the demonstration of industrial plants and processes ;

- (iii) for economic and industrial inquiries within the State ;
- (iv) for grants to assist industrial and technical research, and
- (v) for the grant of assistance to young men for obtaining training in industrial processes either within or without the State.

The industrial holdings of the face-value of O. S. Rs. 54,83,333 equivalent to B.G. Rs. 47,00,000 as detailed below, have already been transferred to this Fund *vide* Budget for 1338 F. p. IX—Statement of Government Investments :—

Singareni Collieries Debentures	..	B.G. Rs.	20	lakhs
Shahabad Cement Co.'s Shares	..	..	6	..
Do Debentures	..	..	15	..
Mining Shares £45,000 or	..	..	6	..

Further investments will be made as and when the Finance Department considers necessary.

RULES FOR THE GRANT OF LOANS FOR THE PURPOSE OF ASSISTING SMALL SCALE INDUSTRIES.

1. *Purposes for which loans may be granted* :—Loans may be granted under these rules for any one or more of the following purposes :—

- (a) To finance the purchase and erection of machinery for industrial purposes ;
- (b) to finance the construction of buildings ;
- (c) as working capital for any industry which may or may not require machinery.

2. *Amount of loan*.—The Director of Industries and Commerce shall be competent to sanction loans not exceeding Rs. 1,000 per concern for clauses (a) and (b) and Mr. Collins, personally as the Director-General of Commerce and Industries shall be competent to sanction loans upto Rs. 3,000 for all purposes mentioned in para. 1. The Member for Commerce and Industry shall exercise similar powers upto Rs. 5,000. All loans of larger amounts or not in strict accordance with the rules should be referred to the Trustees.

3. *Interest*.—The rate of interest which will be simple shall not be less than 6 per cent. per annum and shall accrue from the date of disbursement of the loan.

4. *Repayment*.—(a) If loans are made for machinery or building, interest alone will be recovered in the first year after this, the principal and interest will be recovered by equated annual instalment within period fixed by the sanctioning authority ; but in no case this period should exceed 10 years ;

(b) In the case of loan for working capital equated instalments including interest, shall be made payable from the first year and the loan with interest shall be recovered within ten years at the outside ;

(c) In case of default in payment of any instalment, the sanctioning authority will have discretion to charge penal interest at a rate not exceeding 1 per cent. per annum ;

(d) Instalments shall be paid at the Office of the Director of Commerce and Industries or at the Central

Treasury or at any District Treasury. In the latter case the receipt shall be sent to the office of the Director of Commerce and Industries within reasonable time ;

(e) The dates for the payment of the first instalments shall be decided and fixed by the sanctioning authority with reference to the nature of the industry.

5. *Postponement of repayment.*—If for any cause beyond the control of the borrower the payment of an instalment in whole or in part at the time fixed is not possible, repayment of that instalment in whole or in part may, subject to the provisions of Rule 4, be suspended by the sanctioning authority for a period of one instalment only, any further postponement being subject to the sanction of the Trustees. If, however, in the opinion of the sanctioning authority the reasons for delay in payment or in carrying out any obligation incurred under these Rules, are not satisfactory, he may, if he thinks fit, recall the whole loan together with interest at once.

6. *Security.*—(a) No loan shall be granted under clauses (a) and (b) Rule 1 unless the value of the immovable property offered as security is on a conservative value equal to the amount of the loan applied for. In addition to this, further security may be required of the applicant at the discretion of the sanctioning authority. This additional security shall usually include one personal surety of the aggregate value of the loan. In all cases the object upon which the loan is expended shall be mortgaged to Government and no borrower shall be allowed to exchange or sell or in any way transfer the whole or any portion of the buildings, plant or machinery purchased without the express permission in writing of the sanctioning authority until the loan is repaid in full. In other words, all buildings erected, all machinery purchased with the money advanced by Government shall remain the property of Government until the loan is fully liquidated. The value of the property may be included in the security offered to Government, but shall always be taken at a reasonable discount on the cost price.

(b) In the case of loans under clause (c) of Rule, 1, i.e., for working capital, immovable property at least 50 per cent. in excess of the value of the loan granted shall be taken. The plant, machinery and buildings of the concern, if any, shall always be mortgaged with Government ; but may be reckoned part of the security offered.

7. *Grant of loans.*—No loan shall be granted without a previous enquiry which shall be held by the Director of Commerce and Industries or by an officer deputed by him for the purpose. The Director may also make enquiries about the case through the First Talukdar of the district in which the applicant resides.

Where loans are granted for purchase of machinery, the machinery will be selected by the Director of Commerce and Industries and the cost of the same shall usually be paid direct from the amount sanctioned. Intending applicants for loans may address and seek advice from the Department previous to submitting their applications.

A loan may be paid in a lump sum or by instalments according to the nature of each case at the discretion of the sanctioning authority.

8. *Supply of Plant and Machinery on the Hire Purchase System.*—On application plant and machinery may be supplied to the applicant on the hire purchase system on the following conditions :—

(a) Interest shall be charged at a rate not less than 6 per cent. per annum ;

(b) No machinery shall be supplied on the hire purchase system, unless the applicant therefor deposits with the Director 20 per cent. of the cost of the said machinery. The balance of the cost with interest shall be recovered in equated instalments as in the case of cash loans ;

(c) The sanctioning authority shall ordinarily require that Government shall be protected against total or partial loss of such machinery from fire or any other cause by means of insurance, a mortgage of immovable property, the personal guarantee of one or more persons or in any manner which may be deemed suitable in each case ;

(d) All machinery supplied on the hire purchase system shall, until the hiring is terminated in accordance with these rules, bear a metal plate with the following inscription :—

Notice.

“ The machinery is the property of His Exalted Highness the Nizam’s Government and any person who wilfully removes or defaces this plate is liable to a fine not exceeding Rs. 500.”

(e) Should the borrower fail to pay the instalments fixed in due time, the sanctioning authority shall have discretion to charge penal interest as in Rule (4) (c) or may remove the machinery and sell it for what it will fetch. If the sum received for it added to the sums already paid by the borrower exceeds the cost of the machinery *plus* interest and the expenses incurred, the balance shall be paid to the borrower. Similar action may be taken if the borrower fails to maintain the machinery in good order ;

(f) The sanctioning authorities mentioned in Rule 2 shall have the same powers in respect of machinery supplied on the hire purchase system.

9. *Erection of Plant and Machinery.*—The Department of Commerce and Industries may, if requested, undertake the erection of machinery for private individuals at their expense.

10. *Upkeep of Machinery.*—Machinery, appliances etc., purchased under these rules must be maintained in good working order to the satisfaction of the Director of Commerce and Industries who may order repairs or renewals to be made at the cost of the owner.

Failure to comply with such orders will involve proceedings for the loan under the following rule.

11. *Procedure as regards recovery of loan.*—All loans granted under these rules and all other sums falling due to Government in connection therewith, shall be recoverable as arrears of land revenue, *i.e.*, they shall have priority of recovery in like manner to other Government demands.

12. *Accounts and books.*—Every concern financed under these rules shall maintain accounts and submit a balance-sheet, profit and loss statement and a statement of debtors and creditors, at prescribed intervals in forms prescribed by the Director of Commerce and Industries and all books shall be open to inspection by him or by any official deputed by him and the First Talukdar of the district, if requested to do so by the Director of Commerce and Industries.

13. *Government Accounts Control.*—The Director shall keep accounts of loans and repayments under these rules, in a form to be settled in consultation with the Accountant-General. The accounts should be such as to clearly show the conditions of all transactions at all times.

Every loan sanctioned under these rules should be reported by the sanctioning authority to the Accountant-General with full particulars. The Accountant-General will see that the loan is covered by rules and sanction of competent authority, and will watch the repayment of instalments. A special section in the Accountant-General's Annual report on loan transactions should be devoted to loans under these rules.

14. *Qualifications of a borrower.*—An applicant must be a subject of the State and either he or a man appointed by him must possess sufficient practical experience of the industry for which he applies for a loan. The sanctioning authority shall decide whether the experience he or his employees possess is sufficient or not.

If in any case the Director of Commerce and Industries considers it necessary in the interest of the State to help a "Gair Mulki" to introduce a new industry, he shall recommend such application to Government for sanction.

15. *Mode of Application.*—An application for a loan must be made in writing to the Director of Commerce and Industries accompanied by the appointed forms duly filled as to all particulars. Copies of these forms can be obtained from the Director of Commerce and Industries.

16. *Disbursement of loans.*—All loans will be disbursed by the Director of Commerce and Industries and it will be incumbent upon the borrower to immediately put the work in hand for which the loan has been taken.

17. *Uses of loan money.*—The loan money shall be used solely for the purpose for which it is granted, and shall not be utilised for any other purpose and if so utilised, it may be recalled at any time.