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THE PUNJAB PROVINCIAL BANKING ENQUIRY COMMITTEE, 1929-30.

EVIDENCE.

VOLUME II.



Lahore:

PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRINTING, PUNJAB, AND PUBLISHED BY THE GOVERNMENT OF INDIA, CENTRAL PUBLICATION BRANCH, CALCUTTA.

1930.

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Manager, Punjab Provincial Co-operative Bank, Ltd., Lahore.

In drawing up this little note the investigator has confined himself to only one chapter of the questionnaire, *viz.*, marketing. This is so for reasons of experience and investigations.

There is just one more point to which special attention has to be invited at the outset. Instead of Lahore it is the district of Sheikhupura which has been selected by him for his enquiry. The reason being that this district promised to afford him facilities for the study of co-operative marketing as well.

I. (*i*) Wheat, rice, barley, cotton, oil-seeds (toria) gram, gur, the staple crops of the district are brought to the market in the following manner :—

Means of transport.—(1) Carts, (2) asses, (3) camels, (4) pack bullocks, (5) ekkas, (6) Lorries.

Fodder and fruit such as "*khurbuza*" and melon are invariably brought on carts ; and more valuable fruits as oranges on heads.

Marketing agencies.—(1) Cultivators or growers, fifty per cent. ; (2) village shopkeepers, forty per cent. ; (3) agents of *arhtis* and visiting dealers, five per cent.; (4) *kumhar* (carrier), on their account five per cent.

Cultivators near the mandis and belonging to the more prudent castes such as Kamboh and Arains market their produce themselves.

N.B.—About half of the Shahdara tehsil is an exception to the above statement. For want of regular mandis and poverty of communications about eighty per cent. of the produce is marketed locally through 'beoparis' who are agents of big *arhtis* of Amritsar. The gorwers are undone, if in a period of depression as at present the buyer does not visit their villages. The results are obvious. A mandi at Narang is badly needed.

(*ii*) Yes ; the difference is very remarkable : maize, barley, tobacco in the neighbourhood of Sangla Hill and 'gur' in the Shahdara tehsil are cases in point.

The zemindar makes an estimate of his household requirements for the whole year, and the surplus, if any, is disposed of in the following ways :—

(1) A part is sold to other zemindars of the village, who have not been able to grow such crops for some reason or other. Such men always keep their eye on the grower from the beginning and collect at the threshing floor in most cases.

(2) A part is sold to the village shopkeeper who also appears at the threshing floor.

(3) A part is marketed through the housewife. She barters it for merchandise for the kitchen and cloth for the children at the local shop.

(4) A part is given to other zemindars as loan in kind to be recovered when the borrowing man grows it himself.

(5) Very infrequently a zemindar will market his surplus near the end of the year in the bazar of the mandi town. This is seldom done through the '*arhtis*.'

II.—The Kotha system of storage is not in vogue in this district. Wheat, paddy, rice, toria and gram are the principal staple products.

deposited in the shops and godowns of the Banks as security for obtaining credit by the village shopkeepers, cultivators, *arhtis* and dealers carrying on business at other mandis.

In a season of falling prices, particularly if this phenomenon be also accompanied by a considerable off-take, the storage and the consequent pledging go up. The estimate of those engaged in the trade is that the proportion of grain thus hypothecated to the total quantity marketed at a particular mandi varies between 8 and 15 per cent. Nearly half is railed away to consuming centres and a goodly portion remains unpledged.

III. (*i*) Such a system presupposes a high level of education, efficiency and commercial honesty among the cultivators and the grain dealers. The experiment is, however, worth making in one or two selected centres. It would reduce the cost of marketing by making possible sales by sample and description. Standardisation of types is the one great need in successful marketing. It would create a marketable collateral for advances, and this effect alone would justify reasonable expenditure.

(*ii*) Yes, the assistance of the Government is indispensable at least in the initial stages of the enterprise. Maintenance of warehousemen and Inspectors whose duties will consist in grading, inspecting and supervising the stored products in the warehouse should be undertaken at the public expense. The existing Department of Agriculture can perform this function in the beginning. Fees and the resulting better prices for the owners will set off a part of the cost incurred.

IV.—*Imperial Bank.*—At all the principal mandis, Sheikhupura, Chuharkana, Sangla Hill, Nankana Sahib and Warburton the above Bank has granted cash credit limits to arhtis against pledge, with physical possession of agricultural products other than cotton. Ordinary houses are used as godowns. The guarantee broker has been eliminated. The rate of interest is 7 per cent for one-half year and 7½ per cent for the other. The Bank also discounts 1st class sight hundis for some arhtis of approved credit. It has, however, neither a branch nor a pay office in the district.

Lloyds Bank.—The newly opened Lahore branch of this Bank has granted cash credit to ginners at two or three mandis on the guarantee broker system.

Other joint stock banks.—The Punjab National Bank maintains a branch at Sangla Hill and the Peoples Bank of Northern India at Sheikhupura. As a matter of fact these two are the only Bank offices situated within the boundary of the district. They grant overdraft, fixed loans and cash credit facilities to arhtis not only of their towns but to others of the neighbouring mandis against securities other than agricultural produce. They also discount and collect hundis, and issue drafts on their Head Offices and branches. The Central Bank of India and the Allahabad Bank with their branches at Lyallpur also grant all these facilities to arhtis of this district.

Co-operative Banks.—The Central Bank at Sheikhupura has granted cash credits to the two commission shops in the district, the one at

Chuharkana and the other at Sangla Hill. The Co-operative Societies which are members of the commission shops also make loans to their members-cultivators, for marketing purchases.

Indigenous bankers.—There is none deserving this epithet in the district. About twenty in Lahore and probably one or two in Lyallpur do some business for the arhtis of the district under review. The investigator met one in Lahore who took him into confidence and told him that he buys hundis from only one or two arhtis at Sheikhupura about whose financial position he is fully satisfied. This house of bankers also owns flour mills in Lahore, and with the object of feeding its mills depends on supplies of wheat from the mandis of Sheikhupura district on the agency system. Thus it has direct opportunities to come into personal contact with arhtis there. This house in addition grants short term loans on pro-notes generally without any collateral security.

Money-lenders.—So far as the investigator, has been able to ascertain they are few in this comparatively, " new " district. Arhtis borrow from them, wherever they can.

Grain Merchants.—The investigator has not come across any grain merchant as such. The commission agents and some professional money-lenders also function as grain merchants. The arhtis finance the village shopkeepers and agriculturists directly with or without the security of produce, before and after the crops have been harvested.

(*ii*) They are neither adequate nor very attractive. This district is under-banked. The arhtis have to run up to Lahore or Lyallpur for payments into their cash credits with the Imperial Bank and Lloyds Bank ; or in the alternative have to pay unreasonably high rates on remittances. Every mandi ought to have at least a pay office if not a full-fledged branch of its own. The Imperial Bank instead of starting its present Branch at Lyallpur where joint stock banks of good repute already furnished banking facilities ought to have chosen Chuharkana for this purpose. In the absence of healthy competition the price of credit charged is rather high. On the other hand, the arhtis are themselves to blame, if some of the conditions relating to handling of godowns are unpleasant to them. It is an open secret that in almost all cases of fires breaking out in the cotton godowns, the ginners themselves were guilty of the act. They have cheated banks in various other ways. One is that in collusion with the not-unoften low-paid yet responsible godown-keeper, they have exchanged sacks of husk for those of rice in the godown.

Some suggestions.—(*i*) The system of trade acceptances and the organisation of arrangements of their discount should be developed. (2) Advisory Boards consisting of local men of knowledge and character should with mutual benefit be allowed by the banks to be associated with their local boards. (3) In case the existing machinery of Co-operative Banks be unable to finance the Co-operative Commission shops separate central institutions should be set up for this purpose. Their constitution should enable them to make advances to marketing societies against the security of agricultural products in their possession. The bye-laws of the existing shops appear to be defective and would require amendment, if they are to hold their own, in face of

unequal competition from the hostile "arhtis." They must be linked up with the village societies in order to secure a much closer co-operation between them than at present. Well-paid men with business experience and knowledge of markets at home and abroad should be put in charge of these shops.

V. A fair degree of co-ordination exists among the lower ranges of the banking organisation of the country.

For instance, let us take the arhti and the indigenous banker. The former sells and buys hundis, takes short term loans on pro-notes from the latter. The latter in return accepts deposits on interest from the former whenever he happens to have a surplus. The hundi market exists down to the present day in such a high pitch of perfection that it has successfully resistered the efforts of the joint stock banks to break it.

Among the indigenous bankers as a class that remarkable spirit of community found in the Chetties and Marwaries is not met with here. They would furnish information to one another about the financial position of a party or would exert their influence to effect a compromise in disputes but go no further. Between the Imperial Bank on the one hand and the indigenous banker on the other a small measure of co-operation does exist. The former rediscounts their hundis and keeps current or overdraft account for them.

As between the joint stock banks themselves or between them and the Imperial Banks there is little or no element of cohesion. On the contrary, a feeling of unpleasantness engendered by unhealthy competition is conspicuous.

(*a*) (*a*) Yes, there are associations to promote mutual good-will: a better understanding of their common interest can be formed, provided those at the helm of affairs initiate a policy of reconciliation.

(*b*) A reserve bank with really national outlook would go a long way to inspire confidence and a spirit of brotherhood among the various banking organisations. Such a bank should aim at sound banking development in the country and should so formulate its policy of business that there should be no injustice or unfairness in its dealings towards any member. It may not open branches and should eschew competition in point of discounting exchanges and deposits and exert itself fully to co-ordinate the activities of the whole banking mechanism. It should above all exert itself fully to avert a panic.

VI. The answer is in the affirmative. In the trade of the interior and, to a considerable extent, in the movement of goods more or less earmarked from the primary markets for foreign export, down to the shipping centres the indigenous machinery including the joint stock banks play an important part through hundis. Their activities come to an end at this stage. The exporting firms which monopolise direct shipping discount their export bills with the exchange banks at the ports and thereby put themselves in funds again. The very small percentage (barely 5 per cent.) of direct Indian shippers of agricultural products also obtain credit from the exchange banks under the system known as the confirmed letter of credit by arrangement with the foreign importer.

Oral evidence of Lala Mool Raj, Manager, Punjab Provincial Co-operative Bank, Lahore.

Chairman.—Are you the manager of the Provincial Co-operative Bank, Lahore?—Yes, Sir.

How long have you been that?—For five years.

Ever since the Bank was started?—Yes, Sir.

In your note on marketing you mention lorries as one of the means of transport. Are they much used?—No; to a very limited extent. Usually they are employed when goods are to be transported from the mandis to Lahore or from Khangah Dogran, which is not a railway station, when goods are to be transported to Chuhar Kana or to any other station on the railway line; otherwise the roads are very bad there and not fit for transport.

Does this note of yours refer to the whole of the Sheikhupura District? Yes, Sir.

You say that in about half the Shahdara Tahsil cultivators don't market their produce for want of mandis. How far off is the nearest mandi from the centre of the area you have in mind?—The nearest mandi is Lahore. It is about eighteen or nineteen miles from there.

Did you find that the cultivators would only bring their produce to market if they could get back in the day?—Not necessarily; but sometimes they have to stay for two or three days. I had seen one or two persons at Sangla Hill; they had been staying there in the expectation of a rise in the prices; but generally they would like to go back in the evening.

Is that why cultivators in this area don't market their produce because they cannot get back in the day? Not only that, but the roads are quite unfavourable for traffic, especially in the rainy season when there is a wide expanse of water and nothing else.

Further on you say that the proportion of grain hypothecated to the total quantity marketed at a particular mandi varies between eight and fifteen per cent.?—That is my estimate.

Per cent of what?—Of the total volume I should say.

The total production of the area? Not of the area, but actually brought to the market.

To whom is that pledged?—That is pledged in the first place to the commission agent by the village *beopari*, and in the second place by the dealers from other mandis, who also stock agricultural produce there in expectation of rise in prices. In both cases it is generally pledged to the commission agents; but sometimes the agriculturists also have to pledge that to the commission agent and then the same *arhti* usually hypothecates the same goods to the banks and the produce is deposited in the godowns of the banks.

Who pledges the produce to the *arhti*?—First, the village dealer, secondly, the dealers from other mandis; they also buy some goods and when they find that there will be some rise in the prices sometime later, they deposit that with the commission agent.

Does the commission agent advance a certain percentage of the value?—Yes, about eighty per cent.

If necessary, he pledges that with the Imperial Bank?—Yes he does in most cases.

So in a sense the grain may be said to be rediscounted with the Imperial Bank?—It comes to that.

Is that common in this area?—I am afraid, it is common; I am told that there is no defect in the title of the banker in that way, because that was really the security against which the commission agent lent; so he could further hypothecate it to the bank. That is what I was told by the experts.

At what rate is the first advance made by the *arhti* to the village trader?—Generally at Re. 0-12-0 per cent per mensem.

You advocate the establishment of advisory boards to assist the banks in their grain business. What would be the advantage to the banks of the advisory boards?—Well, in my humble opinion that would create the necessary understanding between those who want to have credit with the banks and the bank's directorate. At present there is a complaint. I do not know how far that can be true, that people who really do not deserve credit get it, but those who deserve it, go without it.

Even though they have grain to pledge?—Yes, in some cases.

Is this complaint commonly made in this area?—I don't say it is very common, but all the same it exists.

Your suggestion only relates to the grain business?—No, Sir, it is general.

Does it relate to the whole of the banking business?—Yes, Sir, These *arhtis* also should be represented on the same advisory board. That would increase the mutual understanding to promote the goodwill between the lender and the borrower and they will be brought close together.

Do you mean to say that the banks should not make advances without consulting the advisory board?—It would be in the mutual interests of both if they consult those people who could give them better advice. For instance, there are forty firms in a particular mandi. Out of that number about four men who may be called the representatives of those people, may be brought on the advisory board.

Would they themselves be able to get loans?—Under certain safeguards they might also be given loans; there is no harm in that.

You say that the bye-laws of the existing commission shops are defective in some respects. In what respects?—The first defect is

that no loans can be given to non-members, and also to members loans can only be given against the security of produce and not without security. I am to suggest that loans should be given against security and without security to members and also to non-members if they can pledge security.

Why do you suggest the giving of loans to non-members ?—There I find that not only members are giving custom to the commission shops, but a large number comes from the non-members ; just to win them from others where they may not find satisfactory dealings. If they come over to the commission shop and give proper security, I don't think there is any harm in giving them loans.

Your object is to increase the business of the commission shops with non-members ?—Not necessarily, but because the members are not very loyal there and the reason is this that the other *arhtis* give better facilities to them.

I am speaking of non-members ?—I don't want to suggest that the non-members should be given very great facilities, but if they come and give security and also give assurance that they had come to us for better dealings, I think there is no harm in giving them loans against security.

Indirectly the result would be to draw more custom from non-members ; otherwise I don't see what the purpose of the suggestion is ?—They would also benefit by it.

If your proposal is not made with the object of trying to attract more custom from non-members, what is the object of it ?—My object is propaganda of the co-operative principles and their methods of marketing.

You think that if non-members are induced to deal with the co-operative commission shops, they might in time be persuaded to become members ?—That is exactly the idea.

In regard to members why do you suggest that loans should be given to them without security ?—That should be only after certain safeguards, not exceeding certain limits. But there are occasions when they require help. For instance I know a man who came to a commission shop, but his carrier could not come in time. He wanted a few rupees urgently. The Sub-Inspector was there and he recommended the loan, because the man wanted that urgently ; otherwise he would take his produce to another man. If facilities were not given, that would discourage their dealings with the shop.

Is it not a common practice in these commission shops to make similar advances to members ?—At Chuhar Kana they had a practice of advancing up to Rs. 25, but that was discontinued because the auditor had noted that it should not be done until the bye-laws had been amended

But the practice is there ?—Only in one shop in Chuhar Kana.

Of how many shops have you personal knowledge?—Three.

Is it not done in any other shop?—No, Sir.

No advance is made at all?—No, Sir.

Is that found to be an inconvenience?—Certainly.

Further on, you say that the commission shops must be linked up with the village societies. In what way?—At present there is really very little co-operation between the societies and the commission shops. There are societies which are members of the commission shops, but even they don't intimate to the commission shops what loans are given to the members for marketing purposes, so that when the produce is sold by the commission shop, those loans may be recovered. It may be also useful for the sake of propaganda and giving better facilities to the zemindar if both work together.

One suggestion you make then is that the commission shops should help the village societies to recover the loans given for marketing purposes?—Yes, I do.

Is there any other suggestion?—There can be one more; that would be giving a better education to the zemindar himself. The society itself should give loan at a time, for instance, when the commission shop cannot lend. In that case the society can lend not only for the purposes of sowing, but also for the purpose of marketing, if the zemindar finds that he can hold up his produce for some time in the hope of better prices.

Are you suggesting that a member of a commission shop should get two loans in connection with the same produce, for at present he can get an advance from the commission shop up to 75 per cent of the value of his produce?—I mean without the pledge of the goods.

But you are suggesting that in addition to that he should be entitled to get a loan from his society?—I mean that whenever there is a demand for loan on the part of the member, in that case if the commission shop cannot lend out, then the society should give it for the same purpose, but without the pledge of goods.

What kind of purpose you have in mind?—The zemindar holds up his goods for some time when he sees that the market is rising. In that case the society can lend. I would call that marketing purpose, or when he has to transport it.

You are perhaps thinking of a case in which the cultivator does not wish to store in the commission shop, but in his own house; in that case should he be entitled to get a loan from the credit society on the security of his produce?—No, Sir. The village society would find it a more complicated business to lend against produce in a regular fashion.

You mean that he should get the loan without security?—Yes, because the village society is in touch with the conditions.

Is he not able to borrow in this way in the ordinary course of business from his credit society ?—Yes, but in that case it may be above his maximum limit.

Are you suggesting that he should be given a special loan over and above his credit limit at harvest time ?—After the harvest time.

Under what exact circumstances would you give these loans ?—They should be usually given when the crops have been harvested. For instance, now in this state of depression most of the zemindars have to hold up their produce until they pay the land revenue. Between the two months that intervene between the harvesting and the payment of the land revenue the advances should be made.

You would allow these loans to be available for two months or till the land revenue was paid ?—These loans should be advanced for a period not exceeding three months.

What would be the security for these extra loans ?—The only security would be that they would intimate to the commission shop that such and such a loan had been given as a special case for this purpose and that it should be recovered, and the commission shop should recover it at the time of selling the produce.

The two suggestions are inter-linked ?—Yes, Sir.

You say that the hundi market has resisted the efforts of the joint stock banks to break it. To what particular efforts you are referring ?—I enquired from the bankers in Amritsar and also in Lahore and Sheikhupura, and they told me that they would go to a bank for discounting a hundi only if there is no one having credit in that man in the hundi bazaar, and that man is generally considered a man with no credit who goes to the bank.

Would you say that there is nothing to indicate any effort on the part of the joint stock banks to break the hundi market ?—The banks would like to invest their money in that business, but they cannot find it, because that is collateral, which is very marketable and very fluid.

Is that all you mean by this statement ?—Yes, that is all.

Lala Harkishan Lal.—You say that the Imperial Bank advances money against produce in the jurisdiction about which you have spoken. Which specific Mandis you mean in the Sheikhupura district ?—Sheikhupura, Chuharkana, Nankana Sahib, Warburton and Sangla Hill.

Does nobody else do that business there ?—Against produce the Central Bank of India used to do that in the last year, but in this year so far as I know they have not advanced any money.

Does the co-operative movement take any hand in the financing against produce ?—No, Sir, subject to this that there are two commission shops in the district and the Central Bank is financing these shops.

Where are these commission shops ?—At Chuhar Kana and Sangla Hill.

Is there any difference in the rates charged by the Central Co-operative Bank and the Imperial Bank ?—Yes, Sir ; there is a tremendous difference. The Imperial Bank is charging seven per cent in one season and $7\frac{1}{2}$ per cent in the other season ; that includes insurance charges and other charges ; we are charging nine per cent we don't charge any insurance fee.

Are you charging anything extra above this nine per cent. ?—We charge rent in addition.

Do the people come willingly to you in competition or in comparison with the Imperial Bank ; you say your rate is nine per cent and a little extra also, and the Imperial Bank rate is seven per cent and no extra. Do the people then pass on very easily to your commission shops with confidence ?—There is no competition between the co-operative banks and the Imperial Bank, because the Imperial Bank is lending to the commission agents, while we are lending to the agriculturists.

Would not your people also naturally like to go direct to the Imperial Bank if the facilities were opened ; there is this commission shop which really is dealing with the agriculturists. If the latter offer their produce direct to the Imperial Bank, would not the Imperial Bank give the same facilities as to the commission agents, because in that way the agriculturist is benefited to the extent of two per cent. ?—That would be to the mutual advantage if that could be possible, but in that case the Imperial Bank would require godowns of its own.

You mean to say that Imperial Bank has got godowns in all these five mandis ?—They have not.

They shall have also to lock up the godowns of the commission agents in the same way as your commission shops keep their produce somewhere ?—But there is the question of the volume of business. The agriculturists bring in only in small quantities.

But they are already there ?—In that case these godowns are usually such that they could not give them sufficient profits on their expense.

But they are already making profits sufficient to keep on going, and if there are additional *kothas*, that would help them rather than detract ?—I think it would be much better if such an arrangement could be possible.

You said something about the advisory boards. Do you mean to say that the Directors of the Central Bank at present are not good enough really to carry on the business ?—I have recommended this for the joint stock banks.

Do you think the Directors of the joint stock banks are not good enough ?—I don't mean that, but there is always a scope for improvement in the world.

Why should the joint stock banks be specially improved in that fashion, and they should have advisory boards in addition to the Directors; because that would be expensive, since the advisory board of a joint stock bank would not work honorarily, as the Directors in the Central Bank you have?—A little expense would be worth while to promote the mutual understanding between the lender and the borrower.

Do you think there is no mutual understanding now?—There is understanding, but there is room for further improvement.

Thereby you think that they would be able to put in more money against produce than they can do at present; of course there is nothing else available in the mandis except grain?—So far as my knowledge goes, the joint stock banks are not lending against produce.

Because they cannot afford to advance against the Imperial Bank; that is the chief reason, and not that the Directors are not good enough, but because the Imperial Bank lends money at seven per cent and we take money at about 5½ per cent or six per cent, and then we have to meet our expenses; so we cannot afford really to lend money against produce?—Yes, Sir, that is the reason.

You say that your commission shops are patronised a good deal by the societies and still you will do propaganda saying that the marketing system through these co-operative commission shops was ideal, and therefore the people ought to come to these shops, and that it was the cheapest agency?—So far as I know, only those non-members who are not in debt to any Arhti or money-lender, come to us because they find that it is advantageous to them to go to the commission shops, because the deductions are less here and it is cheaper.

You would appeal to them that it is cheaper and perhaps more honest, and therefore they should flock to the co-operative marketing shops, but what about their capacity of doing the business on the same level as the ordinary commission shop itself. There has been some suggestion that they have not yet got the same experience as the commission agents?—I concede that they have not got at present the requisite degree of experience.

But they will gain the experience?—Certainly.

When you say that more hundi business should come to banks, do you mean the joint stock banks or the Central Bank? I think even the commission shops would be benefited by it.

That is, they should buy hundis?—I mean only those commission shops which are engaged in that business.

The commission shops will buy hundis with funds, but where are the funds for this business?—One member can draw a bill upon the other and the same bill can be discounted by the commission shop.

Provided they have got spare money?—That goes without saying.

Have they got spare money?—No, but they should have financing agencies.

So in addition to the Central Bank, the Provincial Bank, and the co-operative societies, there should be another financing agency set up to buy these hundis?—I mean for the general finance of the market, because at present we are financing only production, and marketing is as important as production; I would rather include that in production.

I am confining my question to the resource and not to anything else. These commission shops at present according to your evidence have not got sufficient funds to go out of their range, and you want them to go out of the range and also to buy hundis? This is what I have suggested in the general interests of the marketing.

With whatever motive you have made the suggestion, I am asking that if they have not got the sources, then you will start another financing agency for these commission shops to enable them to enter into outside business?—That is not my point of view. My point of view is that if their membership increases, if their marketing business increases, and if the Central Bank cannot finance them further, then a separate institution might be set up to finance them.

Chairman.—Have you any reasons to suppose that the Central Bank cannot finance the existing shops?—I find that Sheikhupura is grudging the funds.

Has it actually given them funds?—A cash credit of Rs. 20,000 was given to them, but that has been now called back.

Do you mean that the cash credit is cancelled?—Not cancelled, but they have sent them letters and reminders to repay as soon as possible.

They borrowed that Rs. 20,000?—As a matter of fact they have gone beyond that. The Central Bank has given them about 84,000, because there was a boycott of commission shop at Sangla Hill. There was an opposition on the part of the commission agents there and at that time they wanted more funds, and temporarily the cash credit limit was increased to Rs. 84,000, but in the meantime the commission shops thrived, and now they cannot do with Rs. 15,000 or Rs. 20,000; they want about Rs. 90,000 or so.

Lala Harkishan Lal.—Do non-members come in also?—Yes, but usually they are very good customers. They come only if they are not in debt to anybody.

Chairman.—Has any new limit been fixed?—No, Sir.

Does the Central Bank propose to fix a new limit or want to withhold loans entirely?—It keeps to the old limit but in the meantime the commission shop has extended its business.

In the absence of special circumstances would Rs. 20,000 be sufficient?—It would require expansion also.

How much would be required ?—Half a lakh, I think, can be given to them.

In the other case with which you are familiar, is finance adequate?—At Chuhar Kana they want more funds.

How much have they got ?—Rs. 15,000.

The whole drawn ?—Yes, Sir.

Can they draw more ?—They have gone up to the hilt.

How much more do they want there ?—I think double the amount.

Lala Harkishan Lal.—The Provincial Bank lends money to the Central Banks, the mortgage banks and the Unions ?—Yes.

And not to outsiders ?—No, Sir.

It is confined to these three classes of banks ?—Primary societies are also our members.

Does it advance to primary societies ?—Our policy is not to deal directly with the primary societies.

Then the Provincial Bank advances money to these three institutions ?—Yes, Sir.

Are the terms on which the Provincial Bank advances to these three institutions the same in every case or different with regard to the rate of interest, the terms of repayment and the kinds of documents ?—They are quite different. In the case of the Central Banks and Unions they are more or less the same.

What are their terms ?—We lend on a demand pro-note, but our usual understanding is that the loan would stand out for one year. Interest is of course collected half yearly. In the case of mortgage banks now we are lending for ten years. Twenty instalments are fixed and each instalment is demanded half-yearly, and payment is made by the mortgage banks.

The rates of interest in all three cases are the same or different ?—At the present moment they are quite the same, *i.e.*, 6½ per cent.

Is there any limit fixed of what you call "*haisiyat*" in your books in respect of the mortgage banks or the central banks or Unions ?—We have some sort of idea ; we don't give generally more than twelve times their own capital. By the word capital I mean their paid up capital and all the reserve put together.

I wanted to know if there was any proportion fixed of the total resources of the provincial bank that was to be lent to the mortgage banks, the central banks and the Unions ?—There are no hard and fast rules for the time being, but to the mortgage banks we only lend which we borrow from the Government and on debentures on longer terms.

Chairman.—How much have you borrowed from the Government ? At present we have borrowed from the Government eighteen lakhs and five lakhs on debentures.

Lala Harkishan Lal.—You propose not to go beyond these 23 lakhs unless your resources in this respect are improved so far as the mortgage banks are concerned?—Yes, Sir.

Chairman.—For how long have you borrowed the money from Government?—It is for fifteen years.

And the debentures?—They are for 25 years.

Lala Harkishan Lal.—Are these debentures saleable in the bazaar freely?—There have been very few transfers, but usually they are held fast by the debenture holders.

By succession or by sale?—By sale.

Chairman.—They are at par?—A year ago there was a premium of Rs. four, but now there is a discount of Rs. four or Rs. five.

Lala Harkishan Lal.—What is the reason?—The usual slump in the money market and also in the securities' market.

Do you publish these rates anywhere?—No, Sir.

Chairman.—What is the rate of interest on these debentures?—six per cent but this is taxable.

Lala Harkishan Lal.—Do the Central Banks lend money to the mortgage banks?—No, Sir, they don't, because the mortgage banks require money for long terms.

I don't want the reasons; I want to know if there is no other source except the Provincial Bank open to the mortgage banks to collect money for lending it out?—I think there is one source open to them. The Punjab Co-operative Unions have been lending them certain funds for instance, the provident funds and the funds of the liquidated societies. This money amounts to about three lakhs, and in addition to that Government has been lending directly to the mortgage banks before the formation of the Provincial Bank, but now the policy of the Government is to lend through the Provincial Bank.

So that they had three sources, Unions, Government and the Provincial Bank, but now they have only one source, because the Unions have got nothing to lend and the Government is withdrawing their direct co-operation to the mortgage banks; so the only source left would be the Provincial Bank. Do they go direct to the Imperial Bank?—No. I understand they have kept Government securities there, but against them they have got no overdraft.

Not even for casual requirements?—The securities are kept there in safe custody; they cannot draw against them.

Then what is the fun to borrow money at six per cent and keep its own money at five per cent. For the mortgage banks it has been considered safe that they should not have an overdraft against securities, because in that case they would be lending their money.

When they themselves borrow at $6\frac{1}{2}$ per cent and borrow for a longer term, which means that no immediate demand would be

coming, then why do they put their money in Government securities at five per cent., if there is no immediate demand ?—Every bank has got to do that.

Is it an experience ?—It is an experience ; without that we cannot do.

Experience of the mortgage bank ?—Experience of the banking in general.

But the mortgage bank is different from the joint stock banks ; there they keep in reserve in Government paper which is easily realisable, but in the mortgage bank they have not got that idea ?—(No reply).

Chairman.—Is not the object of it to meet a demand of the Provincial Bank which could not be met otherwise ?—I think the idea is there not to invest money in any business, because that would tie it up.

Money is generally given out to the members of mortgage banks for ten years and is repayable in twenty six-monthly instalments. It might happen, I suppose, that one of these instalments might not be paid in which case, if there is no reserve, it would be difficult for the mortgage bank to meet the claim of the Provincial Bank, and it keeps a reserve for that purpose.

Lala Harkishan Lal.—Would you kindly tell me what various documents pass through various stages when the Union lends money to the mortgage bank ; is it only the deposit receipt or something else ?—Nothing else.

Deposit receipt marked ten years ?—I think the Union is lending for five years.

The Provincial Bank is lending money to the mortgage bank for ten years or fifteen years, and only the fixed deposit receipt is passed ?—Yes, we call it a bond.

Between the mortgage bank and the Provincial Bank there is a bond ?—Yes.

And what document is there between the mortgage bank and the debtor ?—As between them there is a bond and also what is called mortgage without possession.

There are two documents, one is bond and the other is the mortgage deed ?—Yes.

Is the mortgage deed registered or not ?—Yes, it is registered.

The bond is not registered ?—No.

And both contain the same subject matter ?—Yes, they are considered as part of one another.

Will you kindly get me these forms of bonds and mortgage deeds ?—Very well.

What kind of enquiry is made as to the area, value and situation of the land ?—I have no first hand information on the point.

Khan Bahadur Chaudhri Sultan Ahmad.—Could you give me an idea of the various charges due on the sale of wheat which is brought to the market and sold through the commission shops or the commission agents ?—The commission charged by the commission shop is at the rate of Re. 0-12-0 per cent., but in addition to that Re. 0-12-0 more are charged to cover some other expenses ; on the whole it is Re. 1-8-0 per cent and the deductions in the case of the commission agents usually come up to Rs. 2-8-0 per cent.

In which mandi ?—These figures relate to Sangla Hill, but they are more or less the same in both the mandis, Chuhar Kana and Sangla Hill.

So, there is a saving of Re. one ?—Yes, Sir.

You said something about zemindars not bringing their produce to the market in half of the Shahdara tahsil ; would that remark also apply to the area in Gujranwala between the river and the Deg ?—Yes. I have been at pains to find this out. At Shahkot, twenty miles from Gujranwala, a mandi is also urgently needed.

But Shahkot is only a mile and a half from Dhaba Singhwala railway station ?—No, that must be some other place. This is about eight miles from Sangla.

It is the same place ; from Sangla it is about eight miles and from Dhaba Singhwala about 1½ miles ?—At Dhaba Singhwala also a mandi is needed and a place has been reserved for it.

But conditions in the Shahdara tahsil seem to be the same as between the Ravi and the Deg. I thought that if they cannot bring it there they could not bring it here also ?—I have not been so far in.

Is the reason for it also that these are proprietary villages and holdings are small and the zemindars have only small quantities to deal in which are not sufficient to carry to the market ?—There is a small proverb in Punjabi " Ravi kiran ;" Ravi is for the poor people. Circumstances have changed on account of the canals and the old proverbs are out of date.

They may have changed, but have the conditions near the Deg also changed ? However, you think that the same conditions do not prevail ?—I think so.

They do not bring their produce to the market as a matter of habit and not as a matter of convenience ?—Some of the people are prudent and far-sighted and do bring their produce direct to the market. The Janglis are usually indebted to the sahukar and dispose of the produce in the market.

Chaudhri Niamat Ullah.—You say that the rates of the bank are not published anywhere ?—That was in connection with debentures.

You say that mortgage banks sell off the securities they have in cases of emergency. Can you say in what kind of emergency they do that?—Supposing owing to bad crops they have not been able to realise money from their debtors and have to pay back to Government what they have borrowed from them. Government will only allow postponement of the repayment of such debts in cases where they have themselves found it necessary to postpone the recovery of land revenue.

Are only societies admitted as members of commission shops or do you take individuals also?—We take individuals also.

If an *arhti* is made a member of the shop will it not be of good?—Yes. In Sangla Hill a man named Lala Mukand Lal has been admitted and under this arrangement the shop is working well.

Could this not be done in other cases also with benefit?—Yes.

Can the co-operative banks get money from the Imperial Bank?—This has never been tried.

I hear that the Imperial Bank advances to traders against the security of produce?—When the commission shops have increased in number and begin to need money this will be needed.

But you say that the Sheikhupura bank is not able to finance its members altogether. Can they not get the money from the Imperial Bank?—The *arhti* can keep the produce for a long time, but in the commission shop a zemindar may turn up at any time and claim his produce to be returned to him, so this is not possible.

In referring to joint stock banks in your note you say that they grant overdrafts, fixed loans and cash credit facilities to *arhtis*, etc. What security other than agricultural produce is taken?—Property, shops, houses or joint pro-notes.

What is the rate of interest?—It is more. Is it more than the rate of interest of co-operative banks?—Central banks charge up to eight per cent., but for an overdraft they charge nine per cent.

You have mentioned warehouses. Do you think zemindars will get any benefit from these?—You have heard of the elevators at Lyallpur. I know those elevators are not very popular. But what I have suggested is not on the lines of the American system. These would be simple and not very expensive. The American system would be successful where the people are more enlightened and richer.

Rao Pohap Singh.—At what rate does the central bank lend to commission shops?—I have not got the record with me here, but I think it is nine per cent.

Do the societies get their loans at the same rate?—They get them at nine per cent. But if they repay in time only 8½ per cent is charged. In the case of the Lahore Central Bank they charge only eight per cent in such cases.

And they get at 6½ per cent from the Provincial Bank ?—Yes.

Other *arhtis* who deal in the market can get advances from the Imperial Bank at 7 or 7½ per cent. When the central banks can get loans from the Provincial Bank at 6½ per cent would it not be of more benefit if they advanced to the commission shops at 7½ per cent. also ?—They must keep a margin to cover working expenses and must keep a margin of at least 1½ per cent.

Could not the Provincial Bank advance direct to commission shops ?—Yes. But they must buy shares in the Provincial Bank.

Is it a matter of policy not to admit commission shops as shareholders of the Provincial Bank ?—No. They have not applied for it, that is all.

A rate of nine per cent is charged because it is also the rate for societies. Has it ever been considered whether, in view of the fact that the *arhtis* can get money at cheaper rates, this is an unreasonable rate?—They have never applied to the Provincial Bank for lower rates and central banks cannot give the money at anything less that 8 or 8½ per cent. The Imperial Bank gets money cheap from the public, paying only 3 or 3½ per cent and also has Government funds at its disposal and can give loans at cheaper rates than we can.

How much work does it involve in the Central Bank in connection with the commission shops ?—It will not be much in the case of the commission shops, but they have their own expenses and must keep a margin of about two per cent.

Chairman.—At what rate is Government advancing now to the Provincial Bank ?—Until recently it was 5½ per cent., but it has now been raised to six per cent from the 1st of October.

Is any change contemplated in the rates charged from the mortgage banks ?—This question has not come up before the board.

The present rate is 6½ per cent. ?—Yes.

Is not the rate higher if the money is not repaid within a certain period ?—Yes. If they do not pay within a month of the date of repayment a penal interest amounting to eight per cent can be charged. But so far it has never been put in practice.

Was not the condition made that if the instalments were paid punctually the rate would be 6½ per cent otherwise 6¾ per cent ?—That is in the case of the central banks. In regard to the mortgage banks the rates are more stringent. If the instalments are in default for more than a month eight per cent is charged. Instalments are due on the 31st of January and again on the 31st of July and a month's time is given and if the payments are not made even then the penal clause is enforced. So far, however, this has never been done.

Does the Provincial Bank do current account business ?—It has a few accounts with the central banks and the unions, and three or four with the public. Rules allow this, but usually this is discouraged.

The aim of the Provincial Bank is to increase this type of business with the members only.

Why are they discouraged ?—It is only in the early stages of the bank that such deposits are good. Only the other day an association approached me and wanted to open a current account, but, as they had no bye-laws, etc., I refused them.

Are there regular periods when the Provincial Bank has surplus funds ?—Yes, from the 15th June up to about the 15th September there are funds varying from five to ten lakhs.

In the other parts of the year is the demand for money pretty regular ?—Yes, Sir. And the demand begins to come in again at sowing time.

We had a complaint from one central bank that they were not, as they put it, fairly treated by the Provincial Bank in regard to the deposit of their surplus funds. Can you explain the system under which the Provincial Bank works in that respect ?—It would facilitate the understanding of the whole thing if I relate the whole history of the business. Before the formation of the Provincial Bank the surplus funds of one central bank were sent to another central bank under the direction of the Registrar. Later on these duties were entrusted to the Provincial Bank. In the early years this went on very well and the funds were interloaned between the central banks, but as surplus funds grew in amount there were very few minus banks left who needed money. In that case there were always complaints on behalf of one central bank or another that their funds should be given preference in the matter of interlending, but it was not always possible, in view of the state of the co-operative money market, to reconcile the conflicting interests of all the banks and it was considered that the old method should be abolished because all could not be treated fairly since the Provincial Bank is accepting deposits from the central banks without any limit.

At what rate ?—At 5½ per cent. So there should be no complaint from any central bank since they ought to understand that it is getting them a fair rate of interest on surplus funds. They draw money from the public at 5½ per cent or six per cent and lend the most part of it to the societies at eight or nine per cent. and the surplus amount, which usually is no more than twenty per cent., can be deposited with the Provincial Bank at 5½ per cent. So there should be no cause for complaint.

What does the Provincial Bank do with its surplus of five or ten lakhs ?—Invest it in Government securities for a few months.

That is the reason why the Provincial Bank cannot give more than 5½ per cent. ?—Yes.

How much has the Provincial Bank lost in the last twelve months owing to the depreciation of Government security ?—About one lakh.

(Witness withdrew.)

Manager, Central Co-operative Bank, Limited, Lahore.

PART VI.

1. Yes.

2. (*i*) Yes. (*ii*) Postal Cash Certificates are already popular on account of their high rate of interest. The smallest investor can find this investment for a longer period.

3. Yes.

(*ii*) Does not arise.

(*iii*) Educated class.

(*iv*) Facilities should be afforded to illiterate persons to open accounts in Savings Bank with post office by removing the restrictions regarding affixing thumb-impression.

4. Yes, really there is a competition between the Government and Banks. The former is offering high rates in the shape of postal cash certificates and Treasury Bills.

I would call this competition as unhealthy.

5. Government should issue securities for denominations of less than Rs. 100. It requires more propaganda and advertisement in the rural area.

6. Only the Exchange Bank and Stock and Exchange Office are dealing in the purchase and sale of securities other than those of Government. They buy and sell securities charging nominal commission.

7. Yes. To my knowledge Government servants.

(*ii*) Yes, they do keep accounts.

8. (*i*) They deposit the surplus money in Bank.

(*ii*) With Banks.

(*iii*) Yes.

(*iv*) They keep such deposits, as far as I know, for the education and marriages of their children and for building houses and to meet unforeseen needs such as illness.

9. (*i*) and (*ii*) Yes. Banks open Savings Bank accounts. Accounts can be opened with Rs. 5, and subsequent deposits be Rs. 2 or more.

(*iii*) Yes. By extension of home Saving Safe accounts as started by the Central Bank of India. By this method a man can deposit even annas in a day.

10. (1) They spend the surplus. The class of farmers with which I come in contact, do not seem to use their surplus funds of a prosperous year in good investment. They increase their liabilities in anticipation of more income. The fact that they have never come to deposit money in my Bank proves this.

(*ii*) I have no personal knowledge of agriculturist money-lenders and their dealings.

11. Yes. The habit of banking and investment in India is of very slow growth as compared with western countries.

(*ii*) It can only increase with the development of commerce, trade and industry.

(*iii*) Cottage and home industry should be improved and people should be educated to invest in this productive undertaking.

12. (*i*) Government servants and traders.

(*ii*) The daily increase in Current Accounts and returns of clearing houses show the growth of this habit in the public.

13. Yes as replied in 12 (*ii*).

In 1925 Current accounts (77), in 1930 (315).

14. I think cheque system should be adopted for Savings Bank account in the Banks. There is only one Bank to my knowledge, which issues cheques for Savings Bank accounts. To further encourage and popularise the use of cheques Government servants and other employees drawing Rs. 100 or more may be paid by cheques.

Payment of Income-tax and super-tax by Co-operative Societies.

Co-operative Societies are exempt from income-tax and super-tax with regard to their general working. They are to pay tax on income from Government securities. In this case they are worse off than the Joint Stock Banks. For the purposes of assessment the Department takes into consideration the income from Government securities or the profit of the Banks whichever may be more. For instance, if the income on Government securities is Rs. 60,000 and the profit Rs. 49,000, super-tax will be charged on account of the first item. If the income on Government securities is Rs. 49,000 and profit Rs. 60,000, for the purposes of asssessment, the profits will be taken and super-tax will be charged. No working expenses are allowed. I suggest that the income-tax and super-tax levied on the income from Government securities in the Co-operative Societies should be exempted. The Societies do not invest their funds in Government securities for the sake of any profit, but only to keep fluid resources. If, however, this may not be done, the Co-operative Banks should be taxed on the net profit just like Joint Stock Banks.

Oral evidence of Lala Gyan Chand, Manager, Central Co-operative Bank, Lahore.

Chairman.—You are the manager of the Central Co-operative Bank, here ?—Yes, Sir.

How long have you held that post ?—I am there for last fourteen years. I joined as a clerk and was promoted to the post of manager seven years ago.

When was the bank started ?—The bank was originally started as a co operative society in the year 1912, and then it was converted into Central Bank in the year 1916.

What is its working capital ?—Eighty lakhs.

And its deposits ?—Seventy-five lakhs.

What is your rate of interest for twelve months ?—Five per cent.

Has any reduction been made in this rate in the last year or two ?—Since the last eighteen months this is the rate.

What was it before ?—

In 1924-25	..	..	.. $6\frac{1}{2}\%$
In 1926	..	..	.. 6%
In 1927-28	..	..	.. $5\frac{1}{2}\%$
In 1929 up-to-date		..	.. 5%

Have your deposits gone up or gone down since the reduction in the rate of interest ?—They have gone down within the last six months.

What were they when the change was made ?—We had 71 lakhs in fixed deposits, but now the amount is reduced to sixty lakhs.

Is the reduction due to the reduction in rate ?—Yes, Sir.

Do you still have more money than what you need ?—Yes, Sir. We have invested the surplus in other central banks, and that money is now coming back.

How much have you invested in other central banks ?—Eighteen lakhs.

How is the rest employed ?—Part is employed in the co-operative societies in the Lahore district and part in Sheikhupura and Shahdara.

These eighteen lakhs are over and above the amount you require for your affiliated societies ?—Yes, Sir.

How long have you been doing a savings bank business ?—Since the last five or six years.

How many accounts have you now ?—We have got now about 1,879 accounts.

And the total amount on account ?—Rs. 8,52,000.

Who are most of your savings bank clients ?—They are mostly Government servants.

Have you any accounts with zemindars ?—No.

Is this business steadily increasing ?—Yes, Sir. I can give you the figures for the past five years. These are :—

Year.	*Number of accounts.*	*Amount.*
1925	484	·93
1926	586	1·31
1927	900	2·31
1928	1,428	5·29
1929	1,019	7·89
February 1930	1,879	8·52

Have the interest rates been the same throughout ?—The rate of interest is the same, *i.e.*, 4½ per cent., but we have reduced the number of withdrawals. At first there was no limit fixed, but now we allow withdrawals only twice a week. Another change is that formerly we used to give interest on daily balances, but now we give on monthly balances.

Do you think these figures suggest that people are saving more or are accounts being transferred from other banks ?—The class with which we are dealing are saving.

Is most of this the new money ?—I would say that some part of it is transferred from other banks and some of it is savings.

What proportion is the new money ?—Fifty per cent.

Do you advertise in the city ?—We have never advertised.

You make no attempt to make this class of business known to the public ?—The source of our advertisement is that we are taking Government servants as shareholders and they are advertising on behalf of the bank. They are bringing in their relatives and their friends to open accounts with us.

Lala Harkishan Lal.—And subordinates too ?—Yes.

Chairman.—Do you think that you could materially increase this business by propaganda ?—We could, but there is no scheme for increasing this account still more.

You suggest adopting the home saving system of the Central Bank of India. What is that system ?—They give a box to each depositor. That box is kept at his house and every saving, annas, pies and rupees are put in that box, and the box is brought to the bank at the close of the month and the amount deposited in the bank.

Lala Harkishan Lal.—Interest is paid for the preceding month ?—No.

Chairman.—Do you think this system could be extended to your bank ?—Yes, Sir.

Lala Harkishan Lal.—How much does that box cost ?—Rs. 1-8-0.

Chairman.—Do you allow people who are illiterate to open savings bank account ?—In very few cases.

They are not debarred ?—No, Sir.

Your current account business has gone up from 77 to 315 ?—I can also give you the figures of these accounts if you like. These are :—

Year.	*Number of accounts.*	*Balance.*
1925	77	1·13
1926	113	2·51
1927	140	1·80
1928	195	1·99
1929	267	2·44
February 1930	315	2·53

Your current accounts are of course operated by cheques, but not your savings bank ?—No, Sir.

But you see no reason why the latter should not be operated by cheques ?—Yes, Sir.

Has it ever been suggested to you ?—The suggestion was made last year at the conference of the representatives of co-operative banks held in Lahore, but it has not been adopted.

You suggest that Government should issue securities for a denomination of less than Rs. 100. Have you had any applications for such securities ?—We are not dealing in securities at all. This is my suggestion for the good of the public.

If a client asks you to purchase securities on his behalf, would you not do that ?—We have done only in one or two cases. We sent that requisition to the Bombay Provincial Co-operative Bank, because we cannot deal in this line under the bye-laws.

Why did you not deal with the Imperial Bank ?—We wrote to the Bombay Provincial Bank, because they charge a lower rate of commission. The Imperial Bank charges Re. 0-4-0 per cent while the Bombay Provincial Bank charges Re. 0-1-0 per cent.

Do you think that many of your clients would buy Government securities more freely if the denomination were lowered ?—If we say to our clients that we are dealing in Government securities, we may receive orders.

From the fact that the bank has eighteen lakhs of surplus funds, I gather that it is not prejudiced by having to pay income-tax ?—We are paying income-tax only on Government securities.

Do you ask that co-operative societies should in future be exempted from all payment of income-tax on their securities and also from super-tax on their profits ?—Yes, Sir. We are now paying super-tax on the income from Government securities.

On what grounds do you ask this ?—Because we are exempt from paying income-tax on our general profits.

Because one favour has been shown to you, you ask for another ?—Because we are required to keep these securities for the sake of fluid resources and not for profits.

And you ask that in any case if income-tax is paid on securities, the amount upon which it should be paid should not exceed the net profits of the bank ?—Yes, Sir.

Lala Harkishan Lal.—Would you kindly tell me what establishment are you maintaining in the Central Bank here ?—We have got one Manager. two Accountants, eleven clerks and two cashiers.

What hours do you keep in the bank ?—From 10 A.M. to 5 P.M., but the working hours are from 10 A.M. to 3 P.M.

Would you kindly tell me, as this bank has existed here for a long time, if its share-holders are all Government servants ?—Government servants and co-operative societies also.

In what proportion would they be ?—Half the share capital is reserved for the co-operative societies and half for the other share-holders.

Do you lend money to both also ?—Mainly to co-operative societies, and a small portion of the working capital to the individuals.

Why should you have that distinction when the Government servants are members and they come in for co-operative purposes ; why should not they also get the same advantages as the member societies ?—The bank has reserved 5 per cent of the working capital for individual share-holders for this purpose, and even up to that limit they have not utilised it.

Because they cannot get or because they have not applied for it ?—They have not applied.

But the Government servants have applied to me ; why should you not lend them ?—They are required to fulfil the other conditions of the bank ; they are required to give two sureties, and that is a difficult matter, and for that reason they are not being accommodated by the bank.

What is the other condition ?—The mortgage of property.

You don't want to lend money to Government servants unless they have got property to mortgage ?—Yes.

Then so far as the bank is co-operative, it is co-operative with regard to society members and not with regard to individuals ?—It is also co-operative with regard to individuals.

In what senso they aro co-operativo with regard to members ?—The bye-laws are passed in a general meeting, and according to the bye-laws they are required to give sureties when taking advances.

I don't mean to ask you personally. I am not blaming you in that respect. I am asking you as a banking institution. It is not the idea that you are refusing. So far as societies are concerned, of course they deposit money and take advances, but so far as individual members are concerned, there is very little co-operation on account of the onerous conditions ?—(No reply).

Chairman.—Do you agree with Mr. Harkishan Lal that this business is not co-operative ?—No, Sir.

Lala Harkishan Lal.—In what respect is there co-operation between the individual share-holders and the bank or between the individual share-holders *inter se* ; what is the advantage of being a share-holder of your bank rather than being a share-holder of a joint stock bank ?—They are to co-operate for the benefit of the societies ; for the uplift of the societies.

They have to deposit money for the advantage of the societies ?—Yes.

Chairman.—Is it not the case that the share-holders have agreed to accept a maximum rate of dividend ?—They are also joining for the sake of dividend too.

Is it not the case that the share-holders in your bank have agreed that each share-holder should only have one vote ?—Yes, Sir.

Is it alsó the case that the object of the bank is not to make profits, but to do service to its members ?—Yes, Sir.

Lala Harkishan Lal.—You have told us that the share-holders have one vote each ; is not it in the joint stock companies also that on the show of the hand every member, whatever his shares, has one vote ?—By the show of hand they have only one vote. But if it is a poll.....

If it is a poll, then of course the shares have to be counted, but that is a separate matter ?—I am not familiar with that.

All I want to know is that in a joint stock company or bank, until a poll is demanded, up to the time of really passing or rejecting a resolution, by the show of hand one vote is counted ?—Yes.

And the other difference was that the maximum dividend was fixed, while in the joint stock companies the maximum dividend may not be fixed. From the individual share-holder's point of view which is better ?—From the monetary point of view he may be thinking of joint stock banks no doubt, but for service he may join a co-operative bank to serve his country.

Would you kindly tell me what does it mean if not making profit when a dividend is declared ?—(No reply).

Chairman.—Is not there a distinction between a dividend and a profit ?—Dividend is part of the profits which is disbursed to the shareholders.

Lala Harkishan Lal.—May I ask whether the man who receives dividend from your central bank has to pay income-tax on the dividend that he gets ?—He is exempt from it.

Would you kindly tell me that so far as Lahore is concerned, what is the difference between the functions of your bank and a joint stock bank ; what functions do you perform for the shareholders and for the public and what functions do the joint stock banks perform ?—We are not doing any exchange business at all ; we are simply receiving deposits and lending.

Neither external nor internal ?—No.

Any other business ?—We are only dealing in deposits and loans.

What other business the joint stock banks are doing ?—Bills and discounting of hundis.

You don't use these instruments in advancing money ?—No.

You take only one kind of document which is called cheque bond or bond ?—From the societies only.

And from individuals ?—We take pro.-notes.

On personal sureties ?—We are not advancing against personal sureties.

You do lending to individual societies on bonds and to individual members on the security of mortgages ?—Yes.

And to that extent you run parallel to joint stock banks ?—Yes.

The difference comes in in remittance business which you call bills, external and internal ?—Yes.

Any other difference ?—There is only discounting of hundis and bills ; there is no other difference.

Where is your central bank situated ?—It is situated on the Mall, Lahore.

Your members are all Government servants ?—Or Government pensioners.

When they die, who becomes the member then ; it passes on to other Government servants ?—He can nominate a person, and after his death if that person is a Government servant, those shares will be transferred to him ; otherwise they will be sold to other Government servants.

At any fixed rate of money ?—At par.

Have you any reserve ?—Yes, Sir.

How much ?—Rs. 1,56,000.

This Rs. 1,56,000 is not taken into account in settling the price of the shares ?—No, Sir.

Chairman.—Is not that another point in which the bank is co-operative in that the shares don't exchange at a premium ?—It is a co-operative point that we are not selling our shares on a premium.

Lala Harkishan Lal.—You have got eighteen lakhs, all returned from the other central banks that is not required by you. Have you invested it in Government securities ?—That has not returned yet ; that is invested in the other central co-operative banks in the shape of fixed deposits.

When that is returned, where will you invest it ?—We will put it in the Punjab Provincial Bank.

How much interest will they pay you ?—Five and-a-half per cent

How much these central banks are paying you ?—Six per cent and 6½ per cent.

To that extent you will be the loser by 1 per cent. ?—But we are now required to deal only with the Provincial Bank according to the Circular of the Registrar.

Have you ever felt at any time any sense of competition between the joint stock banks and yourself ?—There is no sense of competition. There is only competition with regard to deposits.

In what manner have you felt the competition ?—At first when our rates of interest were high, we had a larger amount with us, but since the time that we have reduced the rate, the amount of deposits has decreased to some extent.

Is the reason for losing some deposit the depression of trade or is it merely due to the lowering of the rate of interest ?—I would attribute it to depression of trade and to the fact that money is required elsewhere. That might be known to the persons withdrawing money from us.

Reports show that on the whole the central banks have not been affected adversely by the reduction of interest. Why should yours be an isolated case ?—And I am suggesting that it might be the depression of trade that has affected the deposits and not the lower rate of interest. To me it seems to be due to the lowering of interest.

Chaudhri Niamat Ullah.—To whom do you lend money ?—To the societies that are share-holders of the bank.

To whom do the joint stock banks lend ?—To the public.

What is the liability of co-operative societies ?—In the majority of cases it is unlimited.

Is it ever limited ?—About 100 societies in offices, &c., have limited liability.

Are your loans more secure than the loans given by joint stock banks ?— Yes.

Do you lend against produce ?—No.

Do the joint stock banks do the same ?—Yes. Their branches in mandis do.

Have your recoveries been good during the last five years or so ? —No they have not been more than 50 per cent.

Why ?—Owing to bad crops and low prices.

You say that a propaganda should be started for people to invest in Government security. Do you think it will be better for the people to invest in Government security rather than in your banks ?—They will get higher rate of interest in the banks but can invest in Government bonds if they want to.

Are Post Office cash certificates popular in villages ?—No.

You say that the habit of banking and investment in India is of very slow growth as compared with western countries. What is the reason ?—Because there is not so much industry and commerce as in the western countries.

Do people know of banking in the villages ?—Many do not.

Is not poverty one of the reasons ?—That can be one of the reasons, but I do not know about it.

Do you not know whether villagers are rich or poor ?—Members of societies usually come to borrow, not to deposit ; that might lead one to think there is poverty.

Have you any experience that Muhammadans do not deposit money as they do not want to get interest ?—There are very few cases of that kind.

Chaudhri Sultan Ahmad.—Can Government servants of Lahore alone be members of your banks or people from the district also ?— It is open to all Government servants throughout the Province. Mostly they are from the Province. There are about 150 shareholders from Lahore and about 160 from outside.

You do not advance to Government servants unless they mortgage their property. Do you mortgage only property that is within municipal limits or also property lying outside such limits ?—Now we are accepting only property that lies within municipal limits. Formerly we used to advance on property outside Lahore also.

So that if a member of your bank wanted a loan and was willing to fulfil all the conditions of what you call your onerous rules and did not have property within municipal limits you would not give him an advance ?—The tendency of the managing committee now-a-days is not to advance against property which is not located within municipal limits.

In the case of the post office cash certificates does not the longer period militate against the benefits of higher rates of interest in the case of the depositors ?—They can get back their money before the period of five years by simply losing some interest.

Then he will not have the benefit of the higher rate of interest which you say is a temptation for him to invest. It is after five years that he has the benefit of a higher rate of interest. If he wants it earlier he must be content with a lower rate. Do you not think that this lower rate would influence him in buying the certificates ?—I do not think so.

Among your depositors have you any from outside Lahore, *i.e.* from the rural districts ?—No, the major portion of the deposits are from Government servants.

There are six or seven villages which are situated within the municipal limits of Lahore. Do the zemindars of those villages come in with their deposits ?—No.

Have you any clients from among the agriculturists in those villages ?—I may have a few but not many.

Rai Sahib Kishan Lal.—Then your depositors are merely Government servants and not the public or businessmen ?—Very few businessmen like lawyers have deposits with us.

Then are your activities confined only to taking deposits from Government servants and dealings with co-operative societies ?—Also with members.

Chairman.—But are your deposits confined to Government servants ?—People are welcome but do not generally come. On the 31st of August 1929 deposits were held from :—

	Lakhs.
Local bodies	1·50
Other institutions	3·62
Government officials and pensioners ..	20·32
Professional men	5·86
Persons engaged in trade and commerce	8
Women—relatives of members ..	11·21
Minors—relatives of members ..	7
P. C. U. and societies	3
	Thousand.
Thrift societies	10

Lala Kishan Lal.—Do you invest your money with business men ?—We cannot under the rules.

Do you give dividends after it has been passed in a meeting of the shareholders ?—Yes. We cannot give more than 10 per cent.

Is there a bye-law of your bank to that effect ?—Yes.

What is the minimum you can pay ?—There is no minimum limit.

You cannot pay more than 10 per cent even if your profits are cent per cent ?—No.

Chairman.—Do you find that the fall in the value of house property in Lahore has affected your business ?—No. We advance only up to 33 per cent of the value of the property.

Have you had any losses ?—No.

Chaudhri Niamat Ullah.—Do you think personal security is better than house property ?—House property is better.

(Witness withdrew).

Oral evidence of Rai Sahib Thakar Uger Sain, Honorary Secretary, Central Bank, Bhiwani.

Chairman.—*Q.* Are you the Honorary Secretary of the Co-operative Central Bank, Bhiwani?

A.—Yes.

Q.—How long have you been associated with it?

A.—For about nine years. The bank was started in 1922. I have been associated with it from the very beginning. In fact, I started the bank.

Q.—How many savings bank accounts have you got?

A.—I have got very few started just recently.

Q.—Since when were they started?

A.—Some six or seven months back.

Q.—What is the rate of interest?

A.—Four per cent.

Q.—What rate do you allow for fixed deposits?

A.—For two years, 6½ per cent., and for one year 5½ per cent. For six months 4½ per cent.

Q.—Up to what amount do you allow interest on savings bank account?

A.—Up to Rs. 10,000.

Q.—What is the lowest amount that you will take at one time?

A.—I take any sum.

Q.—Do you do current account business?

A.—No. People are anxious to have current accounts, but as the number of subscribers is very small we have not started current accounts.

Q.—Do you cash cheques?

A.—We do cash cheques, but we charge commission. If a man wants to cash a cheque on the Imperial Bank, Lahore, we take it and send it to Lahore and on realisation we pay the money to the individual after deducting commission at two annas per Rs. 100.

Q.—How do you receive the money from the Imperial Bank?

A.—Generally by R. T. R., but there are traders here who want to send money to Lahore and they take the cheque and give me cash.

Q.—Sometimes adjustments are made by book transfer?

A.—Yes.

Q.—When adjustments cannot be made by book transfer and money has to be sent, is it always sent by R. T. R.

A.—Yes, unless otherwise it is by insurance which we do not generally resort to.

Q.—How many cheques have passed through your bank during the last six months?

A.—About ten cheques pass in one year. It is only very small.

Q.—In all these ten cases were the cheques taken from people who are your shareholders?

A.—No. They were taken by outsiders.

Q.—Is the cheque bond system working well?

A.—Yes, quite nicely.

Q.—Do you generally remit money to the societies by post?

A.—Yes. In two or three places we send money-orders. Last year only twice we sent by money-order.

Q.—You receive cheque bonds by post and send money by money-order?

A.—Yes, but not in all cases. Majority of cases personally receive the money.

Q.—When you receive cheque bonds what security have you that the signature is correct?

A.—I see the Sub-Inspector's and the Inspector's recommendations as also the resolution of the committee.

Q.—Do you keep specimen signatures?

A.—No, but we have started now.

Q.—But do not the applications of A and B class societies go to you direct and not through the co-operative staff?

A.—We do not so strictly adhere to it. We have asked the Sub-Inspectors and Inspectors to supervise them.

Q.—Would you accept a cheque bond for payment if it did not go through the Sub-Inspector or Inspector; would you regard this as safe?

A.—No.

Q.—Have you had any bad debts?

A.—Not yet.

Q.—What sum has been classed as bad or doubtful debts in your balance sheet?

A.—Nothing.

Q.—Have you got any D class societies?

A.—Yes, I found some, they have not officially been styled as "D."

Q.—How much is due from them?

A.—About Rs. 10,000.

Q.—Do you regard all that amount as safe ?

A.—In our balance sheet we have not shown this amount, because when the balance sheet was prepared we had no D class societies ; amount is safe.

Lala Harkishen Lal.—*Q.*—Would you kindly tell us whether the co-operative movement with which you are familiar in this tahsil requires any further facilities for financing ; first of all, will you kindly tell us whether financing is required ?

A.—Yes.

Q.—From what source do you suggest very large facilities should come ?

A.—I think famine relief fund.

Q.—An idea has been expressed that Government should not issue cash certificates, and if they do issue cash certificates, that money should be earmarked for the good of the country such as the co-operative movement etc. Another suggestion is that the resources of the reserve bank proposed to be started should be made available to some extent to the co-operative movement. The third suggestion is that the Imperial Bank should make the co-operative banks their special care and should give money if it is wanted by them, and so on. Would you suggest whether any of these means should be adopted or whether you have any other suggestions to make by which the co-operative movement can receive more financing than it does at present ?

A.—I think the co-operative movement requires financing more than at present and the suggestions you make are good.

Q.—Have you got an idea as to how much more money is required ?

A.—Say about two or three lakhs.

Q.—Is that over and above what you get from ordinary sources ?

A.—Yes.

Q.—Do I understand then that if some institution, a bank or any Government institution should make a special care to help the co-operative movement you would like to absorb another two or three lakhs in your society ?

A.—Yes.

In reply to Khan Sahib Inayatullah (in Urdu), the witness replied that he never had any scarcity of money, and that there was no occasion when he wanted money and did not get it.

Chairman.—*Q.*—Why do you say another two or three lakhs are required ?

A.—Because we can get them cheaper.

Q.—Then, it is cheaper money that you want and not more money ?

A.—Yes.

Q.—Do you think that if you are given two more lakhs now, you can lend it with advantage and safety to the societies in the tahsil ?

A.—We are just in infancy, and we want a large population.

Q.—Would you lend more money than you have already lent to the existing societies ?

A.—No.

Q.—Therefore your need is not immediate ?

A.—Yes, but the need will arise when the societies increase and favourable season comes in.

Q.—What are your deposits ?

A.—Over Rs. 3,04,000.

Q.—Have you borrowed from the provincial bank ?

A.—Only Rs. 10,000.

Q.—Can you get more if you needed ?

A.—I have got a credit of over one lakh. I have not drawn that.

Q.—Can you get another 30,000 from the Imperial Bank ?

A.—Yes, I can for some emergency.

Rai Bahadur Lala Kishen Lal.—*Q.*—Do you think you have got enough money for the requirements at present for these societies as you have got deposits in the Imperial Bank ?

A.—Yes, at present I have got enough.

In reply to Rao Pohap Singh's questions (in Urdu), the witness said that the amount to be given as loans to co-operative societies was very small, and that to give more was in his opinion risky. These societies he said had yet to be trained in selecting good men for their members, and they had also to be trained to the habit of prompt repayment and that they did not know how to repay.

Chairman.—*Q.*—Suppose some more money is decided to be given to the societies, do you think it would be better if these loans were given through the money-lenders, or the money should be given through the co-operative societies ?

A.—I will prefer money given through the co-operative societies, as the money-lenders are self-interested.

(Witness withdrew.)

Oral evidence of Mr. Ishwar Das, Managing Director, Central Co-operative Bank, Rohtak.

Chairman.—*Q.*—Mr. Ishwar Das, are you the Manager of the Central Co-operating Bank here?

A.—Yes.

Q.—How long have you been here?

A.—I have been here for the last one year and three months.

Q.—Where were you before?

A.—I was in the Punjab and Sind Bank for five years.

Q.—So you have over six years of banking experience?

A.—Yes.

Q.—What amount of fixed deposits have you in your bank at present?

A.—About Rs. 12,22,000.

Q.—What were they five years ago?

A.—I have no figures. It may be roughly ten lakhs.

Q.—What are your rates?

A.—Six per cent for twelve months.

Q.—Have you got savings bank accounts?

A.—Yes.

Q.—How many?

A.—About 100 accounts. The deposits amount to Rs. 53,000 and the rate of interest is four per cent.

Q.—What is the maximum that can be deposited?

A.—Rs. 5,000.

Q.—What is the minimum?

A.—Rs. ten for the first deposit and Rs. two for every subsequent deposit.

Q.—From what class are these depositors drawn?

A.—Vakils and others.

Q.—Have you got zemindar depositors?

A.—No. They are only very few, about one or two per cent.

Q.—Does your bank handle cheques?

A.—No, except by way of accepting cheques in payment of deposits in the savings bank account.

Q.—To what extent do you give facilities for cashing cheques?

A.—We do not deal with cheques. Sometimes we do accept them for credit to the savings bank account or fixed deposits.

Q.—Do you accept cheques on the banks at Lahore?

A.—Yes, for crediting in account.

Q.—How do you get money from Lahore?

A.—We send the cheques to the provincial bank for collection and credit to our account. Sometimes we get money by R. T. R. and sometimes we give the cheques to our creditors in Lahore.

Q.—Has the bank had any bad debts during the last five years?

A.—I cannot say.

Q.—Have you written off any amount?

A.—No. During the time I have been holding my present office no amount has been written off.

Q.—What amount is due from D class societies?

A.—Rs. 40,000.

Q.—What is the total amount of your loans?

A.—Rs. twelve lakhs.

Q.—Have you any reserve fund to meet doubtful debts?

A.—Yes. Rs. 15,500.

Q.—When was the bank started?

A.—In 1914.

Q.—When you go back to your bank will you please look into your records and let us know whether the bank has had any bad debts, and, if so, how much since it was started?

A.—I think I shall be able to give you that information. If I am not able to give it to you to-day, I shall write to you giving the particulars later on.

Q.—Would it be a convenience to the central bank if there was a branch of a joint stock bank here?

A.—No.

Q.—Would it be a convenience if there was a branch of the Imperial Bank?

A.—No convenience at all. Perhaps the branch of the Imperial Bank may be something for us because that bank has allowed us overdraft and we can get money whenever we need. Now we have to get money from Delhi and we have to wait for three days to get money from there.

Q.—When you are in urgent need of money can you not get it by sending a messenger?

A.—That has not been the practice. I do not think such reliable men can be found who can bring money from there. We cannot trust any one.

Q.—Has the central bank got enough money for its needs?

A.—Yes.

Q.—There is no difficulty in financing necessary capital?

A.—No.

(Witness withdrew.)

Sri Krishen Das, Managing Director, Ludhiana Central Co-operative Bank Ltd., Ludhiana.

INDIGENOUS FINANCE.

Banking is of recent growth in India and before the opening of the Imperial Bank of India and joint stock banks all the internal trade was financed by the indigenous banker and money lenders; and so they were not only of immense use to the society but as was natural under the circumstances, they were looked upon with great respect and esteem by it. Since, however, the opening up of Imperial Bank of India, joint stock banks, co-operative banks, Discriminative legislation such as Land Alienation Act, the hostile attitude of the council and courts and lastly but not the least the unsympathetic attitude of the Government towards them, have all contributed to dislodge the indigenous bankers and money lenders from the high and useful position they occupied at one time in the country, and finally a stage has been reached when the very name "Money Lender" has come to be looked down upon with great contempt both by the Government and non-Hindus which, however, has not been of advantage to any party. I, of course, neither justify the questionable methods adopted by the unscrupulous money lenders, to whatsoever community they may belong, nor, I mean to belittle the importance of joint stock banks, Imperial Bank of India and co-operative banks; but what I mean to convey is that in a vast country like India where communications are stil meagre and which is primarily an agricultural country, and taking into consideration the general illiteracy of the masses, their indebtedness and taking advantage of the confidence which the indigenous bankers and money lenders still enjoy to a great extent and also taking into consideration of fact that it is a cheaper agency than the joint stock banks, the position of the indigenous bankers and money lenders be strengthened not only from the business point of view but also from the political point of view.

It would thus be a great advantage if the present suspicion lurking in the minds of Bankers and money lenders against the Government is removed. To give an instance I have invariably been asked by the bankers at the time of making enquiries by me as to what more new fetters are intended to be forged against them by the Government. It will, thus be in the interests of all concerned if this suspicion is removed and while safeguarding the interests of the borrower in all respects the indigenous banker and money-lender is equally protected against the dishonest borrowers, if they are to continue to perform their useful functions side by side with other banks.

I understand that the enquiry does not relate to unscrupulous money lenders so much as to *bonâ fide* bankers and money lenders; and so for the purposes of my reply I have entirely excluded that class of people.

I have so far tried to outline my proposals in a general way but I now proceed to make the following statement :—

The indigenous banker had occupied a much more important position in the internal financing of the trade only 15 years back than what he does at present.

He played the following part in financing the trade and industry :—

1. He not only advanced money but also received deposits.
2. He received deposits from individuals at rather low rates, and advanced loans at slightly higher rates Loans were advanced both on personal and material security, and on the security of landed property as well.
3. He purchased demand drafts (hundis) at a discount on important centres of trade. These demand drafts were sent to their Arhtis in the town on which the hundi was drawn, for collection. The latter remitted the money mostly through hundis back to the place after deducting their own commission.
4. He purchased, sold and discounted hundis other than demand drafts, and it included both genuine trade bills and pure finance bills.

The capital of these bankers was partly their own, partly deposits from individuals and partly borrowed either against hundis or by accommodation from banks.

One class of bankers was that which employed mostly their own capital in their business, and purchased hundis on dealers on the general security of their reputed financial standing.

There was another class whose business was simply to get profits for their long-standing credit in the money market. They purchased all sorts of hundis at a high rate of discount and after endorsing it (and thus becoming responsible for its payment) sold it off to other shroffs at a slightly lower rate of discount.

Some also combined other business along with banking business.

CAUSES OF DECLINE.

1. Competition with the Imperial Bank of India, Joint Stock Banks and Co-operative Banks. Formerly Joint Stock Banks and Imperial Bank of India had very few branches in the interior of the province and so their Hundi dealings were restricted only to the big shroffs in other words they could not deal directly with the ordinary trader.

2. The collection charges of the banks are much less than those of Indigenous Bankers.

3. During the Boom period of the Great War the Indigenous Banker found out that he was worse off than the merchants and so he took to speculation with the result that he lost.

4 Trade depression after 1920.

5. Inadequacy of the facilities granted by the Imperial Bank of India to indigenous bankers.

6. Their maximum credit limit is not great.

7. The Imperial Bank of India grants certain facilities as regards sale of Hundis, remittances and advances to the Joint Stock Banks, but denies these considerations to Indigenous Bankers.

8. In competition with the Joint Stock banks and Co-operative Banks the indigenous bankers has failed to attract deposits.

9. At the same time of harvests the indigenous banker who also combines other business with banking needs more funds to invest in his trade and it so happens that at that very moment the lending rate of Imperial Bank of India is high and further as it treats them in the same way as its other customers so they can not borrow with advantage and re-invest. Moreover, the Imperial Bank does not make advances against landed property and pronotes.

9. Land Alienation Act about which I need not say much, as its hardships to the non-agriculturists are well known.

10. Defects in the Insolvency Act.

11. Increase in Stamp Duty on Usance Bills.

For proper financing of Trade and Industry it is important that the position of the indigenous banker be made stronger by giving increased facilities to them, *i.e.*, by removing the above defects.

In my opinion the indigenous banker is indispensable as he alone can intimately know the financial position of the individual with whom he is dealing.

They should be recognised by the Government so that they inspire more confidence in the public and can get better credit facilities from the Imperial Bank of India and Joint Stock banks.

The indigenous banker keeps secrecy to which the borrower attaches so much importance in India and there are no cumbersome rules as in the case of Joint Stock Banks and which are of special importance to the uneducated classes.

They are more approachable than banks.

As is shown above their working is cheaper and so they can spread out in the out of way places.

Facilities to be granted.

1. Imperial Bank should at least in their case advance against landed property and pronotes.

2. They should be given the same facilities as regards sale of Hundis, remittances and advances and other financial facilities by the Imperial Bank of India which other joint stock banks enjoy.

3. The Imperial Bank of India should not compete with indigenous bankers but instead they should be appointed as its agents at least in places where the branch of the Imperial Bank does not exist by allowing them the same commission which they pay at present to their agencies.

SAFE GUARDS.

1. They should do banking business, *i.e.*, should not combine trading business with banking proper.

2. They should not speculate.

3. Accounts should be audited by certified Auditors especially in the case of those who accept deposits.

4. The limit for acceptance of deposits to be fixed taking into consideration the owned capital.

The above safeguards would not only inspire confidence in the public but they would at the same time be of great assistance to the Banks in their dealings with them. The above represent my personal views, and not necessarily that of the firm or the Ludhiana Central Co-operative Bank Ltd., Ludhiana.

Oral Evidence of Lala Srikrishen Das, Managing Director of the Central Co-operative Bank, Ludhiana.

Chairman.—You are managing director of the Ludhiana Central Co-operative Bank? Yes, Sir.

How long have you been there? Since the start of the bank.

Has your family any connection with finance? No, except that we are treasurers of the Imperial Bank of India, Ludhiana.

You have given us a lot of information about indigenous finance. Have you had any personal connection with indigenous finance? I have no personal connection with indigenous banking in the sense that we actually do indigenous banking, but as we have lots of friends and connections among those who do indigenous banking and belong to a family which probably did such business at one time, I have some information.

How many indigenous bankers are there in Ludhiana? There must be about twelve or fifteen.

How many take deposits? No one does that. There were two firms that took deposits at one time, but they have stopped it for the last fifteen years.

How do they raise their money? Most of them have got their own money; some of them get accommodation from the banks on sale of hundis.

In what sense are they bankers if they do not take deposits and are mostly dealing with their own money? They raise money on hundis.

How many were there twenty or thirty years ago? I could not tell you.

Were they fewer or more? I think there were more because indigenous banking has decreased. I only conclude but cannot say positively.

Was remittance easier in those days than it is now? I do not think it was easier because the joint stock banks have made it cheaper than it was through the Indian banking agencies.

Two witnesses have stated before us that it was easier because there were indigenous bankers all over the Punjab and therefore facilities were greater?—Joint stock banks have got branches, if not all over the Punjab, in most of the important centres.

Then, so far as you know, there has been no restriction of facilities in the last twenty or thirty years for remittance? No, in the sense that the Imperial Bank of India gives facilities to the joint stock banks, *e.g.*, it charges one anna from them and 1 anna 6 pies from the indigenous banks; there is a difference of two pice and naturally remittance has decreased through the Indian finance bodies.

But are the total facilities for remittance, greater now than they were twenty or thirty years ago? Yes, Sir.

Upon what margin between his borrowing and lending rates does the ordinary indigenous banker work? 2 per cent.

That is much the same as in the case of the joint stock banks? Yes, Sir, and probably it might be less because they cannot afford to lose customers and may lend even at 6½ per cent., but it would be in very rare cases.

Do you think that the indigenous banker works on a narrower margin than a bank? I enquire as you say that the indigenous banker is a cheaper agent than a joint stock bank. Yes, he has not got to pay a manager, house rent and other charges.

Then he should be able to work on a narrower margin? He does that. Ordinarly the joint stock banks do not lend at less than 9 per cent.

Their margin is about 2½ per cent.? Yes, Sir

And that of the indigenous banker is less? Yes, between 1 and 2 per cent. One can raise loans with respectable firms nowadays at 6 per cent., but a joint stock bank would not give for less than 9 per cent.

You say the indigenous banker used to lend on the security of landed property. Do you mean on non-agricultural property or on agricultural as well? Agricultural as well.

Does he not do it now? He cannot.

What prevents him? The Land Alienation Act stands in his way.

But did the indigenous banker, as opposed to the money-lender, lend on agricultural property? Yes, and sometimes the money-lender also came to the indigenous banker for finance; and if it was a big plot of land the indigenous banker came in and the money-lender for petty things. Of course there were money-lenders, but in big things the indigenous banker came along.

You mean he himself took mortgages on agricultural land? Yes.

And discontinued this when the Land Alienation Act was passed? Yes, there is no security now.

You say that the collection charges of the banks are much less than those of the indigenous bankers; and yet you say that the indigenous banker is a cheaper agency? In the sense that the volume of work done by the joint stock banks is more than can possibly be done by the indigenous banker and so the joint stock banks can afford to charge less than the indigenous banker.

You mean that if the volume of business handled by a bank is more than a certain amount, it can do its work cheaper than the indigenous banker? Yes, they can afford to reduce the collection charges.

But, if the volume falls below that point, then the indigenous banker has the advantage? Yes, Sir, that is what I mean.

You say that during the war boom the indigenous banker found out that he was worse off than the merchant. What was the reason for that? Because the merchant was already in business and he knew the ins and outs of the business and naturally had a greater advantage over the man who did only the financing.

You mean that the profits of the boom fell to the trader? Yes, as the banker had only to be content with what he earned in financing the traders.

Do you mean further that the banker was tempted to go into trade in order to share in the profit, and in many cases fared disastrously? Yes.

In other words you mean that the indigenous banker suffered by not sticking to his banking? Yes, Sir.

How is maximum credit limit fixed? That is fixed on the report of the treasurer of the Imperial Bank of India. They take into consideration the financial position of the individual, taking into consideration the outside loans and all that.

Is the limit, when fixed, dependent entirely upon personal security, or does the Imperial Bank take into consideration other kinds of security also? They take into consideration the house property.

Is it entirely personal? Yes.

Do you mean that the Imperial Bank has more clients now than it used to have? Yes, Sir.

Therefore the indigenous bankers have extended rather than reduced facilities? Yes.

What is the distinction between shroffs and indigenous bankers? Shroffs are appointed by the Imperial Bank of India on whose endorsements they will accept a hundi. There is also a guarantee broker, and all the produce business must be done through him. Where there is no branch, the shroff does the hundi business.

Lala Harkishan Lal.—A shroff guarantees the hundi and is merely the guarantor of finance? Yes, Sir.

Chairman.—How many such are there in Ludhiana? There are four of them.

Is the Imperial Bank dealing with more indigenous bankers than it used to do? It is difficult to say, but I think it is dealing with more now because there are greater facilities. Formerly the business had to be done through Lahore; now there are four shroffs and the indigenous bankers can go to them and get their hundis endorsed by them and so they get better facilities.

Chaudhri Sultan Ahmad.—But the chairman wants to know whether the number of indigenous bankers with whom the Imperial

Bank deals has increased, or is it the same as it was before? I think it has increased.

Chairman.—Then there are closer ties now between the Imperial Bank and the indigenous bankers than there used to be? In that sense, yes.

It would appear then that the Imperial Bank is really doing more for indigenous bankers than it used to do? Yes.

What are the chief functions of a pay office? The pay office chiefly advances against grain and against hundis when convenient to the bank. Nowadays it is becoming more and more insecure for the public to take loans from the bank and then go back to their place of business with the loan. Where there is a pay office, the transaction is made on the spot. It is much more convenient for the public to deal with the pay office than with the head office.

Then a certain amount of cash is kept in hand? Yes, Sir.

Do the shroffs advance the money of the Imperial Bank? No, Sir, they cannot do that. They must endorse the hundi. The borrower endorses the hundi in favour of the shroff, who endorses it in favour of the bank.

He guarantees business, but does not do it? Yes.

A joint stock bank will generally remit funds through the Imperial Bank more cheaply than an indigenous banker? Yes, Sir, there would be a difference of two pice.

Is there any other difference? That is the chief one.

You say that the indigenous bankers have been prejudiced by the competition of co-operative societies in the attraction of deposits. Do you regard that as an advantage or disadvantage to the community generally? I was not discussing the merits or demerits of the point when I put it down.

But I should like to have your opinion on the question?—I would not condemn co-operation, which has been a great boon to the people.

I want you to look at it from the point of view of the community as a whole.—I think it is an advantage to the community as a whole that the business of the indigenous banker has decreased to that extent.

Here is a reference to an increase in stamp duty on usance bills. When was the duty increased? About three years ago.

Lala Harkishan Lal.—In 1922.

Chairman.—What has been the effect? The hundi work has decreased.

And what has taken the place of the usance bills? Pro-notes. Privately, in order to escape the stamp duty, they advance loans on pro-notes with the distinct understanding that the money would be paid back at the end of a year. The stamp duty works out at ½ per cent.

Is that a disadvantage to trade? Yes, because, if the lending rate of the Imperial Bank is 6 per cent., then the actual rate of interest the borrower has to pay is 6½ per cent. When we take into consideration the relations of the borrower with the joint stock banks, then the stamp duty stands in the way of increase of business because it works out at ½ per cent interest more.

But it does not really improve business for the indigenous banker? No, because, if the indigenous banker wants to get a loan from the joint stock bank, then he has also got to pay the same duty and he is reluctant to get it from the joint stock bank. but gets it from another indigenous banker. It thus reacts in that way.

You mean to say that the increase in stamp duty might be to the advantage of the indigenous banker as it would bring him more business? In its relation with the Imperial Bank of India the business would be greater if the stamp duty was decreased.

Do you consider this as an important point? Yes, Sir.

Is the same amount of business being done since that duty was raised? It is difficult to answer this question.

Of the facilities that you mention, which would be of the greatest advantage to the indigenous bankers?—I think the advancement against landed property.

Lala Harkishan Lal.—Do you mean agricultural property or immovable property in towns? I mean both.

Chairman.—You mean that indigenous bankers should be able to secure advances from the Imperial Bank on landed property? Yes, Sir.

Most of the evidence that we have received on the point of landed property is that it is not considered a very good form of security and is declining in value as a security?—They do not advance to the full value, but only to the extent of 50 or 60 per cent. But now under the Act the Imperial Bank of India is debarred from lending against landed property. If that restriction is removed, the bank can lay down any condition it wants to.

And after that facility which do you think to be the most importtant? Remittance charges.

You say that the indigenous banker knows intimately the financial position of the individual with whom he is delaing. Is that intimate knowledge of lender and client declining now? No, Sir, that exists as before.

Is the confidence between the lender and the borrower declining? Yes.

What is that due to? The failure of some of these indigenous banking firms.

When did that decline begin? After the war.

Is it a marked decline ? Say 10 per cent.

You specify three advantages that the indigenous banker has as compared to the joint stock banks ; the first, an intimate knowledge of his clients ; the second, secrecy of dealings ; and the third, that he is more approachable than banks. What is it then that prevents him from developing his business ? Want of funds.

Do you mean declining deposits ? Yes, and also stamp duty on usance bills and want of more accommodation from the Imperial Bank. He could develop his business if he had greater facilities for giving loans.

How would you provide for that ? By linking him with the Imperial Bank.

Have you any other suggestion to make ; for, if that is the only way, I do not think the future of indigenous banking is very bright ? The banks must guard their own interest. I do not see how they can help the indigenous bankers otherwise than suggested above.

Coming to safeguards, you say that bankers who become sub-agents of the Imperial Bank should be debarred from doing trading business. Do you think that many bankers would accept that condition ? If it is made worth their while they will because at present this business is not a very attractive proposition.

How would you make it worth their while ? By giving them increased facilities. If their turn over is greater, probably they would find it worth their while.

Then you say they should not speculate. How would you prevent that ? That should be one of the conditions.

Do you think it would be possible to define the word " speculation " in such a way as to make it clear what is meant by speculation ? Probably legal opinion would be required.

Do you think further that this type of banker would accept audit of his accounts by a certified auditor ? That seems difficult.

It is sometimes said in regard to the agricultural community that a substantial increase in their credit facilities would not be to their advantage. Do you agree in that ? Yes, Sir.

Would you say the same about the small trader in the town ? No.

Of the big trader ? No, Sir.

Lala Harkishan Lal.—When you said that more credit facilities are not desirable for agriculturists, did you mean that individual agriculturist should not receive more facilities or that the whole community has got sufficient capital to work on ? What I meant was that the agriculturist should not have such facilities individually.

Have you any knowledge as to whether the agricultural community as a whole has got sufficient credit facilities ? No, I could

not tell. What was particularly in my mind when I said that was that the co-operative societies, for example, borrow loans from the central banks without assigning any reason as to the purpose for which the loan was wanted.

Would you like that the central banks should exercise discretion? They should give for productive purposes.

You told us that the Imperial Bank charged 1-32 on remittance when the joint stock banks asked for it and 1-16 when the bankers asked for it, but we have had complaints from some joint stock bank managers that the order is reversed and they get it dearer?—I am telling you of Ludhiana only. I have no knowledge of other places. It depends very likely on the manager of the Imperial Bank.

You said that you would like somehow or other to link the indigenous banker to the Imperial Bank. One idea is that the three or four credit institutions in the counrty should be graded, *e.g.*, that the indigenous banker should be able to discount his hundis with the joint stock bank and the joint stock bank should be able to discount the same with the Imperial Bank. Another is that the joint stock bank and the banker both should go direct to the Imperial Bank. The present practice is that the joint stock banks cannot sell their hundis with the Imperial Bank but bankers can. What would you have passed as a scheme of banking in India?—It would be better if we make it a complete whole.

In what way?—The money-lenders come to the indigenous bankers, the indigenous bankers to the joint stock banks and the joint stock banks to the Imperial Bank.

You would have four steps; I had only three?—Yes, Sir.

You said something about the indigenous banker and the Imperial Bank being brought more closely together by the bank appointing them as sub-agents. Would you limit sub-agents' work to produce or allow him all business?—At present pay offices are generally meant for produce. The hundi business could also be included.

You mean that the banker who is a sub-agent is also the guarantor of the hundi and that people of a particular village or mandi who discount their hundis direct with the Imperial Bank should go through the sub-agent?—Yes, Sir.

With regard to produce you would make him a sub-agent?—Yes Sir.

You say that pro-notes are taken by the banks because it does not pay the borrower to take a hundi on account of the stamp fee? What I said was that among themselves the indigenous bankers instead of getting a loan on hundis do more business in the way of pro-notes.

I am thinking of the lender, and not of the borrower. If he, lends on a pro-note, he does not get the advantage of rediscounting, and

therefore his resources are not so advantageous as they would be if he got the hundis ? That is evident.

Rao Pohap Singh.—Do the indigenous bankers have any dealings with the agriculturists now in the villages ? They had more at one time, but their business has considerably decreased.

Since when ? Since the introduction of the Land Alienation Act.

After that they had no dealings ? They have dealings, but their business has decreased considerably.

Before that they lent on the security of land ? Yes.

Have you got any instance to quote ? I think that is common knowledge.

Have you got any personal knowledge of that ; had any body had a piece of land on mortgage from some villager ? I could not give you the names, but there would be very many instances.

When you say that the Land Alienation Act has affected the indigenous banker, do you mean to say that it has affected him in his dealings with the villagers, and not in his dealings with the town-people ? Yes.

You say that, because of the competition of the indigenous banker with the Imperial Bank, the joint stock banks and the co-operative banks, the deposits which he used to receive have gone down. Why have they decreased ? On account of competition.

In what way ? The village co-operative societies give more interest on deposits than the indigenous banker can afford to give. For example, the central co-operative banks give sometimes 7 per cent and some times 7½ per cent.

Do they attract any deposits from the rural areas ? Yes, they do to a considerable extent ; that depends much upon the locality.

What per cent of the deposits do you receive from the rural areas ? I think it would be about 10-15 per cent.

And the rest they receive from the town-people ? Yes.

The joint stock banks also receive deposits from the town-people ? Yes.

Is the rate given by the joint stock banks and the Imperial Bank greater than the rate which the indigenous bankers used to offer before ? Yes, in the good olden times, if anybody were to deposit money with the indigenous banker for a short period, then the former would give him something for keeping his money in safe custody.

Were his rates higher which he gave on deposits ? The rates were much less. The indigenous bankers would give much less on deposits than the joint stock banks, and especially the co-operative banks

Can you tell us whether the amount of money in the market was greater in those days as compared to the present market conditions? I can't say.

Have the joint stock banks, the Imperial Bank and the co-operative banks attracted more deposits? I think they have because the habit of deposit is growing on the people now.

And the amount of deposits is greater now than it used to be? I think so, but it is a matter of statistics.

Has it increased twice or three times? I could not give you the exact figures, but the total amount of deposits held by the co-operative banks, joint stock banks and the Imperial Bank is much greater than what the indigenous banker held at any time.

The existence of these banks has led to the habit of making deposits? Yes.

Formerly very few people who know the indigenous bankers intimately or who had confidence in them made deposits, but now people don't do that? When you say of confidence, I think the indigenous banker commanded greater confidence than the joint stock banks. If I were to deposit Rs. 5,000 with an indigenous banker, I would not demand any interest from him, but would also give him something for the safe custody of my money.

Those who knew the indigenous banker had greater confidence in him, but most of the people did not know him personally, therefore they did not deposit with him? It was not want of confidence on the part of the depositors, but it is now the growing habit of deposit which is responsible for giving more deposits to the banks.

What are the causes of this habit? The causes are that every man wants to make as much money as possible.

Not that there are banking facilities? That also is one of the causes.

Do people feel more safe when they deposit their money in banks now, or when they deposited with the indigenous bankers? I have said in my memorandum that the indigenous banker has lost confidence to a a certain extent.

It is said that the joint stock banks don't advance on the security of house property or land. Is that so in Ludhiana? The Imperial Bank does not do it, but the joint stock banks do.

Has there been any decrease in that or not within the last six years? Yes, I think there has been a decrease.

What is that due to? That is due to financial stringency and the fall in prices.

Do you mean to say that there is not enough money in Ludhiana? Not in circulation; the money is locked up.

Was there speculation in Ludhiana during the last few years? Many traders indulged in speculation in many parts of the country as well as in Ludhiana. Even now there is speculation.

It was said at some places that, if even a money-lender or a trader is given more credit facilities, he would resort to speculation? I don't think so because he would probably think of investing it in business.

Those who work on sound lines, but others who don't, if they can get money, and with that they can do a business of Rs. 10,000 by means of speculation, would you like that credit facilities be given to them? Certainly not.

In the case of agriculturists, you say that, if they get more money than they require, they will spend that away on useless purposes? Yes.

So their credit facilities should not be extended beyond what is necessary to provide their needs or credit facilities for productive purposes? The credit facilities should be there, but the money should not be made so cheap to them that they can borrow it with ease and squander it away.

Their credit should be limited up to the extent that they can get sufficient money for their immediate necessities and productive purposes, and not beyond that? I may say that for productive purposes chiefly the agriculturists should be able to borrow.

And that not without any restraint? Yes.

What restrictions will you put on the money-lender if he is given some facilities of realization? I would put more or less the same restrictions as I have put down in the case of indigenous bankers.

Rai Sahib Kishan Lal.—You have just said that deposits have increased for the last ten years. Can you say from your experience from where the money has come? It is mostly from Government officials and retired military officers. I am talking of Ludhiana when I said that 10-15 per cent of the deposits in the central bank come from the rural areas, that remark applied to Ludhiana, where there are retired military officers and military contractors. The deposits from businessmen have decreased; there are practically no deposits from such men.

Chairman.—Taking the Punjab as a whole, central banks last year got 62 lakhs from persons engaged in trade and commerce, but you received no deposits? It was such a small amount that it is not worth mentioning.

Rai Sahib Kishan Lal.—You say that the cause of failure of indigenous bankers is loss of confidence, and that people don't go and deposit money with them because their business has failed? It is not entirely the lack of confidence, but the primary cause is the fact that it does not pay the indigenous banker to compete with the joint stock banks and offer attractive rates of interest on deposits.

For the reason that he formerly used to give less rates of interest than what the banks give now on deposits? Yes.

What was the rate of interest ten years before? 4 per cent.

And the banks now give 5 per cent? Yes.

Is not that the reason that they don't get deposits? Yes.

Chairman.—Are not certain joint stock banks taking deposits at 6 per cent.? Yes.

Which Bank? The Punjab National Bank.

Any other bank? I think the Peoples' Bank of Northern India.

Lala Harkishan Lal.—Does the Peoples' Bank accept deposits for all times at 6 per cent? I think they have got graded rates of interest; it is not always 6 per cent.

Chairman.—Has not that always been the rate during the last twelve months? I think I can safely take that rate for the last twelve months.

What rates of interest does the Central co-operative bank pay? 5½ per cent and 6 per cent.; 6 per cent is the maximum that we pay.

Does the Central bank at Ludhiana generally give the same rate as the joint stock banks? There is competition between the central bank and the joint stock banks there.

Are the rates generally the same? About the same. We feel that, if our rate of interest is more, then we get more deposits. If the joint stock banks temporarily increase their rates of interest, then the deposits are withdrawn from the central bank and deposited there.

In the last two years has the central bank reduced its rate on deposits? From 7 per cent we have come down to 6 per cent.

And your deposits have gone up? I think the deposits have declined slightly from the figure shown in our last balance-sheet.

The figures in the annual report show 11½ lakhs in the year 1928 and over 13½ lakhs in 1929, excluding deposits from societies. These figures show an increase of over a lakh in the year as between 31st July 1928 and 31st July 1929. Do you accept these figures? These are correct.

How do you account for the increase in deposits when capital is scarce? Is that due to the improvement in efficiency in the central bank? That is the main reason.

Khan Bahadur Chaudhri Sultan Ahmad.—You are managing director of the Central Co-operative Bank, Ludhiana, and you have put forward several very interesting and far-reaching proposals to improve indigenous bankers. Do you think there would not be any inconsistency if both the activities advance side by side? The field is so vast that every one can have his proper place in the business, and they can always be made to fit in.

Do you think there is sufficient room for either? Yes.

Khan Bahadur Chaudhri Niamatullah.—You have said that formerly, if you were to deposit Rs. 5,000 with an indigenous banker, far from getting any interest thereon you were to pay something to him for the safe custody of your money. Now you know that you can get interest both on fixed deposits and on savings bank account from the credit societies. Which will you prefer; the co-operative society or the indigenous banker? I was talking of old days, and that is why I have not mentioned anything about it in my note.

If a deposit be kept with the indigenous banker, what interest would he pay? At the present day the indigenous banker is not prepared to accept deposits.

Therefore the depositors have to go to co-operative societies, joint stock banks or the Imperial Bank? Yes.

You have said in your note that the position of the money-lenders and indigenous bankers be strengthened not only from the business point of view, but also from the political point of view? I could not follow what you mean by that? I have already said that at the present day the indigenous bankers and money-lenders are under the impression that Government does not wish to help them. If this suspicision be removed, then from the business and political point of view it would be very useful to Government.

Further on you say that the present suspicion should be removed. Do you mean to say that the Land Alienation Act should be abolished; you know that the indigenous bankers can take land on lease for twenty years. Ever since the introduction of the Land Alienation Act can you say how much money was invested by the indigenous bankers on land? I cannot say that. I am safeguarding the interests of the borrowers. The Land Alienation Act has set up one class against another. The borrower does not gain any advantage from the fact that, instead of the indigenous banker, another agriculturist should take over his land. The result is that the borrower does not gain much from the Land Alienation Act. He is a sufferer in a way because the competition between the agriculturist and the money-lender has been wiped out.

Do you agree that the Imperial Bank, the joint stock banks, the co-operative banks and the indigenous bankers are all for the benefit of the public? They have their own interests first in view.

Would you get a cheaper, or a dearer, thing? I would look to the stability of the thing.

Supposing there is a joint stock bank which pays 6 per cent. on deposits, and an indigenous banker who pays 5 per cent; which is the more favourable to the investor? According to this principle there should be no desposits in the Imperial Bank because they pay very little interest. It all depends upon the sweet will and pleasure of the depositor.

You say in your note that the collection charges of the banks are much less than those of indigenous bankers, but they do this

business for the benefit of the public ?—Collection charges represent their private gain ; that is quite a separate business.

Further on you say " the indigenous banker keeps secrecy, to which the borrower attaches so much importance in India ? "—If they get the facilities which you suggest from Government, will they be able to do business in villages ?—My enquiry mostly relates to banking.

In what respect does the secrecy observed by the indigenous banker help the borrower ?—Those who are in business, secrecy is useful for them. As regards the agriculturist, I cannot say much.

Chairman.—Does the Central bank do savings bank business ?—Yes.

Does it allow a person who can neither read nor write to open an account ?—No.

Why ?—For fear of misuse.

We have been informed that the Tarn Taran Union allows illiterate persons to open savings bank accounts ?—I won't extend that to illiterate persons because the responsibilities of the staff of the Central bank are already much greater than those of the joint stock banks.

If you insist upon personal attendance for all payments connected with the account, would not that meet the case ?—You would not have a very large number of such accounts, I imagine, and the staff of the bank would soon know who was who ?—Supposing some cases occur in which the thumb-impressions were not very clear, then who would be responsible for the payments ?—You might insist upon personal identification ?—Then probably it would not be worth his while to come and spend so much time.

Rao Pohap Singh.—You have said that the Land Alienation Act has created dissatisfaction because some classes were allowed to purchase the land of the agriculturists, while others were not ; is that the reason of dissatisfaction ?—Exactly.

What do you think so far as the borrower is concerned ?—I think that the Land Alienation Act has done more harm to the borrower than it has done to the lender.

So far as the borrower is concerned, you want to impose some credit restrictions upon his alienations ; is that your remedy to remove the dissatisfaction ?—We must give him facilities for credit. If he wants to borrow, he must have some security to offer.

How would you restrict his credit ?—I cannot prevent the man from selling his land.

You said that the cause of dissatisfaction was that certain classes were allowed to buy the land of the agriculturists, while others were not, and yet at the same time you were for protecting the borrower ?—I would protect the borrower from a dishonest money-lender. We can prevent it to a certain extent ; beyond that we cannot.

What will be your remedy ?—My remedy will be that the Land Alienation Act should be done away with as it would be in the interests of the borrower. So far, you have not been able to prevent the land from being sold.

Would you prefer the remedy that the other classes should also be forbidden from buyi ng the land, or would you suggest that the land should be sold ?—What I cannot understand is that, supposing an agriculturist wants to borrow ; what would be the security on which he would borrow if the land is not to be sold at all ; that is only a hypothetical case.

Then you mean to say that political dis satisfaction is due to the fact that certain classes are allowed to buy his land, while the others are not ?—I don't think I said that in all cases the land is bound to be sold out, but the land is certainly being sold, say, in 10 per cent. of the cases: I have not got the figures with me, but what I mean to suggest is that the Land Alienation Act has not benefited the borrower in any way. There has now come into being a money-lender class amongst the agriculturists which is more aggressive than the poor money-lender. He charges probably greater rates of interest than the money-lender did ; and not only that, but he is ready to fight the borrower and confiscate his produce and take all sorts of aggressive attitudes towards the borrower than the poor money-lender did at any time.

Chairman.—Have you any close acquaintance with the methods of the agriculturist money-lender, or is it hearsay ?—I am speaking from hearsay, but this is a fact that the money-lenders have migrated to the urban areas from villages.

Rao Pohap Singh.—Do you think that the money-lender would pay higher prices ?—If there is competition, that is natural.

(The witness withdrew.)

Financing of Urban Industries by the Manager, Co-operative Industrial Bank, Amritsar.

PART IV.

2. (1) The cottage or Art Industries are financed in the following manner :—

(*a*) The dealer interested in the Industry.

(*b*) Professional Money Lender.

(*c*) Co-operative Societies.

2. (2) The middleman supplies raw material and cash for the initial expenses in the following manner :—

(1) *Discount system.*—The dealer advances raw materials at his own rates to the worker on the condition that the finished products are brought back to him for sale. He deducts something per yard or per weight as his discount.

(2) *Time* (*muddat system*).—The worker has 15 days of grace after which interest is charged on the price of the material supplied. If the payment is not made within two months compound interest is charged and Rs. 2 charged extra as the profits of the shop on the raw material advanced to the worker.

(3) *The wage system.*—The dealer supplies raw material and pays the worker on the basis of either time or on the yardage or weight system. The dealer supplies only raw material on credit and gets back the price after stipulated period.

The middleman on the one hand supplies raw material at a rate favourable to him and purchases finished goods at his own rate and then sells at profits. The industry is mostly under his control because the supply of raw material and the purchase of finished goods lies in his powers. He plays an important part as financier and purchaser of finished goods.

3. Yes. The co-operative system is the best system because under this a worker is supplied raw material at a comparatively low rate of interest. He can wait for good market and unlike other systems is not obliged to sell as soon as he finishes the products.

By the time he can find good market he can get further loan from the society and carry on the work. In other system either the worker has to sell at a price fixed by the dealer or go away without selling it which he can not. So naturally quick disposal is to be sought to be made. The dealer is in a better position and by cleverly creating competition among the workers can bring down the price and can even wait till the workers are brought down on their knees. The worker in this case does not get fair return for his labour. In

the co-operative society a member works and takes his finished goods to the market. If he does not find good price for his goods he can come back. He is not obliged to throw it away on any price he is offered. He can wait for better price and then dispose of goods. He gets his margin of profit which he is deprived of in case his dealings with the dealers in industries continue.

3. (2) Any method which is better than the co-operative system is quite welcome.

4. No such experience.

NOTE.—Among artisan classes all the members of the family work. There is no separate work or profession for womenfolk.

Oral evidence of Chaman Lal, Manager, Co-operative Industrial Bank, Amritsar.

Chairman.—Are you the Manager of the Co-operative Industrial Bank, Amritsar ?—Yes, Sir.

How long have you been here ?—From the year 1926.

When was the Bank started ?—In the year 1917.

You have read what is said about the bank in the last annual report of the Co-operative Societies Department. Does that represent the present position ?—Yes, Sir.

Does the bank sell the finished goods of the members of its affiliated societies ?—Yes, Sir.

To what extent ?—In the year 1928-29 it sold about 3,000 worth of goods.

Has it ever been substantially more than that ?—We have never sold their goods. The figure represents the goods actually purchased by us from our societies, and these societies actually sell their goods in the bazar, but we help them in securing orders. We secured orders worth about Rs. 5,000 from the police Department for the supply of *kulahs*.

What is the total amount of the orders secured ?—About Rs. 8,000.

And in addition the bank purchased Rs. 3,000 worth of goods from the affiliated societies and re-sold them ? Yes, Sir.

Has the business done in this way ever been much more than the figures you mention ?—Yes, Sir, in the year 1925-26.

What were the corresponding figures then ?—I have not got the figures with me.

Have you got figures for 1926-27 ?—Yes, Sir.

What were they then ?—Rs. 2,609.

Why were they much higher in 1925-26 ?—We received two or three substantial orders from the Government for the supply of Lungis.

Not from the general public ?—No, Sir.

Am I right in thinking that the main problem in connection with these societies is a question of marketing rather than finance ? Yes, Sir.

Does the financing of these societies present any special difficulties ? We are not short of fund, but what we want is facility for the despatch of money. Our bank is the only bank at Headquaters at Amritsar and it is financing the whole Punjab. The trouble is that our socie ties cannot get money at quick intervals.

L. Harkishan Lal.—Do you receive deposits ?—Yes, we receive deposits both from Amritsar and from outside people.

Do you receive deposits from members only living outside Amritsar or from non-members also ?—From non-members outside Amritsar deposits are received by the Industrial Bank and not by the Central Bank.

Why ?—Because our rates of interest are higher.

What is your rate ?—6½ per cent.

What is the rate of the Central Bank, Amritsar ?—five per cent.

What is the term of the deposit ?—One year.

Some body told us yesterday that the Central Bank gives six per cent for one year ?—six per cent to members and five per cent to non-members.

And what do you pay ?—We give seven per cent to members and 6½ per cent to non-members.

You do that to attract money and with no other object ? We don't do to attract money but because we can afford to pay a high rate of interest.

Why ?—Because our expenses are not so high as in the case of joint stock banks.

I am not talking of the joint stock banks at all ; I am talking of the Central Bank in Amritsar. The latter gives five per cent to non-members and six per cent to members and you gives seven per cent. to members and 6½ per cent to non-memebrs. Why do you run this competition ?—Formerly both the Central Bank and ours used to pay seven per cent. to members, but now as they have got surplus money with them and as they don't require money at a higher rate of interest, they have reduced their rate, while ever since we started receiving deposits, we never had surplus money with us, and we can invest very easily with our societies.

So their profits are larger than yours ?—Yes.

Why should you keep that rate when your profits are smaller ?—We have to attract money as well from the people.

Chairman.—Your bank gives a higher rate than the Central Bank because you would not be able to raise sufficient money without it ?—Yes.

Lala Harkishan Lal.—Why should you have a worse reputation than others ?—Our reputation is quite good.

And still you pay a higher rate of interst ?—The reason is that our bank has taken up this function from the year 1926 ; formerly it was only a sort of information bureau. Formerly we got money from the Government at a nominal rate of interest and as we took up banking business, we had to offer a higher rate of interest to have confidence of the public. Now we are contemplating to reduce it to six per cent.

What are your deposits ?—About four lakhs.

While the other bank has got about 22 lakhs and that is confined only to Amritsar, while your bank is all over the Punjab ?—The Maximum Credit Limit of our societies in each case is up to 1,000 and in their case it is not less than 5,000.

Why the limits are different ?—Because our societies don't require money to such a large extent as their societies do. Their members can work with a mximum of Rs. 200, while our members can work with Rs. 50 to 100; so the requirements of our members are very small and therefore we have to attract small deposits from the people.

Lala Harkishan Lal.—Now you have separated the functions of banking and business so far as managers are concerned ? Yes; the business manager lives at Lahore.

Presumably he is under the control of the Directors of the Bank; and if he lives at Lahore, how is he guided by the Directors ?—He is not directly under the control of the Directors, but under the control of the Assistant Registrar, Lahore.

Does he not form wholly a part of this institution ?—So far as activities are concerned, he forms a part of the bank, but so far as guidance is concerned, he takes guidance from the Assistant Registrar of Industries.

Does he deal with the money there ?—He takes money from us.

Does he keep any account with the Lahore Central Bank ?—No.

If the money comes in his hands, where does he keep it ?—He deposits in our account with the Central Bank.

Does he deal with the Central Bank there ?—He deal with us.

Does he deal in your name ?—He deals in his own name, but he can make deposits only and not withdraw.

He withdraws or keeps the money there with your approval?—Yes.

How much remains in his hands away from Amritsar ?—He does not keep any money in his hands.

In his hands means in the Central Bank, Lahore?—Up to Rs. 10,000.

The rest is in Amritsar ?—So far as accounts are concerned; otherwise it is scattered all over the Punjab by way of loans.

What kind of industrial societies are affiliated to your bank ?—Weavers, oilmen, ironsmiths, carpenters, gold smiths, *kharadis*, tanners, dyers, shoe-makers; furniture makers and box makers.

What kind of furniture they make in the villages ?—They make chairs and tables. They are sold in the cities.

Are they town people ?—Yes; our village societies don't do furniture making.

Would you kindly tell me whether the number of these affiliated societies is increasing or decreasing ? It is increasing.

Are these societies flourishing or moribund? So far as our accounts are concerned, I think they are flourishing.

Do they pay their instalments regularly and there is no difficulty in realisation? They are not flourishing in that sense of the word. I mean to say that they are no longer dealing with the village money-lenders; they get loans from us and try to repay all our loans in time.

Chairman.—How many societies have become independent so far? A class societies have become independent.

Lala Harkishan Lal.—They don't owe any thing to you?—They owe, but they can repay at any time they like.

If they can pay and they don't pay, it means that they keep the money idle?—They are utilising their money in industries.

Then they could not repay you except by closing their business; if they are utilising all the money they have in investing in raw materials, then they cannot repay you whenever you want; they will only pay when they have some profits and some surplus?—Or they can repay from the sale proceeds of their goods.

They cannot clear off their indebtedness to you entirely until they have surplus?—That is natural.

Then your statement is not correct that they can repay whenever they like?—But they have got sufficient money to carry on their business.

Along with your debt on them?—Yes.

Khan Bahadur Chaudhri Niamatullah.—How many A class societies are there?—About ten.

Out of how many?—Out of 316.

What class of societies are good in repayments?—A and B Class.

Do you get any orders from the Government or Railway Department?—Yes. Last year we got orders worth about 5,000.

Did you receive any orders in respect of goods prepared by weavers?—Yes.

How many sale societies you have got?—Only one.

What do you accept in repayment; finished goods or cash?—Either goods or cash.

Do you sell their goods at Lahore only?—Wherever it is feasible.

Is it some times the case that you take their finished goods in lieu of the unpaid instalments and show them as debtors till the goods are sold? We advise them not to sell their goods at lower prices. They can obtain loans on the security of their goods, but we don't receive goods in lieu of debts.

(Witness withdrew.)

The Manager, The Amritsar Central Co-operative Bank, Ltd., Amritsar.

Q. 14.—*Financial Concessions.*—Co-operative Societies at present enjoy a number of Financial Concessions from Government, *e.g.*, partial relief from Income Tax and money-order fees, special postal saving bank facilities, if one, and one only of these concessions were to be extended with the object of facilitating the growth of Co-operative Finance in the province which concessions would you recommend for extension and in what form ?

A.—*Money Order fee.*—Societies can neither take advantage of Income Tax commission nor of Postal Saving Bank, but extension of money order fee will facilitate the transmission of Funds and the people will be saved from the trouble of coming over to the Central Banks personally.

Q. 15.—*Savings.*—(1) What are—

(*a*) Central Banks ;

(*b*) Banking Unions in your Circle doing at present to encourage Savings particularly of small sums apart from general acceptance of deposits ?

A.—We have got Saving Bank Accounts which can be opened for any sum not less than Rs. 5 and subsequent deposits are received in sums not less than Rs. 2.

Q. 15.—(2) Having regard to their resources do you think it would be possible for them to do more ?

A.—We have also got Saving and Thrift Societies Accounts. In these accounts there is no minimum fixed for opening the accounts or subsequent deposits. This can be opened with any smallest sum and the subsequent deposits can be as small as possible. The Bank is allowing seven per cent per annum interest in the shape of current accounts on the basis of daily balances. From 1st April five per cent per annum in current accounts and seven per cent in fixed deposits. The Bank can accommodate more saving and fixed deposits and Saving and Thrift Co-operative Societies accounts.

Q. 15.—(4) If you have any experience of the working of the Central Bank Branch will you advocate the establishment by Central Banks of branches for the purposes of attracting deposits ?

In replying please bear in mind the difficulty of operating a branch satisfactorily.

A.—The Amritsar Central Co-operative Bank is in a position to control the branches.

Q. 15.—(5) What is the smallest sum ordinarily accepted in deposit by (*a*) Central Banks ; (*b*) Banking Unions in your circle ?

A.—The following is the minimum limit fixed for accepting deposits :—

(1) Savings Bank, Rs. 5 at the time of opening the account, Rs. 2 subsequent deposits.

(2) Fixed deposits. No fixed deposit receipt is issued for less than Rs. 100. This limit does not apply in the case of Thrift and Saving Societies.

Q. 16.—*Cheques.*— To what extent are cheques (including cheque bonds) used in the Co-operative Movement in your Circle ?

A.—The Bank is issuing cheques in the case of Floating Accounts and cheque bonds in the case of societies.

Q. 16.—(2) Could their use be further extended with safety to all concerned ?

A.—Yes, the use of cheque bonds can be extended with safety in the case of Co-operative Credit Societies and cheques in the case of general public floating account and those of Co-operative Thrift and Saving Societies.

Q. 18.—*Competition with Joint Stock Banks.*—Is there any serious competition in your circle between Co-operative Banks and the Imperial Bank or any Joint Stock Bank ? If so, what form does it take ?

A.—Yes, there is competition with the Imperial Bank and other Joint Stock Banks in the case of fixed deposits.

Q. 19.—*Transmission of Funds.*—(1) By what different methods are funds transmitted between Central Banking Institutions and Primary Societies in your Circle ?

(2) Which is the method most commonly adopted ?

(3) Is there any measure that you would recommend for further facilitating transmission ?

A.—(1) (*a*) By personal attendance.

(*b*) Per insured post.

(*c*) Per money order.

(2) By personal attendance.

(3) By opening Central Bank branches in various quarters of the District.

Q. 20.—Does any Central Bank in your Circle do any banking business other than what is common to all Central Banks, *e.g.*, discounting Hundis, etc. ? If so, please give details.

A.—No, we do not do any banking business other than what is common to all Central Banks.

Q. 21.—If the Central Bank has secured an overdraft from the Imperial Bank on the security of the Pronote of affiliated societies please state—

(1) The exact nature of the arrangement ?

A.—No, we have never secured overdraft from the Imperial Bank on the security of the Pronote of our affiliated societies.

Q. 24.—*Bad debts.*—(1) What was the amount of (*a*) principal, (*b*) Interest written off as irrecoverable by agricultural credit societies finally liquidated during 1928, 1929.

(2) Please estimate, however, roughly what percentage bad debts bears to the amount advanced by agricultural credit societies.

(3) What is the amount written off as irrecoverable by (*a*) Central Banks and (*b*) Banking Unions in your circle during the last ten years by way of (*i*) principal and (*ii*) Interest ?

A.—No such amount has been written off by the Bank.

Oral evidence of Sardar Kartar Singh, Honorary Secretary The Amritsar Central Co-operative Bank, and Lala Tej Bhan, Manager of the Bank.

Chairman.—You are Honorary Secretary of the Amritsar Central Co-operative Bank?—Yes, sir.

And you are also Secretary of the District Board?—Yes, sir.

How long have you been Secretary of the bank?—For the last ten years.

When was the bank started?—In July 1922.

What is the working capital of the bank?—Twenty-six lakhs.

And its deposits?—Twenty-two lakhs 42 thousand.

And the savings bank accounts?—About 150 accounts have been opened and the amount comes to Rs. 60,000.

Is that a form of business that is increasing?—Yes.

When did you start it?—In 1922.

Can you give any figures to show the rate of increase?—Yes; on the 28th February last year it was Rs. 30,993-9-6; on the 28th February this year it was Rs. 61,945-4-0, so that they have double within a year.

Has there been any change of rate?—No; it is 4½ per cent., which is rather more than the local joint stock bank rate. They are giving 4 per cent.

How many of your depositors belong to the rural class?—Only four or five. All the rest are residents of the city.

What are the corresponding figures for deposits?—Fixed deposits totalled 20·88 lakhs in 1929 and nineteen lakhs in 1930. They decreased because our rate of interest went down. Previously we were giving 5½ per cent on fresh deposits and 6 per cent on renewals. Now we give 5 per cent on fresh deposits and 5½ per cent on renewals.

Have you got as much money as you need?—Yes.

Have you more than you require?—No; we had to give Rs. 70,000 to societies during February. There is one very interesting account with us, *viz.*, the thrift and savings account. It was Rs. 96,000 last year and this year it is Rs. 1,67,000. It has increased by three-fourths.

What is the increase in the depositing societies?—No increase in the number of societies, but in the amount.

What rate do you give?—Seven per cent on current accounts, but from the 1st April we shall make it as 5 per cent on current accounts and 7 per cent on fixed deposits for one year.

Do you allow illiterate persons to open savings bank accounts?—No, Sir.

Why is that ?—Because they have to sign the receipts, and we cannot distinguish between thumb-impressions.

Do they not come personally ?—Yes ; they can, but up to this time none has applied.

Do you see any objection to extending it to illiterate persons subject to the condition that they come personally ? We have no objection.

Chaudhri Sultan Ahmad.—Is there any rule barring illiterate persons ?—No, sir. Nobody has yet applied.

Have you made any special attempt to attract small deposits from people living in the town ?—I think the number of small deposits is increasing in our bank.

But have you made any special efforts ?—No special effort has been made. We have been giving notices in the papers sometimes.

Some of the people in Amritsar, when they know of the facilities afforded, might be tempted to start a savings bank account and contribute regularly to it ?—You have seen from the figures that the savings bank account has doubled.

Would not more be possible if an organized effort to attract savings bank accounts is made ?—We have not so far considered that point. The effort we can make is to give advertisements in the papers. I do not think there is any need for making any effort in the savings bank ; but, if the savings and thrift societies accounts are known to the people, they will get a higher rate of interest and come.

Chairman.—For that purpose they will have to be organized into societies ?—yes ; if the field staff approaches them, they will be prepared to accept it.

You say that an extension of the money order fee would facilitate the transmission of funds. What exactly do you mean by that ?—At present the central institution is not allowed the concession allowed to primary societies. The idea is that, if the central institution was given the same concession, it will be tempted to send money to societies by money order. At present they come personally to borrow from the banks.

Is it more desirable that people should come personally rather than receive money by post ? They should receive the money by post as it will save inconvenience and risk will be reduced.

Would it be convenient to both parties if the Central Bank were to remit money by money order ?—It will be more convenient to zamindars than to the Central Bank.

Then presumably cheque bonds will be sent by post ?—Yes.

At present they are usually brought personally ?—Yes.

Is the sending of a cheque bond by post likely to lead to difficulties ? No ; I do not think there will be any difficulty because we keep

the specimen signatures of the committee members in the bank and we can tally and remit the money by post office. Another advantage will be that, when the postal authorities will be making payment, they will see that the payment is made to the proper person. There will be a double check.

If societies in sending money to the Central Bank get the concession you speak of, why do they trouble to appear personally at the Central Bank?—The thing is that the post offices in most cases are at a distance of some miles and besides they are not very literate and cannot go to the post office and get the money orders made, and find it more convenient to make payment personally. I insist that they should not come personally, but get money sent through the post office, but they prefer to come personally. There are some cases in which they send payment by money order, but they are very few.

Will there be any object in extending this concession to the Central Bank if members of primary societies prefer to come personally? —They do this only because they find difficulty in the post office in remitting money to the central institution; but, when money goes to them, they will not find any inconvenience.

Chaudhri Sultan Ahmad.—There is a rule in the post office that they do not deliver money orders at the homes if the amount exceeds a certain amount. Will it not still be inconvenient for the zemindars? —I personally consider that it is more convenient and useful if the money is remitted by money order both to the Central Bank and to the primary society, but it is not popular.

Is it not the case that some representatives of societies have some other business in the town and bring the money free?—Yes; that is the case.

Chairman.—Do you collect cheques for your clientele?—Yes; but we do not discount.

Lala Harkishan Lal.—You say that you pay 5 per cent on floating, and 7 per cent on fixed deposits in case of thrift societies. What is the duration of the deposits?—One year.

And if for shorter terms?—For six months they get 6 per cent.

And what interest do they pay themselves to their depositors who are members of societies?—They pay a dividend. They pay the whole of what they get after deducting 2, 3 or 4 per cent for the reserve fund and for clerical charges.

But then they would not be making 7 per cent. Have the thrift societies any other source of income?—No.

Then they should be getting a fraction less than 7 per cent.?— Yes.

If the amount is small, the charges will swallow up a great deal?— No; if the amount is small, the clerical work is done honorarily.

Up to what number would you pay for the work?—I do not know.

Is there any rule that, if the deposits are over a certain figure, the clerical charges should be paid?—No; in my society we pay about Rs. fifty per annum to the clerk. The money contribution is four to five hundred rupees a month.

If the contribution is Rs. 6,000 per year, it amounts to 1 per cent. ?—Yes.

Is any rent to be paid?—There is no regular office. These societies are generally formed among the clerks.

But they may have an office where the money goes?—No rent is paid. The money goes direct to the Central Bank to the credit of the depositing society.

Does the Central Bank charge anything?—No.

But, if the expenses are even 1 per cent., the deposit rate is reduced to 6 per cent. ?—Yes; but in small societies the expenses are nil.

What are the deposit rates for primary societies in Amritsar?—Generally 6½ to 7 per cent for twelve months.

Leaving aside thrift societies, how much does your Central Bank pay?—Five per cent for fresh deposits and 5½ per cent for renewals for twelve months. We have no deposits for more than twelve months.

The thrift societies do not borrow like the primary societies?—No.

Do your directors not receive anything?—They receive travelling allowance if they come from outside. Most of them come from outside.

How many are there?—Thirteen, including the president, who is the Deputy Commissioner.

Are they paid at Government rates?—They receive travelling allowance at the old District Board rates. I think it is two annas per mile.

Is there any daily allowance also?—Yes; Rs. five per day is paid in addition to the rates which I have just quoted. This includes everything.

Well, if all were to come, they would charge about Rs. sixty per day?—No; I do not charge as I stay here. The same is the case with Rai Sahib Boota Singh and Rai Sahib Nihal Singh. Lieutenant Raghbir Singh does not charge anything for coming to the meeting.

What class of people are coming to the thrift societies?—They are generally public servants, school teachers, etc.

Is that the chief clientele?—Yes.

Are ladies included in that?—Yes.

Is there any condition as to age, or can boys of three and four deposit?—No.

Then there is a limit of age?—Only those who are members of thrift societies can deposit with us, and members cannot be less than eighteen years of age.

What are the conditions for becoming a member of a thrift society? —A person has to subscribe to the bye-laws, and has to pay a small admission fee.

How much is that?—It is very negligible, say two or three annas, to meet the cost of registers, etc.

Are these the only conditions?—Yes.

Then he must be eighteen years of age?—Yes.

But usually do you bother about the age?—Generally teachers are supposed to be over eighteen years.

But in the case of a person who is not a teacher?—I do not think there will be anybody who will be less than eighteen years.

But do you take any trouble to find out?—So far as I know, there is nobody less than eighteen years.

Have you got the number of members of thrift societies?—No.

Is there any limit fixed for deposits?—No; neither minimum nor maximum in the case of thrift societies.

Have you got any translation of the term thrift societies?—*Anjumanhai bachat wo kifaiyat shia'ri.*

Chaudhri Niamat Ullah.—You have said that for deposits for one year the rate of interest is 5 to 5½ per cent. Is the rate of interest for personal deposits or deposits from societies?—For personal deposits.

What rate do they pay for deposits?—Seven per cent.

Is there any circular from the Registrar that a man should come to the Central Bank?—No.

Are there post offices wherever there are societies?—No.

How far have the members to go?—Three or four miles in the Amritsar District.

How much could you send to a branch office?—I cannot say.

Then would it not be more convenient for a person to come to town rather than go three or four miles to a post office?—I personally think that, where money can go safely and conveniently, it is better to send through the post office. Three or four miles is nearer their homes.

In cases where the post office is further than the Central Bank?—There can be no objection in that case to the persons coming personally.

You say that to verify cheque bonds you keep the specimen signatures of members. But some of them are illiterate?—We have got their thumb-impressions.

But you said you could not judge thumb-impressions in the case of the savings bank account?—But these are not the same. Three

people sign the cheque bonds out of which some at least are literate. And then the post office will make payment to the right person. Further, we have the specimen signatures of the secretary who has to sign the cheque bonds. If the secretary is not present, then one of the members of the committee signs.

So you have no difficulty ?—There are difficulties, but we are insisting on the specimen signatures being supplied to us.

Do you not think that more zemindars who are illiterate should come forward ?—I do not think there will be many because they have not got much savings and then the cost of coming here will also be a lot.

But can they not deposit in the societies ?—Societies have no savings bank accounts, unions have.

Do you use cheques in the savings banks ?—No; we have order forms.

But, if a man living forty miles away wants money to be paid to another, will there be any difficulty ?—The withdrawal forms are in the form of a cheque and the depositor sends it to the man to whom the money is to be paid.

Lala Harkishan Lal.—Then why not call it a cheque ?—With the order form the pass book must be presented.

Chaudhri Niamat Ullah.—But cannot you make this a rule ?—This sytem was adopted to avoid frauds.

Will the pass book be sent to the man to whom payment is to be made ?—No ; the pass book is sent to the Central Bank.

When talking of old debt, you have said that no money has been paid ?—We have no authority to ask the cause for which money is borrowed.

Do you accept cheques in the vernacular ?—Yes ; the rule is that they must be certified by the manager or accountant.

Why ?—Because vernacular signatures are not always uniform and change each time. So these people have to keep an indemnity security with the bank that the bank will not be liable for any frauds, or they come personally to the bank.

But in the English signatures is there no danger of frauds ?—Generally English signatures do not differ much, but vernacular signatures do.

Lala Harkishan Lal.—Another reason is that people are used to signing in English and their signatures are more or less fixed. Experts make no difference in the signatures in the two languages.

Chaudhri Niamat Ullah.—Are all the signatures of secretaries in English ?—No ; they are usually in the vernacular. We do not observe this rule so strictly in the case of societies as the danger there is less.

(Witnesses withdrew.)

Oral evidence of Khan Sahib Ghulam Mehdi Khan, Honorary Secretary, Central Co-operative Bank, Rawalpindi.

Witness stated that he had been honorary secretary of the bank since 1919. The bank was opened in 1913. The amount of fixed deposits in the bank is more than five lakhs. About two years ago it was four lakhs. The rate of interest was reduced in 1928. The prevailing rates are 4 per cent for six months, 5½ for one year and 6 for two years. About one lakh has been deposited by the Central Bank with the Provincial Bank. There is a surplus with the bank as new societies are not being opened. There are 46 savings bank accounts, but very few of them are from zemindars. No illiterate persons have opened such accounts, but there is no bar to their doing so. There are 45 current accounts with the bank. Money cannot be withdrawn from a savings bank account by cheque.

In reply to Rai Sahib Kishan Lal, witness said that fixed deposits mostly come from local bodies ; two lakhs have been deposited by the district board and one lakh by the municipality. The rest is mostly from persons who are employed in offices, etc. Since 1919 a dividend of 9 per cent was declared every year.

In reply to Chaudhri Niamat Ullah, witness said that there is no communal feeling prevalent in the bank. A few people might be trying through mischief to create such a trouble, but there is no such feeling in this bank.

(Witness withdrew.)

Mr. B. N. Sehgal, Manager, the Attock Central Co-Operative Bank, Campbellpur.

PART I.

2. (*ii*) Of course it will encourage the practice but the trade will be rather more risky, specially in these days when the business of the merchants is generally fluctuating.

4. (*i*) Supply Bills can change hands by endorsement.

(*ii*) In some cases payment is refused by paying Banks for want of advice.

5. Currency notes of the denominations desired can hardly be had, except occasionally as matter of obligation.

6. (*iii*) May and June for wheat and December January for cotton.

(*iv*) They are not common.

8. (*i*) Demand Hundis payable at sight and Hundis payable after specified time.

" On demand please pay to.....

" days after date please pay to.....

(*ii*) Merchants and commission agents.

Hundis pass from hand to hand by endorsement and sometimes without it.

(*iii*) Generally in that area.

9. (*i*) Yes but only for merchants of recognized position.

(*ii*) Sometimes payment of such railway receipts is refused at destination. Amount is however recovered from the party to whom the amount was advanced.

10. (*i*) Yes they change hands by endorsements.

11. (*i*) There is no practice of Sattas in this district.

PART VI.

3. (*i*) Less facilities than local banks do.

(*ii*) Their rules of withdrawal should be revised.

4. (*i*) Yes.

Rates are more favourable and better security is offered.

(*ii*) Yes.

8. (*i*) They deposit.

(*ii*) Banks.

(*iii*) Yes.

(*iv*) Family requirements and for cases of emergencies.

9. (*i*) Yes, both in respect of deposit and withdrawal.

(*b*) Two rupees.

10. (*i*) They invest their money in banks in a few cases but generally they try to obtain land.

(*ii*) Yes, they do lend.

12. Business class.

13. (*i*) Yes.

(*ii*) Yes.

S. Khadim Ali, Honorary Secretary, the Montgomery Central Co-operative Bank, Ltd.

PART I.

(1) (*i*) Bank drafts drawn by a bank on its head office or some branch of the same head office.

(2) Bank advices.

(3) Cheques which are treated either as demand drafts called Demand Drafts, or as bills for collection called B. Cs.

(4) Hundis—

(*a*) Drawn either after receipt of money by the drawer.

(*b*) Drawn without such receipt and sold to some bank to receive payment from the drawee.

(5) Money orders.

(6) Insured letters.

(7) Telegraphic Transfers.

(*ii*) *Defects*—

(*a*) *Money orders*—

(1) High fee.

The commerical public does not generally avail of money order on account of high rates. The hundis are obtained on payment of commission fee varying from Re. 0-4-0 to Re. 0-6-0 per cent up to Rs. 1,000 and from Re. 0-2-0 to Re. 0-6-0 per cent for sums exceeding that.

Hundis are sold by the drawer sometimes on discount also when the expenses on collection exceed the facility of recovery.

(2) The smallness of the limit for amount to be remitted.

(*b*) *Insured letter*—

(1) No responsibility for the contents.

(2) Risks due to legalising the encashment of half piece of a note for half the amount of the note.

(3) Costliness, *i.e.*, for sums not exceeding Rs. 45 one has to pay the same fee of Re. 0-5-6 as for one hundred.

(*c*) *Bank Drafts, bank advices, and telegraphic transfers.*—A provision should be enacted that in case the bank through which the amount is remitted fails when the money is in the course of transmission, its bankruptcy should have no effect on these instruments and the drawee bank would not refuse payment if he has got funds at the credit of the drawer. In case there be no such funds the person depositing the

money for transmission will be entitled to have his money refunded immediately and before all other liabilities standing against the drawer bank.

Remedies.

1. *Money orders.*—Lowering the fee so as to bring it to the same level as that of the insured letters or hundis.

2. Issuing of postal orders for sums above the money order limit.

Bank Drafts.—Treating the payee as a secured creditor and providing for immediate payment of full amount from the available assets.

(*i*) As they provide for payment of demands not in cash but what is called by credit mechanism, they diminish the necessity of the circulation of full amount of Currency required otherwise, and give thereby a stimulus to trade.

(*ii*) Yes. And as they curtail the circulation of currency required otherwise, it is better to exempt them from stamp duty.

3. (*i*) This course although involving risk is useful for trade as the scope of their negotiability will be extended.

(*ii*) To abolish the crossing system on cheques payable to bearer would increase their circulation.

(*iii*) Such protection in case of hundis will effect the trade adversely, or the dealers in hundis will protect themselves by drawing hundis payable to the bearer.

5. I know of one difficulty. The notes are not cashed at their face value outside the circle of their issue. Some discount is to be paid in the market, say, at least Re. 0-4-0 per cent., therefore difficulty is experienced in getting such notes exchanged for the notes of any denomination circulated there.

6. (*i*) Should be reduced to the same level as that on the promissory notes payable on demand.

(*ii*) No.

(*iii*) Period generally varies from three to six months. They serve as securities for deferred payments, or to accommodate the parties in business matters.

(*iv*) No. Not generally.

(*v*) Very little, because its effect will be restricted to commerical places only. The muffassil people will stick to bonds as before.

7. Such a scheme is very difficult to succeed. The bankers afford facilities in recovery or payment, *e.g.*, allow the time to the payer for payment, some times by charging interest for such time, and some times make immediate payments by treating them as Demand Drafts instead of Bills for collection. Whereas the postal staff will have nothing in view but the performance of duty.

9. Generally not, as the goods are not so secure and one can't be certain of receiving the consignment intact. The goods are generally sent at owner's risk and not at Railway's risk. The case of the bills of lading is different as in their case the goods are insured and the conveying agency mentions the price and details of the articles to be delivered, while in the case of *biltis* the mention is made only of the number of packets and the approximate weight with no guarantee of accuracy, and the price is never given. If the above difficulties are removed borrowing will be possible. But it will affect the business adversely on account of increase in expenses.

10. With endorsement.

11. (*i*) Yes, subject to the removal of the above difficulties.

(*ii*) *Satta* not.

Bijak can be advantageous if negotiable. But it will result in raising the rate.

PART VI.

1. No. Scarcity of money, specially due to failure of successive crops and slackness of business.

2. (*i*) No. Why ? (*i*) Long terms ; (2) no interest for one year, (3) waste of time in dealing with postal employees.

3. (*i*) Not facile.

(*ii*) No.

(*iii*) Official class.

4. Yes in those cases in which the money is spare for a long time there is a competition.

Certainly the Treasury Bills affect much the business of the banks because of comparatively high rates of interest and short term provided for the Treasury Bills. Not healthy for co-operative banks. The competition affects adversely the weaker party. It is healthy among equals.

The competition is healthy if it gives a stimulus to business. But the rate on Treasury Bills impels the customer to withdraw money from the banks, and the experience shows that the Imperial Bank investment rate is always high in the days when the Treasury Bills are being issued. As there is a demand for money from banks and they have ultimately to borrow from the Imperial Bank (against the securities) at a high rate to meet the demand, the banks are losers. For instance, to-day's rate of Imperial Bank is 7 per cent., of three months Treasury Bills Rs. 6-8-0, and other banks' rate for three months Rs. 4 to Rs. 4-8-0 per cent.

7. (*i*) Official class so far as I know.

(*ii*) Do.

8. (*i*) I am acquainted in this respect only with the co-operators.

They invest the money not required for their normal expenditure in co-operative societies.

(*iii*) Yes. To be made use of when required for payment of revenue, or instalment of loan or for extraordinary expenditure.

9. (*i*) Yes. We keep saving bank account at 4½ per cent.

(*ii*) We accept one rupee at least.

(*iii*) No.

10. (*i*) They repay the loans, spend on marriages, litigation and invest in jewellery.

(*ii*) The Abadkars only inter-lend but without interest.

(*iii*) No.

11. (*i*) Yes.

(*ii*) The Muhammadans consider sinful to receive interest.

(2) There is generally a lack of habit for thrift.

(3) The prosperous condition of the rural public is not stable. There are many ups and downs.

(*iii*) If co-operation is encouraged.

12. (*i*) Official and commerical class.

(*ii*) It is growing slowly.

13. (*i*) Yes.

(*ii*) Yes.

14. Yes.

15. (*i*) Only that script should be used which is used in the majority of letters addressed to the inhabitants of the Province through the post offices, which is a clear proof of (1) the script being extensively in use in the ilaqa, and (2) easy availability of the persons conversant with the script. The fixing of such a script will do away with ever-

increasing and overwhelming complaints against the money-lenders, for instance of forging the entries or not entering the payments or entering the sums more than advanced actually, because the illegibility of their script renders such things for them convenient and undetectable.

(*ii*) No.

(*iii*) Any script which affords less chances for forgery, etc., and is easily legible specially to the class of borrowers.

16. (*i*) Yes, it is considered to be Government Treasury.

(*ii*) Yes, as it deals with the advances against the marketable commodities also.

(*iii*) No.

(*iv*) No.

(*v*) Yes, as it has increased the currency to a certain extent, reducing thereby the purchasing power of money.

Oral Evidence of S. Khadim Ali Shah, Honorary Secretary of the Montgomery Central Co-operative Bank, Montgomery.

Chairman.—How long have you been the Honorary Secretary of the Central Co-operative Bank ?—For the last thirteen years.

How long has the bank been working ?—Since its start I am the Honorary Secretary.

What is the working capital of the bank ?—Fourteen lakhs.

What is the amount of your deposits ?—I have not got the figures with me here.

Have you got savings bank accounts ?—Yes, Sir.

What is the minimum amount that you receive in deposits ?—Re. one.

What is the maximum amount that may be kept in an account at one time ?—Rs. 5,000.

What is your rate of interest ?—4½ per cent.

Are the savings bank accounts increasing ?—Yes, Sir.

Have you many zemindars as depositors ?—No.

When societies require money, do they make personal demands for it, or send their cheques by post ?—They send a cheque through the man named therein.

Has this bank ever had to write off any bad debts ?—We have an account of bad debts, but we have been able to realise every debt of ours so far.

Has the bank never had a loss ?—Not uptil now.

Do you think that hoarding goes on here ?—No.

Do you have dealings with the Imperial Bank ?—Yes.

In what form ?—We have kept our securities and Government papers with them and have taken an overdraft limit against them.

Any other dealings ?—No.

Do you have any dealings with the joint stock banks ?—No.

Khan Bahadur Chaudhri Niamatullah.—How many co-operative societies are members of your bank ?—222 societies.

Will the system of cheque bonds which you now obtain from the primary societies, prove more useful if it were introduced in respect of your dealings with the Imperial Bank ?—Yes, it would.

Twice a year the rate of the Imperial Bank goes high. Would it not be better if they had a uniform rate ?—Yes.

Chairman.—In which month does it rise ?—Now it is 7 per cent ever since the beginning of February last.

How long will it remain in force ?—Till the harvesting period is over.

In what months generally is it high ?—February, March and April and again in the cotton season, say, November and December.

Khan Bahadur Chaudhri Niamatullah.—Are you in favour of granting taccavi through the Central Bank ?—Provided they afford some facilities in the matter of recoveries.

Chairman.—What is the rate of interest on deposits ?—Between 5 per cent and 6 per cent. Two years before it was 7 per cent.

Ever since the reduction in the rate have the deposits increased or decreased ?—They have increased.

Khan Bahadur Chaudhri Niamatullah.—At the time of making your own recoveries, you could recover the taccavi loans as well ?—We have no objection to that, but the Government employs stricter measures in recovering taccavi loans, and we shall have to do this business at the sacrifice of our own credit.

Is the debt due by the agriculturists in the colony increasing or decreasing ?—It is increasing and one of the reasons is that lands have been reclaimed. The cultivators of such lands belonged to the poor classes of the District. They required money for the purchase of cattle, seed, manure and for their personal expenses ; they also built houses and mosques and these advances went on accumulating. Per chance the last three or four harvests failed, and consequently the debts could not be liquidated.

Have they increased their personal expenses as well ?—I cannot say that. Of course they have now begun to wear better clothes, but that cannot be called a luxury.

Khan Bahadur Chaudhri Sultan Ahmad.—Don't they allow two or three free harvests to the cultivators here ?—For Doaba three harvests are allowed and in this district, Lahore, and Gujranwala Districts only two harvests are allowed free.

Khan Bahadur Chaudhri Niamatullah.—Do you accept cheques for collection ?—Yes.

If it is signed in Urdu, do you accept it ?—Yes.

Do you experience any difficulty in scrutinising cheques written in Urdu ?—No.

Chairman.—Do you accept cheques for collection from shareholders or depositors ?—We receive cheques from our customers for collection. Generally those persons send cheques for collection, who are our depositors, for credit to their current accounts.

Do you have current accounts ?—Yes, whether the depositor is a shareholder or not.

(Witness withdrew.)

Oral evidence of S. Sampuran Singh, the Honorary Secretary of the Central Co-operative Bank, Lyallpur.

Chairman.—You are the honorary secretary of the Lyallpur Central Bank?—Yes, Sir.

Since when?—For about seven years.

And this gentleman (Mehta Ghanisham Das) is the manager?—Yes, Sir.

How long have you been manager?—For the last two years.

Does the Central Bank do savings bank business?—It does.

How many accounts have you got?—About 600 accounts.

What interest do you allow?—4½ per cent on daily balances.

What is the maximum amount that can be kept in a savings bank account?—Up to Rs. 10,000.

Is there any reason why you should not accept Re. one?—At the opening of the account we accept Rs. five and after that we have got no objection to any amount for deposit.

Would you accept Re. 0-8-0?—No, not less than Re. one.

Is there any objection to starting the account with Re. one?—We should not have any objection.

Do you think it would increase the number of your accounts?—It will be only children's accounts.

How long has the Central Bank been doing this business?—For the last six years.

Are the accounts growing in number?—Yes, Sir.

Have you got any figures?—These figures are not available.

From what class are most of your accounts derived; traders, professional classes or zemindars?—Government servants and professional people.

Not the trading class? Not much.

What amount have you got on deposit from the trading classes?—We have not collected these figures.

How much have you got on deposit apart from the savings bank account? It is about 33 lakhs.

Chairman.—What is the total amount in your savings bank accounts now?—We have got Rs. 1,40,000.

What is the total amount that you have on deposit?—Rs. 39,75,000.

Taking the last three years, do your deposits show an increase?—Yes, Sir.

They stand at that figure now?—At present they have somewhat decreased. These figures are as on 31st August 1929.

What is the latest figure?—Rs. 35 lakhs. This decrease is due to one big deposit which has been withdrawn.

Are you finding any difficulty in keeping your deposits up to their former level? We are not feeling any difficulty.

What are your present rates? We allow 6 per cent for twelve months and 5½ per cent for the six months.

What were your rates three years ago?—7 per cent.

That is when you had seventeen lakhs?—Yes.

You have therefore obtained 35 lakhs on lower rates? Yes.

You find no difficulty at present in getting all the money you require at these rates?—No.

Is the bulk of your money lent for twelve months or for six months?—For twelve months. That is the popular period.

Has this bank ever had any bad debts?—Not so far.

Are most of your advances to societies made on cheque bonds?—Yes.

Are the bonds generally sent by post?—No, generally they are brought personally.

Are they not occasionally sent by post?—Yes.

How are signatures verified in that case?—We keep specimen signatures.

Do you keep the specimen signatures of all the Committee members?—No, only of the President and the Secretary.

Do you keep the specimen signatures of all who deal with the bank?—Only of depositors; not of borrowers.

Then how do you identify their signatures when they send their cheques bonds by post?—We compare them with their signatures on previous bonds.

Would it be difficult to record the specimen signatures of all committee members?—All of them are not literate. Some put their thumb marks. It will not be safe.

To what extent do you handle cheques?—There is no limit.

Do you handle cheques of members only?—No, of all depositors.

Do you have current accounts?—Yes.

Then do you allow people to draw on their current accounts by cheques?—Yes.

Do you collect cheques on other banks? Only local banks, but not on banks outside Lyallpur.

Do you accept cheques drawn in the vernacular?—Yes.

What precautions do you take?—No special precautions.

Do you insist on these cheques being signed in your presence? No. We make no distinction between these and those made out in English.

Have you ever had any fraud?—No.

Do you regard this as a perfectly safe form of business?—I think so.

Before you came to Lyallpur Central Bank were you employed in a joint stock bank?—Yes, in the Central Bank of India, Amritsar.

Did they handle vernacular cheques?—Yes. But they had a rule that all vernacular cheques were signed in the presence of the manager.

But you do not insist upon that?—No.

Do you not think this to be necessary? I do not think there is any necessity. In Amritsar they used to be signed in *Landa*, which is different from Urdu.

Would you accept a cheque signed in *Landa*?—We have no depositors who sign in *Landa*. They all sign in Urdu or English.

Do you find cheques signed in Urdu as easy to identify as cheques signed in English?—Yes.

Do you find any difficulty in remittance?—Yes.

What?—In remitting money to societies we have to pay money-order fee.

But you say people come personally? I think it would be more convenient to all parties concerned if it could be remitted through the post office and we had the same old privilege of getting money-order fee remitted.

That postulates people sending their applications for money and cheques by post.—In that case we will take signatures of all the people concerned. At present we have no arrangement of this kind. If this system is brought into practice, we would take the signatures of the secretary, president, etc., and insist on their signing the cheques. There would also be another safeguard. The money would be sent by money-order and paid to the man concerned.

Even now you can get a partial remission of money-order fee? The amount is not enough.

If what you suggest is done what would be the amount involved in the case of your bank?—About Rs. 5,000.

Have you any other difficulty in regard to remittance?—No. No other.

What help do you get from the Imperial Bank?—We have cash credit accounts with them on the security of Government securities.

What proportion of the value do they advance?—95 per cent of the market value of the principal.

Do you regard that arrangement as satisfactory?—Yes.

Do you get advances from the Imperial Bank in any other way?—No.

Have you had dealings with any of the joint-stock banks?—Yes. The Allahabad Bank.

Was the arrangement satisfactory? Yes. They advanced us money on the security of bonds of societies and outside central banks, but afterwards when we started dealing with the Imperial Bank that was given up.

On what rate does the Imperial Bank advance?—On the bank rate.

Chaudhri Sultan Ahmad.—You have just said that the Imperial Bank advances you money on Government securities so that you have to keep that capital tied up. Will it not be to your advantage if it could advance you on your security bonds?—Certainly it would be more convenient although the capital tied up is only 5 per cent.

Lala Kishan Lal.—You have just said that you have about 39 lakhs of rupees deposited in your bank. What class of people deposit money?—All classes of people. We have both agricultural and non-agricultural depositors.

Where do you invest the money? Do you give money to sahukars etc.?—No. We do not advance any money to individuals but only to societies.

Rao Pohap Singh.—Is there any idea that the central banks are not allowed to have dealings in cheques?—Not here.

Do you find any difficulty in collecting cheques of outside places?—Yes. We have no relations with any banks outside our own town.

Do you think it desirable for this to be made possible?—Yes. In that case we will be able to get more deposits as well.

Chairman.—Would there be much difficulty in making this change?—I do not think there would be if it is only a question of starting the system with other central banks. We could make a lot of money on this system.

Rao Pohap Singh.—Have you got dealings with the Provincial Bank?—Yes.

Do they give you on the security of your own bonds? Yes, on bonds executed by us. On our pronotes.

Do you think the rates of the Provincial Bank are satisfactory?—No.

Do you think them to be high?—Yes.

Can you get money on lower rates from the Imperial Bank generally?—It is higher sometimes for a short period.

Have you got surplus money here?—No.

Do you lend to your societies up to the extent of fifteen or sixteen lakhs?—No. Our advances are 26 lakhs.

Then you have got nine lakhs which are not given to societies?—Seven lakhs are in Government securities and seven lakhs in advances in fixed deposits.

Do you find any difficulty in depositing your money with the Provincial Bank? Are its rates favourable? No. They are not favourable for depositing money.

Lala Harkishan Lal.—What are the rates? The Provincial Bank allows 5 per cent for one year and we allow 5½ per cent.

Rao Pohap Singh.—Do you not think that you can make this sacrifice for the solidity of the Provincial Bank?—If it were only for a short time. But if the Provincial Bank is to exist only to do exchange work between other banks and charge one per cent for that business it is too high a charge. Perhaps a Government official could do that.

Chairman.—At what rate does the Provincial Bank lend?—At 6½ per cent. It is a fixed rate.

And they give you five?—Yes.

But the Provincial Bank is not able to lend all its surplus funds at 6½ per cent.—No.

They have to invest a very large amount of the money they receive from Central banks in Government securities?—Yes.

And is not that why it is unable to give Central Banks more than 5 per cent?—I do not say that the Provincial Bank is not trying to do its best but the arrangement as it stands to-day is not satisfactory. Supposing the Hissar Bank gets money at 5½ per cent they can easily advance it to us at 6 per cent, but as it passes through the Provincial Bank we have to pay one per cent more. Moreover, when the Hissar Bank knows that their surplus money will fetch only 5 per cent at the Provincial Bank when they are paying 5½ per cent., they will have no motive to raise more funds from their district and there is also a certain discouragement to all central banks in the province who will not raise funds and that is why interest rate has gone up.

Is it not the case that last year the Provincial Bank had a considerable loss inspite of these rates which you say are too high in the case of loans and too low in the case of deposits?—It may be so.

Then how would you expect them to make their rates more favourable to you?—Some how or other there is a mistake somewhere as the instance I have given shows. But what it is I cannot lay my finger on.

That is perhaps because you assume that surplus money in Hissar can be invested with you at a more favourable rate.?—It can be invested with me at a rate on which both banks will be the gainer.

That assumes further that there is no other central bank with surplus money to be invested.—Those central banks will not take more deposits.

If there was no Provincial Bank what would a Central bank with surplus money do ?—It would write to the Registrar who would circulate among other central banks and wherever there is a demand he would send it there.

But if there is no demand ?—That bank would suffer loss.

If there was no Provincial Bank what would you get for surplus money by the most favourable investment ?—We would invest it only in Government securities.

And what would your return be in that case ?—Just about 5 per cent.

And what are you getting now from the Provincial Bank ?—We are getting 5 per cent for one year.

So there would be no gain for the Central Bank ?—But there is the likelihood of the money being invested in some other bank. There would be also gain as Government securities fluctuate in value.

But in the Provincial Bank you are certain of 5 per cent and of the return of every rupee deposited?—If you were to invest the same amount in Government securities, you would not have the same security in regard to the return of the principal ?—Very few central banks would be depositing money with the Provincial Bank. They would rather stop depositing money there.

Khan Bahadur Chaudhri Niamat Ullah. Do you not think it desirable for all servants of banks to be paid by means of cheques so that they may acquire the banking habit ?—I do not think that this will make any difference.

What methods would you suggest for reducing the debts of zemindars ?—Only Government can do that.

Is it not also the work of banks who preach economy to the people ? —It is very difficult for banking institutions to make the people live economical lives. One of the reasons why zemindars are getting into debt in this district is that they are buying Government waste lands. If there was a limit put to such buying, which is very uneconomical it would be of help to the people who are themselves unable to think things out themselves in this matter.

Do you think that if debts contracted by members of societies by borrowing from sahukars are declared invalid it would be of benefit ? —Yes, that would be good.

Do you experience difficulty in recovering loans ?—Yes, there is some difficulty. Societies cannot always make recoveries from their members and are unable to pay us back. We have now provided for a special inspector who will be paid by the bank and whose only work

will be of realising money from societies. The present staff cannot cope with this work.

What difficulty do you have in recovering through courts?—That is done by the Execution Union and not by the central banks. I have been secretary of the Execution Union and can say from my experience in that capacity that there is a great deal of trouble. Civil Courts give very long dates, sometimes the application fails on technical grounds, etc.

Does a sahukar get the money more easily? He does sometimes but this should not be so if the Execution Union takes proper precautions in the matter.

Do you think that more money is being spent on ornaments?—I do not think anybody is spending money on jewellery.

Why is that?—Are people becoming more economical, or are they too heavily involved in debt or is the fashion changing?—It is not with the idea of saving. One reason is that women have no share in the property and perhaps for that reason they persist on having something for themselves. This is true of both Hindus and Muhammadans in places where custom prevails.

Do you think it would be better if Government gave *taccavi* through co-operative societies?—That would be more convenient for zemindars.

At what rate of interest should such *taccavi* be given?—At the Government rate 6 per cent.

Have any thrift societies deposited with you?—There are a few such societies in the district and they do sometimes deposit money with us.

What is the least deposit you take from them?—Rs. five.

What rate of interest do you allow them?—Societies who are shareholders get one per cent more. Some thrift societies are shareholders, others are not.

Do the Muhammadans feel that they should not take interest for money deposited by them?—Some do but it is unusual.

Do your societies have any zemindars as members who lend out money? Yes, there are some. These men have become sahukars out of necessity because their tenants compel them sometimes to give money for marriages, bullocks, etc.

Do you call such men professional money-lenders? No. They are not money-lenders.

Should such money-lenders be on the managing committee of societies?—There are hardly any.

How much Government security has your bank purchased?—About Rs. 7,43,000.

What characters do you think should be used by sahukars when the Money-lenders Bill comes into operation ?—There should be three characters—English, Urdu and Gurmukhi.

Would it be of benefit to the zemindars if the Imperial Bank was to give you or some other bank a lakh or two for advancing to zemindars on the security of their produce ?—I would prefer this arrangement to be made with the co-operative commission shop rather than with the central banks.

When crops are goood what do zemindars do with their money? —They spend more.

Do they invest it in banks ?—Temporarily, till it has accumulated so that they can invest it in land.

Can they not see that investing in banks would bring them more profit than purchasing land ?—That is so to a certain extent. But when a zemindar has bought half-a-square of land he thinks that he has provided for his son for life. Land cannot be squandered so easily as cash.

So that zemindars do not have the banking habit ?—No.

What remedy do you propose ?—Zemindars love land more than money by instinct. It will take time before they reform.

Is there any difference between the Provincial Bank and the Imperial Bank ?—There is the difference in the rate of interest ; and then in dealing with the Provincial Bank we have to deal with Lahore while in the case of the Imperial Bank we deal locally.

How do you remit money to the provincial bank ?—By R. T. R.

Do you not prefer to deal with the Provincial Bank ? So far I have not been able to understand where we stand in regard to the Provincial Bank. We would prefer to deal with it if we knew that these little differences of rate of interest, etc., are temporary and that the Provincial Bank will develop so that it will be of benefit to the societies. In that case I would not even mind bearing a little loss. As things stand at present I do not think it worth our while dealing with it. So far we have sent money to it only once.

Chairman.—You say you are not getting enough money for your needs.—Yes.

How much more do you require ?—We can invest seven or eight lakhs if we have it.

Lala Harkishan Lal.—At what rate do you invest money ?—At 8 per cent.

You say that in 1927 deposits were seventeen lakhs, in 1929-30 they amounted to 35 lakhs. We hear that in the last three years there has been very little money saved by the people. Is the increase in desposits in your bank due to transfers, savings or money coming out from hoards ?—Mostly on account of transfers. It is not from hoards and in the last few years very little money has been saved.

Chairman.—Do you think that zemindars require more money than they are getting now?—Yes.

If they get more money would they spend it wisely? They require it mostly to pay off their old debts which have accumulated.

Do they require it simply for this purpose?—Yes.

They do not require it for any other purpose?—That is the chief purpose. The district has become heavily indebted.

Do you think that the people of Lyallpur are learning to spend their money more wisely or has the result of past prosperity been to make them more extravagant?—At present they are trying to economise.

Do you regard this as a good discipline for them?—I think it it is a good discipline if they are not altogether drowned in debt.

Would you say that the ordinary zemindars in Lyallpur can be trusted with substantial sums of money or has he much to learn in that respect?—He has much to learn.

You were saying that you are experiencing difficulty in recovering money. What proportion of overdues have you?—Have you any figures?—The figures are not yet available. Another thing is that it will be very difficult to estimate this as owing to fall in prices and failure of crops the central bank has been very lenient for the past two years or so. We have been cancelling instalments to give some relief but inspite of giving all these facilities there is difficulty in realising our dues.

Have a certain number of people taken undue advantages of this leniency?—No.

On the whole the Lyallpur zemindar repays according to his ability?—I think so.

According to official reports only 25 to 26 per cent of the amount decreed by courts and sued for execution is recovered every year, but the reports also state that a certain proportion is recovered outside the court. What would you say, from your experience, is the percentage recovered out of court?—I could not tell the percentage but there are cases.

Is the amount considerable?—Yes. Sometimes the parties do not take the trouble to come to the court.

Are fresh bonds executed for a certain proportion of the money not recovered?—Yes.

What do you think is the percentage that has ultimately to be written off as irrecoverable?—I think 60 per cent.

Of the total amount decreed?—It takes years to realise the whole decree.

Yes but taking a period of five or ten years?—In that case I think about 70 per cent is recovered.

You say that a good deal of money is spent in Lyallpur on the purchase of land. On an average what percentage does a man get on money invested in land?—I think a net return of about Rs. 600 per square.

What would be the cost of a square?—About Rs. 20,000.

So he gets about 3 per cent?—Yes. But the difficulty is that a zemindar spends Rs. 20,000 on a square and gives the whole of his time and that of his family to work it and in the end what he gets does not even come up to his daily wages and the capital is practically wasted. Three per cent is a very small return. It would be better for him to invest the money. Agriculture is not paying.

Are you speaking from general experience or from definite enquiry?—I am speaking from everyday experience.

What return on his money would a person expect to get if he took a mortgage of land with possession?—Only those people take 'with possession' who live in the same chak and eventually intend to buy the land or to acquire it so they give more than they would pay for it though less than the sale price.

Having regard to the difference between the sale and mortgage price of the land what would be the return? On mortgages it will be better.

How much better?—I should explain that here mortgages are of three kinds. Mortgage without possessions; mortgage with possession but rented out to the same person making a condition that he will pay so much rent to the lender and taking actual possession.

Which is the commonest of these three?—The second and third.

What would be the rate charged in the case of mortgage without possession?—Till recently a man could raise money at 12 per cent in this district.

What would he pay now?—About Rs. 1-8-0.

Since when? Eight or nine months.

Is that due to scarcity of money?—Yes.

What would be the return on the second class of mortgage?—Practically the same as for the 1st class.

And what would be the return in the third case?—About 7 or 8 per cent.

Does the zemindar normally prefer to borrow on mortgage or does he prefer the unsecured debt?—He generally prefers the unsecured debt.

Even though he has to pay considerably more for it?—Yes because he always hopes to pay it back and does not want to bring disgrace on himself.

Do tenants ever advance money to their landlords?—In very rare cases.

Are cash certificates ever bought by zemindars in this district ?—Rarely.

Why is that ? Is it because they do not know about them or do not regard the return sufficient ?—Perhaps they are not sufficiently known. Also they can invest money on a higher rate of interest if they have any.

You say that people have been buying land freely and they often borrow money for the purpose?—Sometimes.

Have they been buying land in Bikaner and Bahawalpur ?—Yes.

Freely ?—I think there are four places where people have invested money. In waste lands in this district ; in the Nili Bar and in Bahawalpur and in Bikaner though not to that extent.

(Witness withdrew.)

Oral evidence of Chaudhri Rahmat Ali, B.A., LL. B., President, Rana Feroze Din, Secretary and S. Sham Singh, Manager, of the Land Mortgage Bank, Lyallpur.

Lala Harkishan Lal.—How long has this mortgage bank been in existence?—We started the bank in 1926, about three years ago.

With what resources?—With no resources of the bank itself; the money was borrowed from time to time from the Government and from the Provincial Bank.

Originally it was without capital?—Yes, but the money was borrowed from the above mentioned sources.

Did you receive any deposits?—We received no deposits.

Did you receive any money from the Imperial Bank?—No.

Could you say how much Government helped, how much the Provincial Bank and how much the Union? At first the Government helped us to the extent of Rs. 1,20,000, and the Union up to Rs. 10,000. At present we have about five lakhs of the Provincial Bank and about Rs. 8,000, of the P. C. U. We have cleared off the Government debt.

Chairman.—You say that you got five lakhs from the Provincial Bank. Did it not really belong to Government?—It was Government money.

Lala Harkishan Lal.—Is it earmarked for you?—Not earmarked, but the Government lends through the Provincial Bank.

At what rate you got this money?—At 6½ per cent.

From all sources?—We got from the Provincial Bank at 6½ per-cent and from the Government also at 6½ per cent.

At what rate did you get from the P. C. U.?—At 7 per cent.

You lend it out at what rate?—From 8½ per cent to 9 per cent.

How do you distinguish; is it the time or the borrower?—Neither the time nor the borrower. There are some persons who send their applications through the local co-operative societies, and those societies are under the rules required to stand surety to the extent of Rs. 1,000, in each case. The borrower who obtains the security of the local society, gets money at the rate of 8½ per cent and those who come independently of the society, are advanced at the rate of 9 per cent.

Then the difference is only in security; those who can obtain the security of the co-operative society deserve 8½ per cent while others not?—Yes.

How is the mortgage effected; is it only stated in the revenue papers or by a regular registered deed?—By a registered deed.

Do you pay the same stamp duty as laid down under the ordinary law?—We don't pay any stamp duty; it is free of stamp duty.

Do you pay any registration fee?—We don't pay that even.

What time generally is fixed for repayment ?—July and January of each year ; the money is repayable by six-monthly instalments.

How many instalments altogether ?—Six monthly instalments extended over ten years.

Failing to pay instalment what remedy is provided in the deed of mortgage ?—We can recover the whole by getting an award.

If there were specific remedy provided in the bond, then the award would not come in ?—We get possession of the land mortgaged.

Supposing a man does not pay, what action is provided in the mortgage deed ?—In the first place the whole money falls due atonce in default of one instalment, and in certain cases (though it is not provided in the bond, but in practice we do), after the first default we simply realise that instalment by means of execution. If more defaults occur, we realise the money atonce.

How do you realise ; whether by sale of land, or by the sale of cattle or simply by arresting the man and sending him to the civil jail ?—The usual mode of execution is employed. We arrest the man and then under pressure he pays up.

Do you arrest the man in all cases or in some ?—Just as in the civil courts, we can resort to all three methods atonce, or we may simply be content with sending the man to the civil jail, and sometimes it pays. Failing that, we proceed against the sureties, and failing this too, we try to sell his saleable property. Failing that even, we get possession of the land, but that is very rare.

Have you to spend any money on the execution proceedings ?—Practically nothing.

Have you to spend any money otherwise outside the court to send out demands by way of personal pressure ?—No.

But you must be spending something on correspondence ?—Yes, of course.

You give notices in the Urdu language or in English ?—In Urdu.

If that is not attended to, then you don't make any personal efforts and go to court for the arrest of the man ?—We have not got any agency for personal efforts.

Rao Pohap Singh.—You don't send your chaprasi to bring the man in ?—No ; but the directors are required to see that the money is paid up by persuasion.

Lala Harkishan Lal.—How many cases there have been of default since you started the bank ?—Forty in all.

Out of how many ?—Out of 182.

That is a very big number ?—These defaults occurred mostly during the last two years on account of bad harvests.

The previous years' experience was good ?—I think so.

Are these mortgages made for buying new land or for paying off old debts or for meeting luxury expenses ?—As a matter of fact as the name of the bank implies, it is intended to help the zemindars in the redemption of their lands. Occasionally of course those who have got big loans to pay, are helped by the bank, though now we have definitely laid down that we should rarely advance money to pay off old debts.

Chairman.—Why have you made that rule ?—There have been cases in which people showed to us fictitious loans in order to get money from us which they wanted to utilise elsewhere, for instance, in buying land in Pakpattan, Bahawalpur, or Lyallpur colonies. We have modified this rule now and we shall pay money only to redeem land provided, we were thoroughly satisfied that the land has been under mortgage for some time.

Lala Harkishan Lal.—Now you pay money only for redemption of old mortgages ?—Yes, except in rare cases to pay off old genuine debts.

How do the agriculturists raise money for other purposes ?—There are various methods. They get money from the village societies or from the village shopkeepers.

Are the shopkeepers not so strict ?—They are very strict now.

And the village societies are also strict ?—Yes.

Then they cannot get money for any other object, but for redemption of land ?—Well, in these days a zemindar cannot borrow money in any way.

Even if he is a member of some co-operative society ?—Whether member or not, he cannot borrow money.

If he is not a member, even then he cannot squander away his land in order to raise money ?—My impression is that when the money is not available in the market, he cannot mortgage or sell his land.

Surely the money is not so scarce that a prosperous zemindar cannot raise loan on the security of land provided, he is not a spendthrift ?—If the land is sold or mortgaged at a very cheap rate, money may be available, but my experience is otherwise. I find that the land which could fetch Rs. 4,000 by way of mortgage, cannot now fetch more than Rs. 2,000.

Chairman.—Since when ?—During the last year the state of affairs was very bad ; it was not so bad two years ago.

Is that the result of poor harvests ?—This is the only reason.

Lala Harkishan Lal.—These 182 debtors come from any particular village or tahsil or from all over the district ? They are mostly from the Lyallpur tahsil.

What do you think would be the actual number who like to redeem their lands by borrowing from you in this tahsil ; a few thousands or more than a few thousands ?—(No reply).

Chairman.—Can you tell us, for instance, how many applications you have had ?—We have not rejected any application in which money was required for purposes of redemption.

Since the start ?—Yes. About 500 applications we have had. Very few of such applications concerned with redemption were rejected. We simply rejected applications in such cases in which we thought that redemption would not be economically beneficial to the borrower. We have advanced in all Rs. 2,03,400 for redemption and Rs. 4,91,000 for the liquidation of old debts.

Lala Harkishan Lal.—Just to form an idea ; to what extent relief has really been afforded ; would this Rs. 2,03,000 represent 1/10th or 1/20th of the mortgages of zemindars' lands which are to be redeemed ? It is very difficult to answer this question, because we advance money and receive applications from our members only.

What is the number of your members ?—700.

Do these people who become your members have to declare that they are in need of money or they are buried in debt and want to liquidate it ? They give all details in their applications about their financial position ; they give a list of their creditors with amounts due to them as well as copies of revenue records showing what area is mortgaged and to whom. We get all these data for consideration, but before that we call for the reports of the local directors who report the result of their enquiry to the office, and after that the question is finally decided.

You take desirable men ?—Yes.

On what principle you determine the desirability of the man becoming a member of your bank ?—Every body can become a member.

You say that you select as members only those who are desirable not for loan, but for membership, or you make member every body ?—Every body can become a member who owns agricultural land.

My only object is to form an idea as to how much relief can be given with this money which you have got and how much more will be required to make people really happier than they are ?—We can give relief to not more than 2 or 3 per cent.

Chairman.—Last year 5½ lakhs were advanced by the mortgage banks in this district and in 1928 the mortgage debt of the district ncreased by 28 lakhs.

Lala Harkishan Lal.—What superiority your system has to the system of an ordinary agriculturist taking a mortgage from another brother agriculturist ?—The first point is that the rate of interest is low, and the second point is that the borrower pays by instalments to us and clears off his loan in the course of ten years, and in the other system he has to pay in lump sum.

And then he has not to pay any *habubs* ?—Yes, but the real advantage is of instalments.

What is the usual rate of interest of an agriculturist against a brother agriculturist ?—Not less than 18 per cent without possession.

How much would a non-agriculturist charge to an agriculturist in an ordinary mortgage transaction ?—A non-agriculturist cannot take land on mortgage.

He can in a way, what is called " *mustajari* " ?—It is a lease, not a mortgage.

Chairman.—Such mortgages are uncommon here ?—Yes, Sir.

Is it not a further advantage in dealing with the mortgage bank that the borrower retains possession of his land, whereas in most cases a man raising money by mortgage, has to give up possession ?—Yes, this is the main advantage.

Khan Bahadur Chaudhri Niamatullah.—On what principle do you advance loans ?—It is provided in the bye-laws that loans may be advanced up to thirty times the land revenue repayable in ten years, but now we have amended it and we advance only up to twenty times the land revenue.

Do you have any regard to the produce of the land ?—No.

What was the reason of the amendment of the bye-laws ?—During the last two years the crops failed and the agriculturists could not pay their instalments ; consequently last year it was provided in the byelaws that twenty times the land revenue should be advanced. Formerly we used to advance Rs. 4,000, on the security of one square of land, but now we have reduced this amount to Rs. 2,500, only.

Before you came in the field, the lands were either mortgaged to the sahukars or to the agriculturists either with or without possession. Now you hypothecate the land and in case of non-payment of instalments you proceed against him and send him to the civil jail. The zemindar or the sahukar also employed the same agencies for recoveries of his debts. What special benefit did the agriculturists derive by your coming in the field ?—We are seriously considering this question.

Why don't you take the land in your possession after mortgaging it ?—This matter is receiving our serious consideration and on the failure of crops we shall have to take the management of the lands in our own hands. It is a serious problem for us. If we send the man to jail for failure to pay the instalments, he raises money at a higher rate. So far we have not been able to solve the problem.

Lala Harkishan Lal.—The directors and the secretary of the bank are honorary ?—Yes, only the manager is paid.

What other staff is there ?—There is an assistant manager who is paid Rs. 45. At present there are three land mortgage banks in this district. One is at Lyallpur the other at Samundari and the

third at Toba Tek Singh. We have now recently engaged a sub-inspector who visits all three places for purposes of scrutiny of the old securities and examines fresh applications in order to see whether the creditors shown in the applications are *bona fide* creditors or not.

The institution of local Directors is not very encouraging?—Where a gentleman is elected as a director, of course he has to show favour to his voters and we have to guard against him. I may point out that some of these defaulters are those persons about whom wrong reports were given to us.

Khan Bahadur Chaudhri Niamatullah.—Why don't you take the management of the lands mortgaged to you just on the lines of the Court of Wards?—We are considering this question seriously.

Supposing a zemindar persists in the non-payment of the debt, do you approve that the Registrar should be given powers in such cases to sell away the land of the agriculturist or do you prefer the procedure laid down by the Court of Wards Act?—The Registrar should in no case be given the power to sell the land of the agriculturist; it would prove most harmful to the interests of the zemindar. In the event of leasing out the land, security is forthcoming in the form of land and besides there are two sureties, who can bring presure to bear upon the debtor, and in case of default you can proceed against the sureties.

Chairman.—In how many cases have you proceeded against sureties?—In almost every case.

Have you made any recoveries from them?—In one case only recovery was made from the sureties.

Khan Bahadur Chaudhri Niamatullah.—Are the co-operative societies members of your bank?—Not collectively, but individual members are our members.

Do you take security from the co-operative soceties when advancing loans to their members?—They stand surety up to Rs. 1,000.

In case the society refuses to stand surety?—We shall refuse the grant of the loan, because it is provided in our bye-laws that if a member of a co-operative society applies for loan, the society should also stand surety.

How are the applications scrutinised?—The applications are accompanied by Fards as also a list of the creditors. These applications are sent to the local directors for report and enquiry. Now this work is done by the sub-inspector, who sends in his report and then the loans are granted.

Don't you think it advisable to depute both the local director and the sub-inspector for purposes of enquiry?—The result would be that we have not got any faith either in the local director or in the sub-inspector. The sub-inspector is now paid Rs. 100. He realises his responsibility and is expected to do his work honestly.

If the director fails to make the proper enquiry what action do you take?—In the beginning such instances came to light, and as a matter of fact we had to take to task one director last time.

You are using something like five lakhs of Government money; there must be some one to watch the Government's interest?—In that case it would be a Government bank and the result would be that we shall have to depend upon Government for the proper working of the bank.

But at the last conference which you held at Lahore, it was decided that a Naib-Tahsildar or a Tahsildar should be employed to scrutinise the applications by making enquiries on the spot?—Not the Government servants, but only retired men should be employed, because they are experienced in revenue work.

Do you want mortgage banks in the canal irrigated areas or in *chahi* or *barani* areas?—Everywhere.

Do you fix instalments having regard to the income of the man?—The sole point for consideration is how to make recoveries. In canal irrigated area we advance twenty times the land revenue repayable in fifteen or twenty six-monthly instalments. In *barani* area the amount should be reduced, but the period of recovery should be lengthened.

Are you not in favour of the system in vogue in Madras, whereby instead of advancing the maximum limit in the first instance you advance half first and on its recovery advance the remaining half?—The reduction in the maximum limit does not make any difference. If a man requires Rs. 5,000 and you advance Rs. 2,000, it would not be of any benefit to the borrower, because he shall have to go somewhere else to raise the remaining Rs. 3,000. The only solution is to lengthen the period of repayment.

Rao Pohap Singh.—Are you in favour of long period loans or short period loans?—Long period loans.

The defaults occurred simply on account of the failure of crops or for any other reason?—On account of failure of crops.

How old were the mortgages redeemed by you?—They were not older than ten years.

In other districts there may be older mortgages hypothecated for much less amounts. Would it not be better to redeem those lands also?—Mortgage banks are certainly required at those places.

If there are more partners than one in a holding, do they put in a joint application for loan or first get the property partitioned and then apply?—If there are more partners than one, we ask them either to apply jointly or to get their shares defined first and then apply for loan.

Do you also postpone the payment of instlaments if Government postpones the payment of land revenue in times of distress ?—Yes, we follow the same principle.

Chairman.—Do you advance loans for the redemption of old mortgages only ?—For the redemption of old mortgages as well as for the liquidation of old debts.

You said that you were not giving loans now for the redemption of old debts ?—It is very difficult to distinguish between the redemption of mortagages and old debts, but now we have settled to advance money to redeem mortgages and only in exceptional cases to pay off old debts.

Most of these mortgages that you are redeeming were made during the last ten years ?—I think so.

Have you enquired into the purposes for which those mortgages were made ?—No.

You cannot say whether the original debt was raised for legitimate or extravagent purposes ?—We cannot say about the mortgage debts.

For what purposes do you suppose the bulk of these mortgage debts was incurred ?—We cannot say definitely.

Have you any reason to suppose that some of your borrowers are people of extravagant habits ?—They are.

Are they an appreciable number ?—Certainly.

In that case would it not be dangerous to extend the period of loan from ten to fifteen years as you suggest ; if you are dealing with a person who turns out to be a bankrupt, would it not be difficult for the bank to realise its debt ?—In the case of fifteen years I believe the borrower will be able punctually to pay his instalments ; so in that case the position of the bank will be much better than in the case of ten years when it would be hardly possible for the borrower to pay instalments at the proper time.

That would make the borrower careless about repayments ?—If the debts are advanced after due enquiry, then I don't think it will make the condition of the bank worse.

Then in the past a proper enquiry has not always been made ?—There are some cases in which proper reports were not made.

You speak of forty defaulters. How many of these were intentional defaulters ?—I think they were all defaulters out of necessity.

You said that many persons appropriated money to purposes for which the loans were not intended ?—That was with regard to the loans obtained from the bank.

Were not these defaulters ?—There are some.

Would you not modify your statement that none of them was dishonest ?—They have not been able to pay on account of necessities, and not on account of any dishonesty on their part.

How many fall into the category of dishonesty ?—It is very difficult to say ; there may be only two or three.

You attribute the bulk of your defaulters to necessity rather than to careless lending ?—Yes.

Don't you think that the mortgage bank has been careless in lending money ?—I don't think so.

Khan Bahadur Chaudhri Niamatullah.—When advancing loans how do you ascertain that the loan was actually utilised for the purpose for which it was given ?—We obtain receipts from the creditors.

Why don't you take up the work of making payments with your own hands ?—In certain cases we do this work as well.

Chairman.—Have you ever taken possession of any land ?—No.

Rai Sahib Kishan Lal.—Have you ever helped the borrower in compromising his cases ?—Sometimes we ask the directors to help them in this direction.

(Witnesses withdrew.)

Oral evidence of Chaudhri Muhammad Abdullah, B.A., LL.B., Honorary Secretary, Co-operative Mortgage Bank, Toba Tek Singh, and Chaudhri Jan Muhammad, Honorary Secretary, Co-operative Mortgage Bank, Samundri.

Chaudhri Muhammad Abdu'lah:—

Lala Harkishan Lal.—Do you take deposits ?—No.

What interest do you give to the Provincial Bank ?—Six-and-a-half per cent. To Government about ½ per cent more and to the P. C. U. 7 per cent. The Government loans have been taken over by the Provincial Bank.

On what rate do you lend out to the borrowers ?—At 9 per cent. The rate is the same for everybody.

What is the time for which the loan is given ?—The whole loan is repayable in ten years in twenty instalments.

Chairman.—Do you insist upon security on the part of village societies ?—They used to give security up to Rs. 1,000 but now the condition is abolished.

What is the maximum amount you loan ?—Now-a-days we do not advance more than Rs. 5,000. Previously the limit used to be generally Rs. 10,000.

How many times the land revenue do you advance ?—Twenty times as in the case of Lyallpur.

Lala Harkishan Lal.—What is the number of debtors ?—One hundred and fifty-two.

Do they all pay their instalments regularly ?—At present there are only fifteen defaulters ; there were eighteen on 1st March 1930.

Since when have they been defaulters ?—The oldest is two years old. At first the loans were advanced at thirty times the land revenue. Owing to the fall in prices and the larger amount of money taken as loan these people are unable to pay the heavy instalments.

The difficulty has been felt since the crops have been bad ?—Yes, and then the instalments for thirty times the land revenue are very heavy and with the fall in prices the people are unable to pay back in ten years.

Chairman.—What extension in the time do you think necessary ?—Up to twenty years.

Do you not think it is too big a jump from ten to twenty years ?—That would be the limit. The defaulters will be able to pay back easily.

Lala Harkishan Lal.—Do you think they will be quite content with a twenty years limit ?—Yes. The instalments should be easy to pay.

Chairman.—In the case of borrowers other than defaulters do you have to bring much pressure to bear on them to repay in time ?—We

generally give them notice that the time of repayment has come and also give the dates on which they have to repay and generally they do pay. If they do not pay by the fixed date then we put pressure and at the same time ask the sureties to get the money repaid.

Chairman.—What percentage of your borrowers repay by the right date ?—Nearly all repay by the right date without any pressure because they have begun to realize their responsibility.

Has there been improvement in that respect or was that always the case ?—There has been no difficulty from the beginning.

Have you refused a good many applications ?—Yes, Sir.

How many ?—Nearly 60 per cent.

On what grounds ?—Sometimes the twenty times land revenue limit does not allow us to advance the money applied for.

Do you often refuse loans because the character of the applicant is unsatisfactory ?—Yes, we do refuse if the man is very heavily in debt.

But suppose an applicant's security is good but his character is unsatisfactory.—We do refuse such cases becuase it would otherwise lead to extragavance and would not be safe.

So you do regard character as an important point in this class of business ?—Yes, Sir.

Have you had to foreclose in any case ?—In one case.

Have you had to take possession of the land ?—Yes, only a few days back.

What do you propose to do with it ?—Give it out on lease.

How much land is involved ?—Nearly half a square.

And what is the amount which is due ?—Rs. 1,000 principal.

Have you had any difficulty in obtaining possession of the land ?—We did anticipate difficulty because another creditor got a decree against him but we were able to get possession through the court.

There was no difficulty in obtaining possession ?—So far there has been none.

Lala Harkishan Lal.—Will you return the land after you have realised Rs. 1,000 and interest ?—Yes, Sir.

Chairman.—Have you had to proceed against sureties ?—Yes, in many cases.

Have you actually recovered money from a surety ?—No, Sir. We ask the surety to get the real debtor to pay.

Is the pressure put legal or personal ?—Both.

So far have you ever taken legal proceedings against a surety ?—Yes, Sir.

Chaudhri Jan Muhammad :—

Witness stated that the bye-laws of his bank were the same as for Toba Tek Singh or Lyallpur. In the Samundri bank there are only two

defaulters and so far they have not taken possession of any land. One man has been in jail for six months and the Execution Union has been asked to get possession of his land. There are 79 borrowers from the bank. Generally not more than twenty times the land revenue is advanced but in a few cases up to thirty times has been given but never more than that. The highest given to a member is Rs. 20,000 but now not more than Rs. 5,000 is advanced. The man who borrowed Rs. 20,000 is repaying satisfactorily. Usually borrowers pay back in time and are never more than one month in default. This year, however, owing to the fall in prices some people have not paid back. Loans are given to pay back the old debts of members and for redemption of mortgages. In Samundri more loans have been given for the liquidation of old debts. Chaudhri Jan Muhammad thought that if crops were good, the ten years limit was enough, otherwise the limit should be twenty years. Fifteen years would be a good limit. The banks would not suffer by extending the time for repayment as they have the security of land. If the debtor dies his heir will pay. The Mortgage Banks have proved of benefit in cases where a man has been able to borrow enough to liquidate the whole of his past debt; otherwise, as he has to pay back two people the benefit is not much. No case has occurred in which a man who has borrowed from the bank has again gone to a sahukar and contracted a second debt but even in such cases the banks would not suffer as the land is mortgaged to them. Usually loans are given after full enquiry as to whether the borrower really wants to pay back his debt and not simply change his creditor.

Mortgage banks have led to people becoming economical in their habits as they have to pay instalments at regular intervals. In cases where the money which can be advanced to a man does not cover the whole of the old debt, it would not be conducive to the stability of the bank: he should be advanced enough to cover such debt, and recovery made in instalments which can easily be paid. A man who requires more for this purpose than the limit fixed, would not benefit by becoming a member of the mortgage bank. Under the present rules although every body cannot benefit, at least people who are not hopelessly involved can be helped.

The Agent, Central Bank of India, Ltd., Lahore.

PART I.

1. (*i*) Facilities for Internal remittance are available to the public through all banks, mainly the Imperial Bank of India. Such remittance is also effected by means of Hundis drawn by indigenous Bankers on their Agents at various places.

(*ii*) On several occasions it has been noticed that the Imperial Bank of India sells telegraphic transfers and demand drafts to the Public at the same rate of exchange at which it sells such transfers to other banks. A Banker's Bank ought always to quote special rates to Banks in preference to ordinary customers.

2. (*i*) Considerable part is played by Negotiable Instruments in the internal trade of the Province, *e.g.*, by Bearer and Order cheques and *Muddati* and *Darshani* Hundis.

(*ii*) Yes, in the case of *Muddati* Hundis.

3. (*i*) Yes.

(*ii*) Yes, with the exception of *Muddati* Hundis.

(*iii*) There is no reason why such legislation should not extend to Hundis.

4. (*i*) Supply Bills are very useful in facilitating Internal Remittance.

(*ii*) No.

(*iv*) Yes.

5. Great difficulty is experienced on several occasions in obtaining currency notes of the denominations desired. The Imperial Bank should always be in possession of large quantity of Currency Notes of all denominations, and it should not be necessary for Banks and customers to apply to the Treasury Officers for this purpose at places, where the Imperial Bank of India has Branches.

6. (*i*) The Duty on Bills of Exchnge payable otherwise than on demand should be reduced by at least 50 per cent.

(*ii*) No.

(*iii*) In practice Bills of Exchange are drawn for general trade purposes from sight to one year. As a general rule, the term does not exceed ninety days.

(*iv*) Bills of Exchange payable more than one year after date or sight are most uncommon.

7. (*i*) The collection of Bills and Cheques is not the duty of the Post Office. We are of opinion that Money Order charges might be reduced.

8. (*ii*) Hundis are mostly held by Merchants and Banks and do not pass freely from hand to hand.

(*iii*) Hundis of a certain area are usually discounted in that area.

(*v*) (See answer to 3 (*i*), (*ii*), (*iii*) above).

9. (*i*) Yes, a very large business is done in this direction.

(*ii*) Yes, difficulties are experienced in using Railway receipts as security for advances. It is difficult for Banks to advance against Railway receipts when the goods are consigned to third parties as the Railway gives delivery of the Goods against an Indemnity Bond to the consignee without insisting on the production of the Railway Receipt. It is suggested, therefore, that the Railway should not be allowed to give delivery of consignments worth Rs. 1,000 or more against an Indemnity Bond without the countersignature of a recognised Bank.

10. (*i*) Railway Receipts change hands with and without endorsements.

(*ii*) If Railway Receipts were made negotiable, the Railway would be bound to give delivery to a holder in due course, which implies that the goods cannot be delivered without the production of the Railway Receipts. This, in our opinion, would hamper rather than facilitate business.

11. (*i*) Yes.

(*ii*) They are already negotiable by custom.

PART II.

1. (*i*) By Bullock-carts, lorries, etc.

(*ii*) No.

2. Grain stored in Bank Godowns and Kothas is used to a large extent as security for obatining credit.

4. (*i*) Co-operative Banks, Indigenous Bankers, Professional money-lenders and Grain Merchants make advances to the Agriculturists and thus assist him in taking his crops to the nearest mandi. The joint stock banks play a considerable part in taking the crops to the principal markets. The Imperial Bank of India has commenced keen competition with the Joint Stock Banks in this respect, by advancing monies freely against Grain Kothas at very low rates of interest.

(*ii*) We do not think that the existing credit facilities are adequate. Besides the establishment of Land Mortgage Banks to assist the Agriculturist by long-term advances, the Joint Stock Banks should be encouraged to open more branches at various other centres by protecting them against undue competition from the Imperial Bank of India.

5. (*i*) No, unfortunately not at all.

(*ii*) Yes, there is a considerable scope in this direction.

PART III.

1. (*a*) (*i*) The crop is usually financed by Co-operative Banks, Indigenous Bankers, Professional Money-Lenders, or Grain Merchants from the village to the mandi.

(*ii*) The financing of the crops from the mandi to the exporting ports is undertaken mainly by the Joint Stock Banks and the Imperial Bank of India.

(*b*) (*i*) & (*ii*) The finance is undertaken by all classes of Banks.

2. (*i*) The financing is done at each stage on various terms, according to the Bank, the commodity and the station.

(*ii*) No.

4. (*i*) The charges incidental to export and import are commonly financed by Banks.

(*ii*) Interest charges do vary with the class of business financed, but they do not vary to any very great extent.

PART VI.

1. We do not consider the present Banking resources in this Province, outside the large towns, to be quite adequate. In our opinion, there ought to be more branches of Banks in the smaller towns.

2. (*i*) Yes.

(*ii*) Yes, they can be made more popular by advertisement in the smaller towns and villages, any by making them transferable. No revision of the terms of issue or of the rates of interest appears to be necessary.

3. (*i*) Yes.

(*iii*) Mostly the poor and middle classes.

4 (*i*) The rates of interest offered on Treasury Bills do lead to competition between Government and Banks, as Banks cannot afford to offer such a high rate of interest on their deposits.

(*ii*) We regard such competition as most unhealthy.

6. There are practically no facilities in the Punjab for the purchase and sale of non-Government securities. Intending purchasers and sellers have to place their orders with banks who in turn get them executed through their Bombay and Calcutta Offices.

8. (*i*) Money not required for normal expenditure is mostly invested in house property.

9. (*i*) Yes, bank Savings Banks.

(*ii*) Rs. five.

10. (*i*) The Agriculturist Class usually invest their surplus funds in gold ornaments.

(*ii*) Agriculturists often lend to fellow-agriculturists and this is not confined to any particular caste.

11. (*i*) The Banking and investment habit is of very slow growth in India.

(*ii*) This is mainly due to lack of education, and the failure of so many " mush-room " banks in the past.

(*iii*) The best way would be to put a stop to the growth of " Mush-room " Banks. Such Banks are usually promoted by men with doubtful financial status, and sometimes by men with very little experience in the line. One of the first steps towards a solution of the problem would be to ensure, by legislation that the Promoters of a Bank, and the qualifications of subsequent Directors, be the holdings of shares of the paid-up value of say Rs. 20,000 to Rs. 50,000 or more. It is further suggested that the promoters of the institution should be made to pay all preliminary expenses in the first instance to be recovered by them when the Bank opens for business, as a charge against the funds of the Bank.

It is very difficult for an ordinary person to realise the difference between the Authorised and Subscribed Capital and we are, therefore, of opinion that Legislation should be enacted to prohibit a Bank being floated with an Authorized Capital of more than say 10 times the amount of Capital that has to be subscribed by the Promoters, before the Bank starts work.

12. (*i*) All literate classes of the population use cheques.

(*ii*) From the figures shown by banks, the cheque habit would appear to be growing.

13. (*i*) & (*ii*) Yes.

14. Yes.

16. Opening of new Branches of the Imperial Bank of India in recent years has no doubt led to the reduction in the general price of money, but we are unable to say if it has led to the encouragement of the investment habit or promotion of internal trade and industry. It has certainly not led to the encouragement and consolidation of the indigenous banking system.

The Secretary, The Crescent Bank of India, Ltd., Lahore.

PART I.

1. (*i*) The Public, including Banks and Bankers, get the remittances earlier and in low rate than that if they would have transited through the Post Office.

(*ii*) In my opinion there are no defects in the present system and thus no improvement is suggested.

3. (*i*) Yes, if such instrument be created, it will prove useful.

(*ii*) Yes.

(*iii*) No.

4. (1) The Supply Bills facilitate internal remittance to a great extent.

(2)

(*ii*) No.

(*iii*) No.

(*iv*) Yes.

6. (*i*) The duty on Bills of Exchange should be reduced as the case may be.

(*ii*) It will be of course useful to make some sort of distinction.

(*iii*) They are usually drawn for the period of 30, 60 or 90 days and in some cases even for the period of one year. The party accepts the Bill through Bank or Bankers, and take the delivery of Railway receipts. The goods relating the Bill is sold by the party and in this way they find it easy to pay the amount of the same on due date.

(*iv*) Foreign Bills of Exchange take a long time for payment, but Indian Bills of Exchange are drawn for short period. They are only used to detain payment and allow a period to the party for payment.

(*v*) Yes.

8. (*ii*) The Hundies in our area are held by Merchants and Commission Agents specially and are sent elsewhere from hand to hand.

(*iii*) Yes.

(*iv*) Yes. (*a*) It is due to the custom of the country.

(*v*) Nothing.

9. (*i*) Yes.

(*ii*) No.

10. (*i*) They change hands with endorsement.

(*ii*) They should be made negotiable.

11. (*i*) Yes.

(*ii*) Yes, they are negotiable by custom.

PART II.

2. (*i*) To a great extent.

5. (*i*) Yes, to a very small extent.

(*ii*) Yes.

6. No special difference.

PART V.

7. (1) One of the great defects in the present Indigenous Banking is that the customers remain in dark as regards the actual position of the Bank owing to its being unlimited and unregistered.

(2) Most of the money of these banks is invested in long-term securities such as mortgages of immovable property and very little of it is playing part in finance, trade or industry.

(3) Indigenous Banks exist for the benefit of persons who do not require money for trade or industrial purposes ; but for those who squander money in reckless speculation, litigation and evil practices.

(4) The majority of the Public does not find an opportunity to manage or advise in the management of such banks, so as to render them more useful to the Public.

(5) Many legal privileges are denied to such Banks.

7. (*ii*) To remedy these defects would require legislation by whom these banks are brought to the level of Joint Stock banks with all advantages, privileges enjoyed by the later.

8. (*i*) Yes ; when the harvests are gathered the indigenous bankers find hardly any customer, and their money remains idle at least for a period of three or four months in a year.

(*ii*) The money finds a place somewhere beneath the ground and in very rare cases it is deposited for a short period in some banks.

(*iii*) Yes.

9. (*i*) It is not connected at all and does not effect the banks rate. If such correction is established, it will be very useful.

(*ii*) Of the method suggested Nos. 1, 2 and 3 are preferable.

(*iii*) Danger No. 1 is more imaginary than real unless the mentality of the public undergoes a radical change. There is no apprehension of the indigenous bankers being swallowed up for expecting the commercial class, the public will not give up dealings with the indigenous bankers for reasons of privity and other well known considerations. As regards danger No. 2, it can be avoided by utilising the services of experienced local Directorate.

As regards danger No. 3, no Joint Stock Bank should go to such a locality where it cannot inspire confidence in the depositing public.

Danger No. 4 can be met by framing rules fixing a proportion of the funds of a local branch to be invested in the locality.

(*v*) Yes, with proper efforts and fair dealings.

(*vi*) (1) Yes.

(2) Through a Joint Stock Bank.

10. None.

PART VI.

4. (*i*) Yes, why because the interest allowed on the Government cash certificates often stands equal to the interest allowed on Fixed Deposit in banks. It then comes out a source of change of the rate of interest which the banks time after time do declare.

(*ii*) No.

5. No.

6. No profitable facilities are allowed on securities other than the Government.

9. (*i*) Annas four only.

(*ii*) Yes, these can be extended.

12. (*i*) (*a*) Tradesmen.

(*b*) Peoples of learning professions.

(*c*) Civil and municipal servants and Journalist.

(*ii*) Yes, cheque habit is growing, because people can draw money whenever they like and as many times in a day between working hours as they stand in need of. Moreover, they do not see themselves to put in the trouble of carrying money everywhere. They give the cheques everywhere they like to pay money.

13. (*i*) Yes, to a great increase; they use cheques 75 per cent more than they would have used when stamp duty was paid.

(*ii*) Surely so.

14. Yes, in this way surely it will do good.

Manager, the Head Office, The Peoples Bank of Northern India, Ltd.

PART I.

1. (*i*) Facilities for remittance available are :—

Indigenous shroffs, Joint Stock Banks including Imperial Bank.

(*b*) Sometimes merchants though not working as regular bankers, exchange hundies amongst themselves.

(*c*) Remittances through Post Office by value payable Money-orders and insured covers are also made.

(*ii*) The system so far as Indian Banks are concerned, is working smoothly, but it is felt that some people do not avail of the services of joint stock banks because they cannot issue drafts to the public on their branches payable to bearer (restricted under the Indian Paper Currency Act).

(*b*) Indigenous bankers sometimes issue hundies without stamp but all the same mentioning period (say 7 days from date) and treat them as demand. The effect of this is that the person purchasing such hundies is not required to pay any charges. It effects joint stock banks adversely. Moreover the person holding such hundies does not realise the risk he incurs in accepting an unstamped and hence illegal document. The practice is prevalent and needs conrtol.

2. (*i*) *Cheques.*—Cheques payable to order of bearer are frequently used by the educated community in making payments locally and at outstations, thus having the advantage of providing the money by the time, cheque is likely to be presented.

(*b*) Mudati and Darshani hundies are issued for purposes of remittances and sometimes for temporary accommodation.

(*c*) Debentures transferable to bearer or by endorsement do not change hands frequently. Investments in this class of security are made by investors not for trade purpose but for the purpose of earning interest only.

(*d*) Bills of lading are generally endorsed to banks to remain as security against advances taken by customers on executing further documents as a proof of their liability and as to powers to the bank to dispose of commodities represented by them in the event of the customers not taking delivery of goods within reasonable time. Practice with regard to documents varies in different banks. Some banks insist upon regular stamped pronotes and stamped agreements while others accept unstamped agreements as to disposal of goods.

These are mostly used for accommodation and the real function of the banker to keep money invested till the goods reach their destination is fulfilled.

(*ii*) In case if cheques there is already no stamp obligation and no doubt the use of cheques is more common now than before the exemption from stamp was introduced and is likely to become more popular.

(*b*) Law does not appear to be quite clear as to whether Darshani hundies are or are not to be stamped but the usual practice is that they are not stamped.

Mudati hundies require to be regularly stamped. No doubt reduction in stamp duty will make the use of these documents more frequent as in the present circumstances people including Joint Stock Banks make use of demand pronotes although the understanding may be of repayment within a fixed period with the result that sometimes neither the debtors nor the creditors keep due regard for payment at fixed time.

(*c*) *Debentures.*—Reduction is stamp duty for debentures is very important. If stamp duty is reduced and the people are encouraged to issue debentures against their properties, it will be a good investment source for the banks in the time of dull season and for other investors to retain or dispose of at their will.

(*d*) *Bills of lading.*—For advances against bills of lading if it be made clear that no stamp is required, surely it will further facilitate trade operations.

3. (*i*) No. As the holder of such a bill who wants to protect himself will not be protected by altering " Bearer " into " Order."

(*ii*) No. In view of No. (*i*).

(*iii*) No. Moreover hundis are drawn mostly by and on indigenous shroffs or merchants. Crossing of such hundis even if law is amended are not supposed to necessarily pass through banks.

4. (*i*) *Supply Bills.*—There is no doubt, facilitate business to an extent and are available to both the Joint Stock Banks and the merchants. But banks are not served to the full extent of their requirements especially at stations where there are no other sources of remittances.

(*ii*) Yes.

(*iii*) In my opinion rates charged to the public for issuing supply bills should be different and higher than those charged to the Banks as otherwise issue of such bills is direct competition with Joint Stock Banks and shroffs. If preference is given to banks, limits shall have to be necessarily extended and rates fixed according to the amounts of bills issued.

(*iv*) Yes.

5. Yes. Larger cash balance in Government Currency Notes will remove this difficulty.

6. (*i*) Duty should be reduced to ⅓rd as the amount of stamp is practically an addition to the rate of interest (total cost for procuring money).

(*ii*) The above No. (*i*) is recommendation for hundies payable not more than one year. Hundis exceeding one year are already chargeable at bond rate and there seems to be no necessity of distinction between a bill of exchange and a bond. A bond is decidedly more comprehensive document. Bill of exchange payable at more than one year may be abolished and bonds made transferable by endorsement.

(*iii*) Commercial bills of exchange are generally drawn for periods ranging from 60 days to 120 days for purposes of accommodation, but the traders generally draw 30-31 days bills as they cannot afford longer credit.

(*iv*) Rare, if any such bills are ever drawn they are for purposes of longer accommodation.

(*v*) No. As bonds are written for certain definite purposes and contain certain conditions.

7. Having regard to the service rendered by Post Office irrespective of nature of stations the charges made are already not high. Further cheapening will neither serve any useful purpose nor it will pay the Post Office, and it will amount to direct competition with the Banks. For purposes of remittances the agency of Post Office can be availed of by means of sending insured cover provided the amount does not exceed Rs. 3,000 in one cover.

Law as to compensation of insured cover lost in transit by the Post Office requires radical change. Under the present postal rules claim for half currency notes sent under insured cover is not entertained so long as corresponding halves to the extent of amount insured are not tendered to them.

To illustrate the point a concrete example is given—

If sends by insured cover first halves of Rs. 20,000 insured for Rs. 1,000 and the cover is lost, postal authorities will not entertain claim even to the extent of insurance, *viz.*, Rs. 1,000 unless corresponding (2nd halves) halves for Rs. 1,000 out of Rs. 20,000 are tendered to the Post Office. The sender of the insured cover loses interest on the remaining amount till such time, that he is not able to get money in exchange for halves left in his possession.

8. (*i*) Mudatis, Darshani and Mudati Darshani (*viz.*, understood to be payable on demand hence not stamped although period may extend to one week).

(*ii*) Merchants cannot generally afford to hold hundis and they pass on to the banks and sometimes to private investors.

(*b*) Yes. They pass freely within trade centres only

(*iii*) Hundis are discounted in the same area but sometimes they are sent outside where they are discounted or rediscounted at credit of endorser who is generally a local man, Calcutta, Bombay, Shikarpur and some other places used to receive such documents for discount for very large amounts by old shroffs but this has declined and is declining as shroffs have entered speculation markets.

(*iv*) Yes.

(*a*) Diminution of hundi business is due to failure of several merchants in trade centres as all hundies were not trade hundis but several hundis were drawn simply for accommodation purposes with the result that the failure of one party to meet bills on due dates brought several parties to grief.

(*b*) Reduction in stamp duty will accelerate use of hundis but no effective measures can be taken to stop accommodation bills.

(*c*) It would be an improvement if hundies are governed by Negotiable Instrument Act instead of local usages.

9. (*i*) Yes. Money is borrowed on the security of Railway receipts like bills of lading but invoices and Bijaks are not instruments of ownership and, therefore, advances cannot be made against such documents.

(*ii*) No.

10. (*i*) Railway receipts change hands with endorsements.

(*ii*) Railway receipts are transferable by endorsements, therefore, may be regarded as "Negotiable" but as Railway receipts do not represent any cash they cannot be treated as negotiable instruments or governed by the Negotiable Instruments Act.

11. (*i*) Yes. Bijaks and sattas are transferable, but it is not clear whether law treats such documents as negotiable instruments under the Negotiable Instruments Act.

Bijaks and sattas represent commodities and the question of determining money value and stamping accordingly is practical difficulty in the way of treating such documents under the Negotiable Instruments Act.

(*ii*) See above No. (*i*).

PART II.

1. (*i*) By bullock carts, other animals and Railway where available (motor service is not availed of yet due to want of good roads and especially access to the fields).

(*ii*) No.

2. Although it is very difficult to give any definite idea as to proportion of the grain pledged as security immediately after the crop,

yet it can safely be said that hardly 25 per cent of the crop remains in the hands of tillers, the rest in one form or the other passes into the hands of sahukars and through them to the banks or to the exporters.

3. (*i*) The system suggested on the lines with variations here and there according to local circumstances will no doubt be an improvement on the present system, so far as ready marketibility of the crops is concerned. Moreover it will help the exporting houses with large financial resources at their back, to have a larger control over the Indian crops and thereby deprive the poor people of their food. The result may be that immediately the cultivators will have hard cash, they will buy other necessitities of life most of which are of foreign manufacture and after the lapse of a very short period they may have to look to sahukars and other money lending agencies for their bread. Their purchasing power will thus be reduced as the money received might be spent even in luxuries. And the second drawback will be that they will have to pay higher rate in the repurchase of the very commodity they sold at a cheaper rate.

(*ii*) As it will take the form of Law, Government intervention automatically comes in.

4. (*i*) Professional money-lenders collect their debts at the time of crops by taking over commodity and thereby facilitating the business of grain merchants who buy the stock so collected. The grain merchants find financial help from Joint Stock Banks who if need be, approach the Imperial Bank for accommodation but not against the very security of grain, they borrow against their gilt-edged securities.

(*ii*) Yes, but we cannot call the existing credit facilities as sufficiently "attractive." In fact it is not the surplus grain that is sent for marketing but it is the major portion of the poor man's bread who cannot afford to retain it long having already incurred debts and now forced to sell it to meet his liabilities and to pay land revenue which is realised in coins and not in kind and at a time when generally the price of grain is low.

If there is collection of land revenue in kind there is no doubt the zemindars will not be required to sell as much grain as they sell now.

5. (*i*) Co-ordination in the sense as given in our reply to No. 4 (*i*) above.

(*ii*) There is absolutely no Co-ordination between the Imperial Bank and the Joint Stock Banks.

6. The internal trade is mostly financed by Indian Capital while the overseas trade is mainly financed by foreign capital.

Some people contend that the Exchange Banks have more than necessary Indian deposits to finance foreign trade.

As India is not an industrial country and supplies raw materials to foreign countries foreign capital always gives best possible faci-

lities to tap the resources of India in this respect. So far as Indian industries are concerned, foreign capital is always shy. It may help if machineries and other goods are imported.

1. (*i*) *Export trade.*—Foreign banks like National Bank of India, Lloyds Bank, Chartered Bank of India, Australia and China buy export bills of lading and thereby finance export firms like Ralli Bros., Volkert, Strauss, Claimant Robson, Toyo Menka, Japan Trading and others.

(*ii*) *From village to the mandi*—In financing foreign trade from village to mandi no special financial help is required especially when standing crops are purchased by Export houses. If any help is needed at all, grain merchants finance the trade.

(*iii*) *From the mandi to the Exporting Ports.*—The trade is financed by Joint Stock Banks.

(*b*) (*i*) *Import Trade.*—From port to distributing centres the trade is mostly financed by the Joint Stock Banks but in some cases the dealers themselves make their own arrangement.

(*ii*) Financing is done by the dealers who are financed by the banks.

2. (*i*) *Re. Export.*—Financing from village to mandi where grain merchants come in, they charge their Arhat which includes financing as well as commission for purchasing. Godown rent whenever grain is stored is charged extra.

(*b*) Financing from mandi to Export ports is done by banks, their charges vary from $\frac{1}{8}$th per cent to $\frac{1}{4}$th per cent for receiving money at the Export port *plus* interest and godown charges till the grain remains in the bank's godown.

(*b*) (*i*) *Re. Import trade.*—From Importing ports to distributing centres banks finance, charge interest and some commission as the goods are generally cleared through them, the custom and other charges are generally paid by banks. This commission is generally in the form of a charge per package in addition to out of pocket expenses.

(*i*) (*b*) From distributing centres to consumer the part is played by the dealers who charge their profit and take such risks as are attendant with fluctuations in rates and deterioration in goods, etc.

(*ii*) The difficulty arises sometimes when the dealers do not take delivery and the banks have to store them on dealer's account. The difficulty is more serious in case of financing such articles of Import trade as are liable to heavy custom duty.

(*iii*) The dealers and the banks adjust themselves according to their respective circumstances.

3. (*a*) and (*b*) *Vide* answer to note 4 (*ii*) and (*b*) above.

(*b*) (*ii*) Growers of produce can expect better return if they are not forced to sell on account of—

(*i*) their Indebtedness due to poverty.

(*ii*) payment of land revenue in cash.

(*iii*) If they can resist the temptation at the time of harvest not to waste money in luxuries and drinks.

(*iv*) If an appreciable portion finds consumption in some industry to be started locally.

4. (*i*) By various agencies at various stages as detailed above.

(*ii*) " Interest " does not vary with the class of business but surely it varies with the type of financing agency. For example, Imperial bank with its resources and having Government balances free of interest at its disposal charges and can afford to charge lower rate of interest than that charged by other banks.

1. (*i*) Unfortunately more of the subsidiary industries mentioned in the question are not worked on up to date business lines or on large scale. But whatever present nature of these industries is, the financing part is mostly played by the village sahukars who approach banks if they occasionally stand in need. Industries like Cotton Ginning and Sugar Refining are mostly financed by banks as much of the capital is to be locked up where machineries are imported and required for the purpose.

(*ii*) Foreign competition hits hard and some industries like Weaving and Sugar refining require protection.

2. (*i*) By sahukars.

(*ii*) Middlemen are a link between the producers and the large dealers and they charge for the labour and finance in the shape of their profit.

Large dealers exhibit products of such industries in trade centres for marketing and charge their profit. The quantity turned out is generally consumed in the country and if any negligible portion is ever exported, it is exported as a " Curiosity " with the result that foreign manufactures turn out like things by machinery, and place in the market better polished though not as durable, at a cheaper rate with the result that producers live from hand to mouth and have to give up the profession and the art.

3. (*i*) Punjab lacks in Co-operative Artisan's Societies.

Co-operative organisations appear to be beneficial to give the workmen a fair return for their labour. The industries will be further encouraged if Government restricts its purchases to products of Indian manufactures.

PART V.

1. (*a*) House property, Flour Mill.

(*b*) Banking was primary, but since the business mentioned in (*a*) above has become primary, banking is secondary.

(*c*) (*i*) Only trade is financed.

(*ii*) The firm in view has to our knowledge invested about two lacs in a Flour Mill and a like amount in house property yielding rent, about Rs. 50,000 in a residential house a couple of lacs in trade and banking.

(*d*) (*i*) Nearly half of the capital is borrowed.

(*ii*) They borrow on hundis from banks and individuals who have spare money to invest but are not regular money lenders. Deposits are placed with them generally by widows and relatives under their influence.

(*iii*) Interest on deposit is paid on rates not exceeding 6 per cent but they borrow on hundis at ruling market rates ranging from $7\frac{1}{2}$ per cent to $9\frac{3}{4}$ per cent.

(*iv*) Stamp duties, brokerage and discount cost further one anna per cent per month.

(*e*) Income-tax Department will be in a position to throw light on this question.

(*f*) Relates to Income-tax Department.

(*g*) (*i*) Regular mortgage, ornaments and personal.

(*ii*) Property is valued having regard to its situation, yield and the chances of sale in case necessity arises.

As regards moveable, ornaments are valued through sarafs, not taking into account labour and the precious stones set in them.

(*iii*) Against house property, half the amount is generally advanced but exceptions may be made and advances allowed to 70 per cent of the value and in case of ornaments a margin of from 15 per cent to 20 per cent is considered sufficient.

(*iv*) Ratio of secured to unsecured may be 60 per cent and 40 per cent respectively.

(*h*) Secured loans are made when the period is long and the creditor has to safeguard himself against other creditors by having first charge on property mortgaged. Another temptation for making such advances is that the creditor has in view ultimately to acquire the property and thus allows the debtors to keep money for pretty long time and does not bother himself to realise even his interest as his aim is to burden the debtor. The principal together with interest forces the debtor ultimately to part with his property in favour of his creditor by taking over a further small sum.

(*b*) Cash credits are allowed to business men and to factory owners.

Generally Banks in the agreement form insert "half interest clause" and charge interest monthly on daily balances.

(*i*) Sureties are demanded but generally advances are made in the form of liability taken "Jointly and Severally."

(*j*) The objects for which loan is needed is one or other and at some times several of the objects enumerated in Central Areas.

Banking Enquiry Committee Questionnaire under Head Agricultural Indebtedness 1 (*c*).

(*k*) Loans made for productive objects form 80 per cent., the remaining 20 per cent., covers Social and Educational needs.

(*l*) Yes for fixed periods—

(*i*) The general principle for fixing periods is the capacity and the resources of the debtor to repay the loan. While the

(*ii*) Renewals are granted when the expectations fail but the business continues and the security is not in danger.

(*m*) Demands for loans are refused to the extent of 10 per cent on account of inadequate security 90 per cent on account of inadequate capital.

(*n*) (*i*) Loans on hundies are punctually paid to the extent of 75 per cent., but with regard to other loans the percentage falls to 20 per cent.

(*ii*) If payment is not made on the due date, the creditor does not shirk to pay personal visit to the debtor and press him for payment. If he is not successful, he will bring pressure on him through his relatives. Notices and Legal notices are resorted to when the circumstances so demand.

Hundis are generally protested if not paid on due dates.

(*iii*) Judicial proceedings are taken when pressure and persuation entirely fail and the debtor does not reduce the loan by payment of even a portion of the debt.

(*o*) Over and above the difficulties due to the inexperience of new judicial officer, the real difficulties of the litigants are due to the subordinate staff of the court. It is next to impossible to have a plaint admitted, summons issued and served, dates taken, deposit of decree money and taking out of that, etc., without tips.

(*o*) (*i*) Difficulties experienced in recovering debts through court of law may be summarised as under—

(*a*) Court-fee charges are expensive.

(*b*) Procedure is hopelessly lengthy.

(*c*) Cases are postponed sometimes by Courts unmindful of the inconvenience and the expenses (cost) of the litigants.

(*d*) Even very respectable people have to loiter outside the court doors not knowing when their case may be called in as the so-called cause list appended outside the court is not taken up in any regular order whereby a litigant might know as to when his case is likely to be called in. This difficulty can easily be removed if each court has directions to make known to the litigants as to the order in which execution and evidence cases are to be taken.

(*e*) No sitting accommodation is provided for the litigants outside court rooms and the trouble and inconvenience caused thereby to the public can better be imagined than described especially at times of rain and summer heat.

(*f*) Expenses are incurred by litigants though not permitted by court as part of costs or otherwise by court of conscience but it is an open secret that such expenses are to be incurred to save time, trouble and undue delay made by the subordinate staff under the cloak of red-tapism.

(*g*) Over and above these some courts are in the habit of fixing dates of hearing for appearing at places of their tour.

(*h*) Some courts are not conversant with the commercial cases and do not realise the importance that commercial cases are to be given preference and ought to be speedily disposed of.

(*p*) (*i*) If loans and recoveries are made in grain, the procedure will not differ much as after all for purposes of writing documents and recovery through Court, money value of the grain is to be determined and even for purposes of accounts to be presented to Income-tax Office and to arrive at profit and loss, same procedure is to be adopted.

As regards securities for advances in grain the procedure as to surety, etc., will be exactly the same.

(*ii*) A village sahukar gives on loan at least 60 per cent of his grain for seeds, but the tillers consume a portion of it for their food, say up to 10 per cent.

(*q*) (*i*) Imperial Bank or the Joint Stock Banks do not help the village sahukars directly but as Joint Stock Banks advance money to large grain dealers in markets, the stock of the village sahukars finds ready market and sometimes in case of emergency he (sahukar) approaches big dealers in market for financial help.

(*ii*) Owing to Land Alienation Act in the present system of obtaining assistance in the time of necessity, a zemindar does not command due credit and consequently has to seek the help of others to

stand his surety whom he has to compensate in one form or other thus adding to his burden.

Now that the Land Alienation Act has remained in force for so many years and had had its effect, it will be instructive to suspend its operation for at least 10 years and judge the results thereof as to whether such suspension proves to the benefit of the community whose interest are sought to be protected by the operation of the Act. It can safely be anticipated that the result of this will be that the tillers and the peasants will be as prosperous as they were before this Act came into force.

(*r*) Bonds, Bahi Khata System loan, and pronotes,—

Samples—

Pronotes.

Bonds.

Bahi Khatta Loan.

(*s*) The information given above is mostly typical of indigenous banking.

2. Fairly detailed information has been given above.

3. Yes and is further declining.

(*i*) Ground for thinking this is that the people who could meet their demands from village sahukars now approach banks or bankers in town for financial help.

(*ii*) Reasons for decline are—

(*a*) Land Alienation Act.

(*b*) Formation of Joint Stock Banks and Co-operative Credit Societies.

(*c*) Insecurity of life and property in villages the result of which is that well-to-do pepole prefer town life to village life.

(*d*) Shortage of money due to Exchange and curtailment of currency.

(*e*) Heavy losses sustained by the sahukars on account of bad debts as a result of introduction of Land Alienation Act and system of discretion vested in courts.

(*iii*) The best interests of the country require that there should be cohesion between the people and the institution of indigenous banking. If revived with proper safeguard of life and property and assurance of the due realisation of debts, it will materially improve the prosperity of the country and contribute to the growth of homogenous working.

4. Reduction in rates of interest depends upon the capital available in country and the surety to the lender to the effect that in case of demand on him, he can procure money at a still lower rate.

Another factor which is prejudicially effecting the rate of interest is the policy of the Government of constant heavy borrowings quite unproportionate to the earning capacity of the people at high rates of interest. On analysis one is rather inclined to think that Government at the time of such borrowing does not count on present savings and capacity of the lenders but also secure their future capacity in the shape of providing facilities to subscribe loans on easy instalment system through the intervention of semi-Government institution like the Imperial Bank of India.

It may also be mentioned here that the policy of the Government not to redeem previous debts by actual payment but rather by conversion offering alluring terms and artificially creating healthier and congenial atmosphere at the time of floating new loans is responsible for the constant rise in rate of interest instead of any reduction.

India is not an Industrial country and the constant drain on its financial resources is also a factor which tends towards the rise in the rate of interest.

If lenders co-operate and combine having best interest of the country at heart in applying and allowing to apply the capital of the country in industries and other productive works of the country the natural result will be that there will be more flow of capital which will enable them to reduce the rate of interest.

Borrowers can hope to secure loans on lower rate of interest by issuing debentures against the security of their immovable property.

5. (*i*) Indigenous Bankers are mostly Hindus and the racial prejudices which are creation of recent dates as a result of council election on communal basis and expression of that mentality in the council speeches, are no doubt adversely effecting the indigenous bankers not only in expression, but actually taking the form of legislation like the "Money-lenders Bill."

(*ii*) Yes. As the borrower will be in position to secure money at comparatively low rate of interest and have better facilities for repayment.

6. (*i*) The system hitherto followed by indigenous bankers for keeping accounts and advancing money on Bahis has worked fairly satisfactorily, but the tendency of some courts not to admit such set of books as sufficient evidence against the debtors has forced them to deviate from the old system and follow the present system of Joint Stock Banks for obtaining documents against advances made.

Bahi accounts supported by *Rokar* should be legally considered as sufficient evidence against the debtor if he acknowledges the account of his debt by affixing his thumb-impression or signatures.

(*ii*) Yes in the interest of both the borrower and the lender.

7. (*i*) and (*ii*) One main defect in the system of indigenous banking is that in the absence of suitable debtor money remains idle with him in the shape of cash balance and if Government can devise any scheme to issue bearer bonds bearing interest not exceeding 3 per cent., surely it will be a great inducement for those who hoard and have to keep cash to purchase such bonds.

8. (*i*) The matter of money remaining idle with the indigenous sahukars depends upon local circumstances and the nature of investment made by them. Some sahukars finance people going to outstations for purposes of trade and when such people return and repay their debts money remains idle with them. Niether the amount nor time can be fixed.

(*ii*) There is some tendency of a portion of idle money coming to Joint Stock Banks directly or through sahukars in trade centres.

(*iii*) No unless steps are taken to improve cottage industries.

9. (*i*) Since the introduction of Joint Stock Banks the indigenous banker has the facility to remain connected with principal money markets and there is growing tendency to enjoy this facility.

(*ii*) The Indian Banking system has to face the competition of foreign banks who secure and have secured ample funds at lower rate of interest. Therefore the establishment of local joint stock banks with local directorate or the amalgamation of the business of local indigenous bankers with the Joint Stock Banks owned and controlled by indigenous bankers will not materially help the prosperity of the country. And the suggestion that agencies of Imperial Bank of India be established and held by local indigenous bankers, will further create unhealthy competition and will handicap Indian Joint Stock Banks and institutions which are yet in infancy. Any facility extended to joint stock banks so as to induce them to have a branch or agency in each and every district is what is needed for the welfare of the country and growth of its general prosperity.

(*iii*) As previously indicated the institution of indigenous banking is gradually declining and surely has no chance to stand competition of foreign banks but as Indigenous banking is not confined only to district towns, it cannot be said that joint stock banks will swallow them up. The system of creating Local Advisory Boards of the indigenous bankers will obviate the danger contemplated in Nos. 2 and 3 while the association of local men will not only insure the investment of local funds in the locality if actually needed but will rather have the opportunity of utilising outside capital if so required.

Keeping in view broader interests of the country at large there is absolutely no harm if funds from a locality where they cannot be usefully employed, be transferred to a larger trade centre.

(*iv*) (*i*) and (*ii*) Does not arise in view of the opinion expressed above.

(*v*) As already stated the establishment of isolated banks at various centres will prove a costly organisation but if they are part and parcel of a well managed central organisation controlled from its headquarters and supplemented by local advice and experience they are sure to prove beneficial.

(*vi*) (*i*) Central Reserve Bank run in the real interest of the country is an institution long needed. Its operations should be restricted to finance Joint Stock Banks and to enter into healthy competition with foreign capital and thereby take all possible measures to foster the trade and industries of the country. This is only possible if it is controlled by Indians or people who consider India as their home or those who have India's interests at heart.

SECTION II.

Set of questions put in this connection up to No. 8 is almost the same as put in part V with regard to indigenous Finance and replies thereto do not differ in nature when applied to section II—money-lending and hence need not be repeated. It is rather difficult to draw line of distinction between Indigenous Finance and money-lending.

9. State control is as in other cases prejudicial to the natural healthy growth of sahukara business. It may be mentioned here that state has already set up an institution known as Co-operative Credit Societies with special facilities and privileges granted to them with declared objects of furthering and safeguarding the interest of agriculture, small scale trade and small scale industries but in fact the Co-operative Credit Societies are double-edged swords. On the one hand having been declared under Government patronage they compete with Joint Stock Banks by offering high rate of interest and on the other hand have usurped the business of indigenous money-lender. The so-called Co-operative Credit Societies are clannish institutions worked in the interest of one community, moreover deposits received by these societies are not wholly invested in the class of the people or the trade or the industry, but a decent portion thereof is invested in Government securities. In other words to a certain extent these societies also serve as a medium for those, collecting local capital so as to be invested in Government paper. With such institutions already in existence any further control or meddling by the State in the business of money-lenders will result more or less in ruining the Indigenous system rather than encouraging it.

PART VI.

1. Banking in India is in its infancy and there is ample scope for its development with favourable atmosphere alround, but unfortunately the position as far as Indian Banks are concerned has been that instead of their receiving any encouragement at the hands of State or State-controlled institutions like the Imperial Bank of India all possible

hitches and prejudices have been created to thwart their (Indian Banks) growth and on the other hand advances even against Government securities have been refused in time of emergency on flimsy grounds from which one feels justified in questioning the *bonâ fide* of the State-controlled institutions.

2. Postal cash certificate do attract capitals.

Issue of postal certificates should rather be restricted than popularised if the State is really anxious to develop indigenous banking in the country. No doubt raising of rate of interest and offer of alluring terms will induce the people to invest more in this class of security in preference to banks.

3. (*i*) and (*ii*) Yes.

(*iii*) Nearly all classes.

(*iv*) Nearly all classes.

4. The allegation is correct and the ground is clear that a portion of the money which once remained with the bank is now being invested in Treasury bills and Postal Cash Certificates.

(*ii*) Surely not.

5. Small investors whether urban or rural will feel encouraged to buy Government securities if they are not long dated, although the issuing of such securities will be detrimental to the interest of Joint Stock Banks.

6. There is no stock market in the Punjab. Some efforts were made in this direction and an institution by the name of Punjab Stock Exchange was started which continued for about couple of years but as financiers were shy to invest in shares and other securities available in the Punjab it could not be continued for long.

In fact barring shares of Joint Stock Companies which are in the hands of such investors who do not intend to part with them there are no such securities available in the Punjab as might change hands.

7. Clerical establishment drawing over Rs. seventy may in some cases save something provided there are no dependents to support while the question of business people does not arise as their savings or no savings depend upon their profit and loss.

(*ii*) Some people do not keep accounts of their income and expenditure and the natural result of the account keeping is that one feels inclined to save something if circumstances permit. It cannot be asserted that such people keep their income and expenditure account only with a view to saving.

8. Some people have to invest their small savings in ornaments (both gold and silver) as their means permit while others prefer to keep at least some amount in cash in home to be used in case of dire necessities. Some deposit money with banks, etc., while others insure their lives with their small savings.

Joint Stock Banks, Post Office and in few cases with sahukars.

(*iii*) Yes.

(*iv*) Generally people count upon such savings for purposes of marriages of their children and other social functions. If still anything is left, it is considered that this will help them in old age. Expenses of illness and education are generally considered charge on current income and it depletes savings already made.

9. Leaving Postal Agency, Joint Stock Banks attract deposits from people and open accounts savings or prudential with sum as low as Rs. five.

(*ii*) and (*iii*) Once the account is opened, any small sum generally not below a rupee is accepted.

10. Any surplus funds, the result of a prosperous year help the farmer to repay portion of his old debt or perform the marriage of the children if any. Generally the result of so-called prosperous year exhibits itself in better clothing and other necessities of life.

(*i*) An agriculturist if he has something to spare helps his fellow agriculturist in shape of grain for purposes of seed at the time of sowing but it is not confined to particular castes.

(*ii*) No.

As it has already been explained Indians have very little to save and to invest and naturally growth of banking system is very low. There are other causes too in the way of growth of banking in India and have been dealt with already in previous notes.

(*iii*) It must be admitted that Joint Stock Banking system in India being new has not properly captured the minds of the masses and the people have not learnt to place implicit faith in it. Unfortunately official attitude in the past has not been friendly (if to use the word "hostile" be not considered rather strong.)

India is not an industrial country, but if any means could be adopted to encourage certain industries, surely the people will feel interested in them and might not hesitate to divert their attention from investing in ornaments to invest in productive undertakings. Moreover the existence of Land Alienation Act is another drawback in the way of people to invest their savings in the furtherance of agriculture.

12. Educated people and business men.

(*ii*) Yes. The people have commenced to realise that payment by cheque is an evidence of payment procured free of charge and now it is almost general that instead of passing cash in payment of purchases for household and other purposes cheques are tendered and accepted in case of known parties.

13. (*i*) Certainly to a good deal.

(*ii*) Slight improvement.

In order to popularise the cheque it is no doubt desirable that cheques tendered for payment of Government dues should be accepted freely. But a cheque cannot be popular unless the person who accepts a cheque is protected by law and have immediate recourse against the person tendering cheque in payment, for recovery of money represented by cheque with adequate compensation but without undergoing the lengthy procedure of civil suit. Latest tendency of courts is that if a cheque is dishonoured for want of funds and a criminal suit is lodged, they treat it as a civil case without taking criminal proceedings. Such tendency be checked and more stringent law should be enacted so as more should have the courage or inducement to issue such cheques.

(*i*) and (*ii*) In addition to English, the use of Urdu, Hindi, Nagri and Gurmukhi scripts be encouraged in banking. But the use of sarafi characters does not appear to be practicable as it would be very difficult to scrutinize the regularity or otherwise of endorsement due to absence of vowels (La-Matr) and variety of characters.

(*iii*) No, rather it is desirable to permit all sorts of scripts mentioned above in order to popularise the use of cheques.

The result of opening new branches of Imperial Bank has been that it has prejudicially effected the Indian Joint Stock Banks already in existence as it has entered into direct competition and with ample Government funds at its disposal without interest it could naturally afford to grant remittances and transfer money from one branch to another at a very nominial charge.

(*i*) As regards special points referred to in the question it cannot be said that the opening of the bank has encouraged the habit of investment in any way.

(*ii*) It has facilitated transfer of money from one station to another at a cheaper rate and in certain places finances raw products stored by merchants but it can hardly be said that it has in any way helped the promotion of industries.

(*iii*) It has not at all helped in the encouragement or consolidation of Indigenous Banking System. But on the other hand it has entered the field of direct competition with Indigenous Banking with the avowed object of replacing it.

(*iv*) As the Imperial Bank finances, under certain restrictions the Co-operative Credit Societies who in their turn afford facilities for agricultural credit, it may be said that indirectly the Imperial Bank has afforded facilities for agricultural credit.

(*v*) There is no marked reduction in the general price of money rather the tendency is towards rise in the general price of money for which the policy of the Government of constant borrowings is more responsible than the establishment of new branches of the Imperial Bank.

Rai Bahadur, Lala Dhanpat Rai, Member, Legislative Council, Chairman, The Punjab National Bank, Ltd., Lahore.

Memorandum of the Punjab National Bank, Limited, submitted to the Provincial Banking Enquiry Committee.

At present the following agencies exist in the Punjab for internal remittances :—

(1) Imperial Bank.

(2) Joint Stock Indian Banks.

(3) Exchange Banks.

(4) Indigenous Bankers.

(5) Commerical houses having their branches in different towns.

(6) Government Treasuries.

Before all the Presidency Banks were amalgamated in the name of the Imperial Bank, they had very few branches. They were not handling very largely the internal remittance business, but since the Imperial Bank has come into existence and has indiscriminately opened its branches in several towns, it has snatched away from the Joint Stock Banks a goodly portion of the internal remittance business.

The Government required the Imperial Bank to open its 100 branches at least in India, with a view that banking facilities may be afforded to the people at large and the banking habits may be fostered amongst them, but the Imperial Bank opened its branches mostly in towns where banking facilities already existed and a good deal of spade work had been done by the Joint Stock Banks in that direction. I cannot think of any town in the Punjab where the Imperial Bank Branch was opened and it did not already enjoy banking facilities—but on the contrary, instances are not very few where the opening of its branches were not only altogether unnecessary, but positively harmful to the interests of the Joint Stock Banking in the Punjab. With its unlimited resources the Imperial Bank is able to remit its funds from one branch to another at a rate which can never pay any other remitting, agency. This although benefits big dealers, but damps the spirit of Joint Stock Banks in proceeding with their scheme of branch opening.

The one result of this policy of the Imperial Bank has been that there are several places where internal remittance facilities are required, but on account of the apprehended competition of the Imperial Bank, the Indian Joint Stock Banks have refrained from opening their branches at those places as they had a very sorry experience of Imperial Bank coming into competition with them at small places where they opened their branches at a considerable sacrifice, but the Imperial Bank followed them with a branch or at least with a pay office. Unless and until the Government restricts the Imperial Bank from opening its branches at places where banking facilities already exist, I am afraid that the

places which have got no banking facilities will remain without it. In my opinion the Imperial Bank should not be allowed to do internal remittance business, except through Joint Stock Banks. The Joint Stock Banks neither enjoy the confidence nor the patronage of the Government. The treatment meted out to Joint Stock Banks by the Government is step-motherly and unless and until the Government realizes its duty towards Indian Banks by actively helping them and restricts the operations of the Imperial Bank and the foreign Banks it is hoping against hope to expect that banking habits will be fostered amongst the people at large.

Joint Stock Indian Banks.—These banks have been doing very useful business in this direction—but the unhealthy competition of the Imperial Bank on one side and of Co-operative Banks on the other is telling very heavily ontheir resources and on the top of it, the Government's policy of issuing Treasury Bills at rates which no bank can think of paying is literally killing joint stock enterprise. If this unhealthy competition continues the prospects of Indian Joint Stock Banks are very gloomy indeed. With the help of Government, which is denied to them, the Indian Banks could do a good deal in encouraging banking habits amongst the people, but circumstanced as they are, they are handicapped on all sides.

Exchange Banks.—These banks, as is natural, are helping the trade and industry of the countries of their origin and with that view are doing internal exchange business as is connected with their business.

Indigenous Bankers.—This class so far as internal remittance is concerned is disappearing. There are very few houses which are doing this business.

Mercantile Firms.—These people are also doing internal remittance as part of their business and—sometimes very good facilities are provided by them to people who want to remit their funds.

Government Treasury.—They play a very unimportant part in remittances, since the Imperial Bank has established its branches throughout this Province and the people experience great difficulty in obtaining supply bills from them. The treasuries do not supply currency notes of the denominations required and men are put off with one excuse or another.

Q. 3.—I am not in favour of creating such an instrument as there is no necessity for creating them at least so far as our Province is concerned. If it be created, there ought to be protection as in the case of crossed cheques.

Bills of Exchange.—I do not think it would be feasible to abolish the duty altogether, but certainly I am in favour of reducing it to one-third of the duty now payable on them. It is extremely desirable that so far as stamp duty is concerned a distinction should be made between bills payable more than a year after sight or date and others payable within a year. The duty on the bills payable after a year is the same

as for bonds and I think the duty should be reduced to half the present amount. These bills are not common and they are generally used for a long credit when the drawer is not in a position to pay earlier. They are generally drawn to pay off existing debts. The commercial people generally draw 90 days bills or 180 days. The Hundis are held by merchants and commission agents drawn by their customers for goods supplied, but there are very few middle men who hold these instruments, and they do not freely pass from hand to hand. The Hundis drawn in the Province generally remain here, but sometimes they are discounted at port towns. I cannot say how much diminution of the Hundi business has taken place in the last 20 or 25 years. If the Hundi business is to be encouraged, I think the Negotiable Instruments Act as regards the awarding of interest after maturity and the procedure laid down for the disposal of suits on the bills should be simplified. I would suggest that an honorary bench of Civil Judges be constituted at important Commercial Centres of the Province to handle such cases. The jurisdiction of the bench be confined simply to these cases and without any pecuniary restriction and the judges for such benches should be bankers of standing and where possible with knowkedge of law.

(9) Generally speaking, money is advanced by bankers on Railway receipts or invoices accompanied with bills when the goods are to be sent from one station to another. The goods are delivered on payment of the bills to the consignee, but in some cases goods are delivered at once on acceptance of Usance Bills. It sometimes happens that the consignor without presenting the Railway Receipt gets delivery of the goods from the Railway authorities and thus the person who had advanced money against these goods is left in the lurch. If a change in the law is made to the effect that delivery of goods will not be made to the consignor unless he produces the Railway receipt or in case of alleged loss of the Railway receipt he furnishes good evidence to the effect that his Railway receipt has been really lost and furnishes substantial security to reimburse the consignee or the person in whose favour it is consigned for any loss he may suffer on account of the wrong delivery, this business will get encouragement.

Moreover, the act of a person who takes delivery under wrong pretence should be made a cognizable offence which may be punishable with imprisonment.

(10) I do not think we can make Railway receipts negotiable. Bichak and Satas are generally negotiated in places where the stock covered by Bichak is stored or the Satta is made.

PART II.

(2) The grain is not stocked by the agriculturists in Kothas to obtain credit, but the commission agents and the speculators do store grains in Kothas and bank godowns and generally buy the grain with bank's money after giving a certain margin which varies from 20 to 30 per cent. A goodly portion of grain thus stored is under the lien of the banks.

Oral Evidence of Rai Bahadur Dhanpat Rai, Chairman of the Punjab National Bank, Ltd., Lahore.

Chairman.—You are Chairman of the Punjab National Bank? —Yes.

How long have you been that?—About nine years.

You say in your memorandum that the Imperial Bank has "snatched away from the joint stock banks a goodly portion of the internal remittance business." Has there been any compensatory advantage to the joint stock banks from the Imperial Bank?—Yes in one way. If we want money they can advance us against Government securities. That is the only help we can get from them.

That is a very material advantage.—Yes, in places where there is no other bank which can advance money against Government securities.

You say that the treatment meted out to joint stock banks by Government is step-motherly. In what respect?—They do not deposit any money with us not only of Government but even of local bodies. The local bodies are allowed to deposit their money with the co-operative banks but not with any Indian joint stock bank.

Then you say the Government's policy of issuing treasury bills is affecting joint stock banks prejudicially. How is it doing this?—Government is paying practically 6½ per cent. How can we compete with Government when we cannot pay even five per cent for three months' deposit.

You say that indigenous bankers are disappearing. What are the reasons for this?—There are several reasons. One reason is that joint stock banking is spreading, and the other is that they are getting every sort of discouragement from Government.

In what way?—The Regulation of Accounts Bill is one example. They cannot follow their debtors as their property is safe and cannot be sold in execution of their decrees.

That can hardly be a reason for what had already occurred?—But the Land Alienation Act came here thirty years ago.

Do you think it would be possible to revive indigenous banking? —If Government gives them encouragement and does not want to send them out of the country they can be revived. But if law after law is being passed in order to suppress them they cannot be revived.

As a joint stock banker do you think it would be advisable to revive them?—Yes. They will not come into competition with us. We can give them money and they can lend it out to such people whom we cannot approach, because they have better knowledge than joint stock banks of these persons.

Supposing the result of reviving them was to add to their deposits, would you think that an advantage?—Yes.

Would that not be coming into competition with joint stock banks? —We do not mind that competition as they would bring us more work.

How could they be revived?—Repeal all these disabling laws.

Have you any other suggestion?—No.

You say that some mercantile firms are doing internal remittance. What type of firm do you mean?—Firms which always draw on the port towns and want ready money in the colonies. They can give their demand drafts in the colonies to people who need them.

In the case of cheques would you allow a cheque drawn to bearer to be converted by endorsement into a cheque payable to order?—Yes.

And would you make no change in the existing practice in regard to hundis?—No.

You suggest reducing the duty on bills of exchange to $\frac{1}{3}$rd. Is that simply in order to lighten taxation upon business, or to encourage the use of hundis?—In order to make them more popular.

By bills of exchange are you thinking of hundis?—Yes, that includes hundis.

But are you thinking more of hundis than of ordinary bills of exchange?—What is commonly called a hundi also includes a pronote. If I say I will pay you after three months, it becomes a hundi. Any pronote that is not a demand pronote becomes a hundi.

If, as you say, bills payable more than a year after sight are not common, why would you differentiate between them and other bills in in regard to duty?—Because these one year bills are drawn by persons who owe money and cannot pay at once and in order to gain some time they give hundis but generally it is not for accommodating commerical people.

I am not quite clear as to what your recommendations are in regard to bills of exchange. You would first reduce the duty to $\frac{1}{3}$rd then make a further reduction of eight annas on one class?—I recommend that in the case of bills which have to pay about one rupee for every thousand, the duty be reduced to $\frac{1}{3}$rd, but in case of the hundis which are for more than a year, the present duty is Re. 0-8-0 per cent., it may be reduced to Re. 0-4-0 per cent.

Would you apply that to all?—No. I have said in the case of bills payable more than a year after sight.

In the case of the others you would reduce it to $\frac{1}{3}$rd?—Yes.

Chaudhri Niamat Ullah.—Do you accept cheques signed in the vernacular?—Yes.

Is there no difficulty in verifying the signature?—No. We take their specimen signatures and compare with that.

(Witness withdrew.)

Lala Mulkh Raj, Managing Director, Punjab National Bank, Limited, Lahore.

(1) No facilities worth the name exist to the public for internal remittances except such as are offered by Indian joint stock banks but unfortunately their expansion has not received much encouragement either from public or from Government. The Post Office charges for this work are exorbitant. Supply Bills are not easily procurable and Imperial Bank branches exist in very few places while Indigenous banking has been practically killed in the country.

(*ii*) I am afraid no system exists. The only remedy to remove present short-coming is to encourage the development of Indian joint stock banking system.

(3) (*i*) The country is not sufficiently advanced for this type of negotiable instrument.

(4) Practically very little, as Supply Bills are not easily procurable.

(6) (*i*) Duty should be reduced to a nominal figure say a few annas.

(*ii*) No bill of exchange should be payable more than a year after date of issue.

(*iii*) The usual term of commercial bills is thirty, 61, 91 days as they are generally for trade accommodation.

(8) (*ii*) Hundis are held by middlemen, merchants and commission agents but they very seldom change hands.

(*iii*) Hundis are discounted in the area of their origin and are very seldom sent out.

(*iv*) Hundi business has diminished very considerably in the last 25 or thirty years. In fact it has very nearly disappeared in large towns.

(*a*) The diminution is due to Indigenous banking having been destroyed by Government borrowings, Post Offices, Co-operative Societies and Banks.

(9) Yes, money is borrowed against the security of Railway receipts.

(*ii*) Cases have happened in which goods have been delivered to consignees without production of Railway receipts notwithstanding the fact that the receipt was held duly endorsed by some other person. The introduction of the system of registration of endorsements by the Railway should remove the difficulty.

(10) (*i*) They do change hands.

(11) (*i*) Not to my knowledge.

PART V.

(7) (*i*) Indigenous banking has been suffering apart from the competition from co-operative societies, joint stock banks, Post Offices and Government Loans as already stated, from prejudice against them in official circles including Courts. The result has been practically its extinction. In large towns Indigenous banks have been replaced by Loan-sharks. In smaller towns and villages their business is gone except to a small extent due to measures like Alienation Act, Limitation Act, Stamp Act and deterioration of commercial morality. I am afraid it is doomed.

(9) Practically not, nor is it possible to create it. The establishment of the local joint stock banks in every town of importance with a local directorate can, however, supply the place of indigenous bankers and may be otherwise very useful. I have experience of a small joint stock bank established in a small town with a population of two thousand persons and am convinced that organization of small banks must prove very beneficial to the trade of the country. As for confidence I may mention that bank alluded to having a subscribed capital of Rs. 20,000 paid up capital of Rs. 5,000 has after two years existence a working capital of over half a lakh.

PART VI.

(4) Interest on Postal Cash Certificates and Treasury Bills particularly the latter is very favourable and leads to competition between the Government and banks in attracting money. The requirements of the Government have been so heavy as to require payment of interest ranging between 6 and 7 per cent. There are instances in which deposits have been withdrawn from banks to be invested in Treasury Bills. The interest on Government paper at the present rate is also very favourable and prejudicial to the interest of the banks.

(*ii*) I don't regard such competition as healthy.

(5) I am not in favour of granting special facilities to small investors for buying Government Securities nor am I of opinion that special facilities will be appreciated by buyers in face of persistent decline in their value and enormous objections very often frivolous raised by Public Debt Office on occasions of transfer. I had occasion to buy 3½ per cent securities many years ago at 98. Their price four years ago was Rs. 80 and last month between Rs. 63 and Rs. 64. Should the small investor be placed in predicament of this kind it would lead to feeling against Government which may develop into serious political danger.

(9) Sums as small as ten are accepted in S. F. account.

(12) Cheque habit is growing, daily transactions of banks prove it.

(13) The abolition of stamp duty has led to opening of more accounts and issuing of more cheques.

(14) The payment to Government servants and others by cheques and free of receipt of cheques in payment of Government dues will further promote the cheque habit.

(15) I think the use of vernacular scripts in banking would be helpful to the depositors and economical to the banks and it will cause further increase in the use of cheques.

Mr. Anandi Pershad, Manager, Punjab National Bank, Limited, Amritsar.

PART I.

1. (*i*) (*a*) Remittances can be made and received through the post office, *e.g.*, Money-orders, V.Ps. and Insured Covers.

(*b*) Through banks, cheques, drafts and telegraphic transfer, etc.

(*c*) Through indigenous bankers, and even ordinary dealers by Hundis, Mudti and Darshani.

(*ii*) There are so many defects, but for my present purpose, I would like to confine myself to only one aspect of the question as it relates to Indian Joint Stock Banks in their relations with the Imperial Bank of India. What I specially desire to bring to your kind attention is the fact, that the Imperial Bank treats general members of the public and the Banks on the same footing. It offers one and the same rates for remittances and drawing both to the public as also to the Banking Institutions. But this should not be the case and the banks shoud have preferential treatment at its hands. There should be a separate schedule of rates for the banks so that some margin of profit may be left for them because it is a bank's banker and is always supported and facilitated by the Government placing at its disposal funds free of interest to some extent and thereafter at a nominal charge of interest. With such support received from the Government it would become very difficult for other banks to compete with this bank if it were not to allow any special facility to the banks as against individuals. It should offer greater facilities to banks than to individual members of the public. Your goodself might be aware that before amalgamation of three Presidency Banks, *viz.*, Bank of Bengal, Bank of Bombay and Bank of Madras into Imperial Bank the other joint stock banks were earning a good deal because retail business to such an extent as is the case at present with this bank, was not done by the said presidency banks. Some facilities should be granted by it to smaller banks.

2. *Negotiable Instruments.*—The negotiable instruments are most helpful to the traders in exchanging monetary transactions specially the demand hundis and bearer cheques are used commonly and frequently. The Government was kind enough to exempt the said instruments from the stamp duty, and if Mudati Hundis and debentures, etc., are also exempted from duty it will prove most helpful to the commercial public. I desire to point out one defect in the case of demand drafts purchased from the banks. A slight difference in any endorsement entitles the paying bank to dishonour it and the bank is helpless because the Negotiable Instrument Act requires that the endorsements should be in order and the signatures should tally

letter by letter. The public having insufficient knowledge in this direction is liable to commit slight mistakes and thereby get refusal for payment of their drafts by the paying bank. This has made bank drafts very unpopular with the general run of the traders who prefer to purchase private Darshani hundis, inspite of the fact that comparatively speaking they are less safe. If the last party presenting a draft to the bank is responsible one, the draft should be cashed (if necessary on special endorsement by the last holder) inspite of any slight mistakes on the part of intervening signatures. If necessary legislation be passed. It would be very useful and lead to better gains to Indian Joint Stock Banks, because without exchange business remittances to and for internal India are not a good main stay of such banks.

(*ii*) Yes.

3. (*i*) Yes.

(*ii*) Legislation designed to secure this end should cover both cheques and hundis.

(*iii*) Cheques and hundis are one and the same though there is no practice of crossing the hundis but still to adopt a safer course there is no harm if the hundis are also crossed just like cheques, and crossing should be optional just as at present.

4. *Supply Bills.*—(*i*) It is a safer course of transmission of funds from one place to another at a low rate of premium.

(*ii*) Supply bills where there is Imperial Bank are not in force. The delay and wastage of much time in obtaining them greatly stands in the way, otherwise no difficulty is experienced.

(*iii*) This can of course be useful to the banks if special concessions are allowed to them, *viz.*, the same are granted at par. The minimum amount of the supply bills may be Rs. 25,000.

(*iv*) Yes.

5. *Currency Notes.*—No please.

6. *Bills of Exchange.*—(*i*) Yes, to a minimum, as the reduction is likely to encourage this business.

(*ii*) Of course there should be a distinction in such bills in the interest of the public.

(*iii*) Such bills are generally drawn for 30, 60 and 90 days sight with a view to encourage trade and facilitate retirement of bills of exchange after the goods is sold.

(*iv*) No, it is not done at all.

(*v*) No, as bonds are quite different than Bills of Exchange.

7. *Post Office.*—Yes, if the charges of the post office are reduced at least to half of what they are now it would be very useful, specially at places where no bank exists.

8. *Hundis.*—(*i*) Demand Hundis and Muddati Hundis.

(*a*)

Station———————————

Date———————————

Rs.———————

On demand please pay to——————————— or order the sum of Rs.———————for value received.

Name of Drawee.

Signature of Drawer———————

(*b*)

Station———————————

Date———————————

Rs.———————

———————days after sight or from date (as the case may be) please pay to the order of———————the sum of Rs.———————for value received in cash or against goods together with interest thereon at————per cent from due date to the date of payment in full.

Drawee's name.

Signature of drawer———————

(*ii*) By all. Yes.

(*iii*) It is not necessary that the hundis of one area should be discounted in the same area. These can be discounted at all places.

(*iv*) No.

(*a*) This question does not arise.

(*b*) This question does not arise.

9. *Railway Receipts.*—(*i*) Yes, generally the Banks allow temporary accommodation against railway receipts accompanied with hundis and invoices, where they consider themselves safe in doing so.

(*ii*) Provided the transaction is *bona fide* and the railway receipt is genuine no difficulty can be experienced.

10. (*i*) Yes, generally with endorsements.

(*ii*) Railway receipts should be made negotiable. There is a huge inter-provincial trade and it should be financed by the banks to help such trade and to their own advantage.

11. (*i*) Yes.

(*ii*) The question does not arise.

Oral evidence of Lala Anandi Pershad, Manager, Punjab National Bank, Limited, Amritsar.

Chairman.—Are you the manager of the Punjab National Bank, Amritsar ?—Yes, Sir.

How long have you been here ?—For the last eleven years.

What is the most important business done by the Punjab National Bank ?—Receiving deposits, advances on personal security, advances against the security of goods, advances against produce, advances against ornaments and remittance business.

Which is the most important part of the business so far as advances are concerned ?—Advances against piece-goods.

Do you finance the piece-goods that come to Amritsar from foreign countries or from the Indian markets ?—We finance both Indian manufactured and foreign piece-goods.

At what point do you take up the financing of foreign piece-goods ?—We take them up at Amritsar.

On what terms ?—We generally advance at a minimum rate of 7 per cent, 7½ per cent, with 25 per cent margin as security.

What proportion of your business is in piece-goods ?—We advance to the extent of five or six lakhs in a year.

Do you advance against house property ?—In these days we are reluctant to advance against house property, because such advances are not free from litigation.

Since when have you been reluctant ?—Since last two years.

Why have you become reluctant ?—Because experience has shown that the realisation is not without litigation.

Is that due to an unexpected fall in the value of house property ? Yes. it is chiefly due to that.

Do you regard house property as a very insecure security ?—Because the prices are falling down from day to day.

What do you regard as the best type of security in Amritsar ?—Piece-goods.

How much do you advance against other kinds of goods, sundries, " kiriyana " ?—To the extent of two lakhs.

Are advances against ornaments an important part of your business ?—People generally go to shroffs (indigenous bankers) and they seldom come to the bank to borrow money against gold ornaments. We do very little business of this sort.

Do you touch wheat ?—At the time of crops we advance on the security of *kothas* of wheat.

How many lakhs do you advance in that way ?—Last year we did very little business in this direction, because the rate of interest in the market was too low ; it was only six per cent.

The rate for what?—The rate for advances against the security of grain.

Who was advancing at six per cent. ?—Private persons only; we could not compete with them.

Was that abnormal?—It was an unusual rate last year.

What was that due to?—People had spare money at their disposal.

Money was particularly abundant last year?—Yes.

Would you say that money at present was sufficient for the needs of trade in Amritsar?—Yes.

Yesterday we were told that there was a scarcity of money and that it was hampering trade. Do you agree in that view?—No.

We have also been told that credit has been considerably contracted of late, and that too has hampered trade?—The real position is that money is abundant for safe parties.

Is the number of safe parties greater or less than what it was ten years ago?—It is less.

What is that due to?—Loss of credit.

Why has credit been lost?—Because there have been so many insolvency cases in the market.

How many in the last three years?—There have been frequent cases; I cannot say the exact number.

Do you find that you have to exercise more caution now in advances than you did ten years ago?—Yes.

Is that a recent change or a gradual tendency extending over many years?—It is a gradual deterioration of credit. So far as I can say, people are living beyond their means; their expenses are high and income is less, and therefore their extravagance resulted in losses and there have been so many insolvency cases thereby.

One witness told us that credit has improved in Amritsar and that the standard of commercial integrity was greater than what it was when he came here. Do you agree in that view?—I don't.

Would you say that banking facilities had increased in the last ten years in Amritsar? —Yes. There are about eleven banks in these days, and every facility is being offered to the public.

How many were there ten years ago?—Say half the number.

Has that been good for trade?—Very good. The business is being transacted at very low rates.

On the one side you speak of greater banking facilities and on the other of gradual and steady deterioration of credit? Are they two connected in any way?—The position in Amritsar is a special one, because about eighty per cent of the traders have been carrying on their

business on borrowed capital, and as the capitalist has lost confidence in them, he has stopped to lend money and thus the majority of the traders suffered losses and they could not carry on their business easily.

Why did the capitalist stop financing them?—Because he lost confidence.

Why did he lose confidence?—Because they were living beyond their means.

Then actually the losses in business were more the cause of the withdrawal of capital than the other way round?—Yes.

Do you think that the habit of saving has increased during the last ten years?—No.

Is it decreasing or is it much the same as it was ten years before?—The saving is decreasing.

Lala Harkishan Lal.—You said that insolvency and high standard of living have reduced the business, and, as the Chairman remarked, we had a banker who said that business was steadily increasing. Is not it that you deal in a different strata of business and the various other banks deal in a different strata?—Yes, that is the explanation.

Can you tell us of any instance of a man dealing with the National Bank of India or Chartered Bank, so far as piece-goods are concerned, who has shifted his business to you or to some other joint stock bank due to more credit facilities given by your bank?—There are cases.

If a man comes to you and wants five lakhs on piece-goods, you would not do that?—We shall do if it is safe.

Have you ever advanced five lakhs to one party?—We have advanced up to three lakhs to one party.

How many parties of that class you have had?—It was about four or five years ago when there was only one party.

How many parties are there in Amritsar who really get lakhs of rupees worth goods from outside India?—Not more than two dozen.

How many of these two dozen persons take advance against goods from the small Indian banks like the Punjab National Bank or Peoples Bank?—About five or six.

The others go to the National Bank of India, or the Chartered Bank or the Allahabad Bank?—Yes.

You have said in your note something about the difficulty in regard to remittance business. Would you kindly explain really what the difficulty is of your bank and similar banks in this matter?—The facts are that I have compared the facilities given by the Imperial Bank and the other joint stock banks. The Imperial Bank is remitting money from one place to another at a very low rate, say, Re. 0-0-6 per cent. premium, while we cannot afford to remit at such a low rate, and naturally in competition we have to stand behind. We cannot

compete with the Imperial Bank in the remittance business. Therefore whatever little business we get it comes from third class traders of very low position who remit in hundreds or thousands only, but those who want to remit, say, a lakh or 50,000 or even 25,000, they go to the Imperial Bank.

You say here that the Imperial Bank treats the dealers and the joint stock banks on the same footing, but other people have told me that the dealers are preferred to banks often by the Imperial Bank, and that the rates quoted to dealers are lower than the rates quoted to banks. Is it your experience?—I may quote a concrete example. About six months back any depositor having a current account with the Imperial Bank could get a transfer of Rs. 5,000 from his account from one branch to another free of charge, and they were giving the same facilities to the banks some time ago, but afterwards they realised that the banks were misusing this facility and therefore they discontinued this facility to the banks, while they continued it in the case of depositors.

Then the statement made by some body that sometimes the dealers or depositors are given preference to banks by the Imperial Bank is correct?—Yes.

You say here that you get the same rate as the dealer does, but I am informed that the dealer gets better terms?—Yes, it is correct.

Chairman.—When was that concession withdrawn by the Imperial Bank from other banks?—Say, about two years ago.

Lala Harkishan Lal.—Now you remember that sometimes the dealer gets advantage over the banks in remitting money?—Certainly.

But you have said here that the Imperial Bank says in its explanation that they get through the Government free remittance, and they don't like to keep the whole of that advantage to themselves and transfer part of it to the dealers. Is that correct?—It might be correct; but why not to the banks.

In matters of remittance in view of the competition between the Imperial Bank and the other banks why should they not give preference to dealers over the banks?—My views are that the Imperial Bank is the banker of joint stock banks, and we look to them for facilities, because we are their better constituents; even if they take us as their customers like other depositors, we are more valuable depositors than the ordinary depositors; we keep large balances with them and send them wholesome business.

You favour them as the Government does in the matter of deposits?—Yes.

Therefore you think that you ought to be treated, if anything, better than the dealer because the latter does not leave large balances with the Imperial Bank?—Yes.

Would you also say that because the Government gives free internal exchange to the Imperial Bank, the Government should not do so unless there is a stipulation that they would extend that privilege in some form or another to the other banks ?—Yes.

Would you kindly tell us, as you have been pretty long here, whether the rate of interest in the bazaar on security is higher than it used to be ; do the banks generally charge a higher rate of interest now on piece-goods than they used to charge ten years ago ?—The banks charge a lower rate of interest.

What was the rate of interest then ?—It was nine per cent then and now it is 7½ per cent.

That is with regard to the Punjab National Bank and other smaller banks ?—Yes.

What about the Chartered Bank and the National Bank of India ; they charge now seven per cent, but they used to charge six per cent ten years ago on piece-goods ; is not that correct ?—So far as I remember, they used to charge between 7 and 7½ per cent. Now even the Imperial Bank has lowered its rate to 6½ per cent, since it has started advancing loans against goods.

You mean the piece-goods ?—Yes.

They charge 6½ per cent. all the year round ?—Yes.

And the exchange banks charge seven per cent. ?—Yes.

Why do the people go to those banks and not to the Imperial Bank if it charges 6½ per cent. ? People are drifting to the Imperial Bank now.

Are the investments of the exchange banks in the piece-goods being reduced ?—Not much at the present moment, but they will be reduced after some time.

Rai Sahib Kishan Lal.—You say that there are eleven banks here. Do you know of any private bankers who do banking here ?—Yes.

Do they advance against piece-goods ?—None is doing that business.

Do they deal in Hundis or advance against ornaments ?— They advance against ornaments, Hundis and house property.

Are the indigenous bankers increasing or decreasing ?—They are steady.

As compared to the figures of the last five or ten years ?—I cannot say definitely.

Do you deal with the rural money-lenders ?—No. They never come to us for loans.

Khan Bahadur Chaudhri Sultan Ahmad.—Do you keep savings bank accounts ?—Yes.

Could you from your experience of ten years in this place say whether there is an expansion of business or contraction of savings bank depositors and the amount of deposits?—There has been no expansion.

Neither contraction?—A bit of contraction.

That is, withdrawals exceed deposits?—Yes.

Could you give us some idea of the percentage of decline?—About 20—30 per cent.

Have your fixed deposits remained steady or do they show any signs of increase or decrease?—They are steady.

You have said that there have been insolvency cases amongst the dealers, and that has led to a contraction of credit or distrust. Could you quote any instance within your own experience of insolvency amongst your clients during the past five years?—There have been few insolvencies.

Khan Bahadur Chaudhri Niamat Ullah.—Do you accept cheques signed in vernacular?—We accept cheques signed in Urdu, Hindi, and Gurmukhi.

Do you experience any difficulty in scrutinising them?—All our clerks know Urdu, and the specimen signatures of the drawers are affixed to the ledgers and they are compared.

Do you agree that if there is a sound bank and an unsound bank in a town, the existence of the unsound bank would adversely affect the sound bank?—It all depends upon the public idea; but it would certainly affect the sound bank.

Do you agree that some sort of legislation is required for such banks as are unsound?—I agree there.

A gentleman has made certain suggestions in respect of unsound banks. He suggests (1) legal restrictions on the granting of loans; (2) insisting upon fixing a minimum amount in cash to be deposited with the Central Reserve Bank which is going to be formed, so that in case of rush they may be able to draw on their reserve?—Even now all the banks keep some reserve in Government securities and in time of need they draw upon it.

You say that in Amritsar town there are eleven banks. What do you know about the villages?—So far as I know, there are co-operative societies in villages.

Are the co-operative societies sufficient to finance the villages?—According to the present day needs, they can meet their demands.

Are you in favour of expansion of such societies?—Yes.

Chairman.—Do you have any dealings with zemindars?—No, Sir.

(Witness withdrew.)

Lala Ram Chand, Bhatia, Manager of the Punjab National Bank, Limited, Sialkot City.

PART I.

1. (*i*) There are facilities in remitting funds through the Imperial and other joint stock banks, demand drafts, demand hundis, postal system, treasury bills and bank telegraphic transfers. The Imperial Bank plays a greater part and is in a position to render still greater facilities than just at present.

(*ii*) Yes, defects there are—

(*a*) So far as the Bank drafts are concerned a greater difficulty is felt by a holder if he does not know English as vernacular endorsements require confirmation.

(*b*) So far as the postal system is concerned only small sums can be remitted by money order. In villages where there are no banks, remittance on commercial basis through post office branches expressed as the commission is enormously heavy.

As for sending Government currency notes in insured covers even this does not pay to the bank and bankers or big traders on account of the insurance fee which should be reduced to a normal amount.

(*c*) Demand hundis usually exchange hands in the markets. There should be special hundi paper without stamp and uniformity in its language, irrespective of the character in which these are written, should be observed. Better if printed forms are always used.

2. (*i*) Negotiable Instruments other than pronote on demand, *viz.*, bearer and order cheques, mutadi and darshani hundis, of course render a great help to the internal trade of the country because often these serve the purpose of the medium of exchange, but on account of the present financial difficulties the hundi business is becoming risky.

(*ii*) Stamp duty payable on mudati hundis is abnormally high, and there seems to be no justification why it should not be reduced. If the hundis are drawn for short periods, the reduction will greatly help banks and the merchants and consequently the trade.

3. (*i*) Yes. I am of opinion that to render facility to trade, an instrument drawn payable to bearer should remain payable to bearer, and that should be the law of the land.

(*ii*) Yes.

(*iii*) I am of opinion that a bearer cheque should never be crossed because it reduces the value of the word "Bearer."

4. (*i*) Since the opening of the Imperial Bank the supply bills do but play very little part in the internal remittances.

(*ii*) Yes. I have had experience. There were difficulties in obtaining the supply bills as well as in payment of these bills.

(*iii*) Yes. Their utility can only be increased—

(*a*) If these can be obtained without any loss of time which is only possible where the officer concerned has no other duty to perform, except that of Treasury, and secondly, the cashier staff attends promptly. The system can help the internal trade of the country to a great deal in small towns where there are sub-treasuries, but no banks.

(*iv*) Yes.

5. Yes. Recently I had a great difficulty in obtaining currency notes of the denomination I required. I am of opinion that the Government treasuries or say the Imperial Banks should be provided with sufficient number of Government currency notes of the denomination of at least Rs. 100.

6. I have already stated that the duty on bills payable other than on demand is very heavy and I would like it to be abolished or otherwise have it reduced to a nominal amount. I would suggest that the duty should be the same as on demand pro-notes or say at the most double the same.

(*ii*) Of course a higher duty may be imposed on bills payable at more than one year after date or sight.

(*iii*) Usually commercial bills of exchange are drawn for periods ranging from one month to six months and mostly at ninety days, to accommodate mercantile classes for short periods during their season of work, according to the nature of business they are carrying.

(*iv*) No. Bills payable at more than one year after date or sight are not common, and these can be treated as permanent loans for a definite period.

(*v*) Abolition or reduction of duty on bills of exchange shall not affect the duty on bonds as they are taken in quite different sphere.

7. A reduction in Money-Order charges is really needed for the improvement of rural trade and home industry.

8. (*i*) Darshani or demand hundis and mudati or after sight hundis are current in this area. There is nothing peculiar and are usually and ordinarily worded in vernacular language, an order to pay on demand or after sight.

(*ii*) The hundis in this area are usually held by merchants and commission agents who pass hand to hand.

(*iii*) These are sent elsewhere to be discounted or re-discounted.

(*iv*) (*a*) Yes. (*a*) On account of financial difficulties rather financial crisis.

(*b*) Revival of trade which requires better organisation financial help, etc., but under the present circumstances it is only possible if the highest coin of the country is gold and the Indian exporters are backed by the Government and there are Indian International Banks.

(*v*) There is already sufficient provision.

9. (*i*) Yes.

(*ii*) Yes. Difficulties sometimes arise which can only be remedied by a little change in the law. The railway receipts and invoices, etc., should be treated negotiable instruments not liable to be attached after these change hands.

Suppose *A* holds a railway receipt in his own favour for certain goods and the railway receipt is to be delivered to *B* against payment only. *A* gets his hundi, accompanied with railway receipt, encashed through a certain bank. In the meantime *A* wants to stop delivery of the goods by an injunction order from a court. Where is the security for the party who has encashed the hundi on the security of the railway receipts.

10. (*i*) Yes. Railway receipts change hands, but not without endorsements.

(*ii*) Yes. The answer has already been given is paragraph 9 (*ii*).

11. No, though there are several districts where commodities are stored in *kothas*, for instance, Ferozepore, Ludhiana and Jullundur districts.

(*ii*) *Satta* must be discouraged by law. As far as *bijaks*, these should be made negotiable with a certain provision of law regarding opening of kothas to which these *bijaks* relate.

PART II.

1. (*i*) Chiefly donkeys, bullocks, and bullock carts are used for conveyance.

(*ii*) No.

2. There is no regular system of godowns here. Small lots in bags only are usually kept in godowns in this town, though in the district, village sahukars and agriculturists store for themselves to part with only in time of need and then send these to towns. The products reach in this town practically throughout the year, in the season and out of season, whereas, such is not the case in colonies and districts beyond Bias, *viz.*, Jullundur, Ludhiana and Ferozepore, etc. Grain is stored in bags in the colonies, and in kothas beyond Bias during the season and the people wait for better prices which they have seldom received for the last eight years, and have stood always losers. Practically three-fourths of the whole is usually pledged with the bank. On account of successive drains and *Satta*, the practice is increasing every day.

3. (*i*) The idea is not bad, but it is not practicable in India at its present stage.

(*ii*) The question does not arise at its present stage.

4. (*i*) Money is usually advanced by the Imperial Bank of India or the joint stock banks on *beechaks* where there are kothas, or after counting the number of bags where there is no such system, at a margin of 25 to 30 per cent. Similarly the commission agents or the grain merchants invest money to those constituents who want to store through them. Here, too, the law is a bit complicated. For instance, supposing a commission agent has stored some goods for his constituent and afterwards pledges the same with some bank. In the event of any dispute between that commission agent and his customer, regarding claim of the goods pledged with the bank, complications arise.

(*ii*) There are credit facilities to a certain extent, but for want of holding capacities on account of poverty, the market is commanded by the exporters and there is so much fluctuations in the rates (tendency being always downward) that the present bank charges by way of interest, etc., have for the last eight years proved a burden to the mercantile classes with whom naturally the agriculturists have also terribly suffered. In short, it is not the question of increasing or improving credit facilities for marketing adequate and sufficiently attractive, as control on the business by the Indian themselves. It is just possible that by prevailing the pre-war prices, the situation might be a bit improved, but then the agriculturists specially, and the businessmen generally, are bound to suffer by such a decrease when the labour rates are still high and the necessities of life have far increased.

5. (*i*) Very little, though it is required.

(*ii*) Yes. There is.

6. Yes. Credit facilities are far greater in case of oversea trade, which is encouraged by the Exchange banks.

PART III.

3. (*a*) Yes. It is true. On account of speculative buying and selling activities of firms and companies who deal in export trade, the local traders and along with them the growers, or say the agriculturists, do terribly suffer and also they have to sell cheap when the revenue is demanded.

(*b*) (*i*) & (*ii*) The speculation must stop to a greater, degree. These are the questions which can be asnwered only in person, because it is a long history, and relevant facts and figures can be placed before you. The present state of things has made the people practically paupers. I know of the cultivators who after being heavily indebted to the local banks and co-operative societies had after all to pawn

their little jewellery even, and still they could not meet their requirements. I know the ginning factory-owners who have lost everything they could call their own. I know that along with them the local traders and the cultivators have alike suffered, even the banks. I can say that out of 110 gins in the Punjab practically 100 have reached the stage of insolvency, and that is all due to the speculative mode of business. I know the exporting firms would not touch the ready goods, while the rates are favourable on the plea that ready goods are not wanted.

4. (*i*) Much depends upon the credit of the party, his financial position and respectability, who is to be financed.

(*ii*) The rate of interest varies according to the nature of the loan, money market, reputation of the party, nature of security he offers, time of loan, etc.

PART V.

I would like to deal with this chapter in brief on general principles rather than to answer each paragraph or section of it separately and would, however, like to say that all the main points of the questionnaire can only be explained or rather discussed in person if an opportunity can be afforded.

In reality if the term, indigenous bankers implies to all the money-lenders, irrespective of their position and financial status in life, big or small, who are commonly called shah or sahukar in the villages, then I am afraid to say that banking is not their primary business, though in case of few well-to-do you may take as such. The most of the so called village sahukars usually carry on small trade and supply the bare necessities of the villagers on a minor scale and breed cattle or cultivate, but only if they have a plot of land which they can call their own. In most of the cases it is becoming difficult for them alike with their cultivator neighbour to keep up the body and soul together. The present state of the affairs in the country, the depression in trade, the tightness of the money market and financial stringency has equally affected one and all and practically there is but very little money left with the country folks. There are but few sahukars whose primary business is banking and who can claim something of their own, but in most cases even they are indebted and are financed by the joint stock banks against security of their person and property coupled with the joint security of their friends or other businessmen in the town. The usual rate of interest which they have to pay varies between 9 per cent and 12 per cent whereas they charge from the cultivators a little higher than they pay themselves. The money thus obtained is usallly spent in helping the agriculture generally and is advanced by the sahukars generally against the personal security and in some cases against their village house property. The banks usually reject in these days thirty-five

rather forty per cent of the loan applications, whereas the sahukars in the villages are forced to deny advances to 25 per cent of their constituents. In the case of sahukars twelve annas per cent of their total loans become bad and doubtful, though in cases of the joint stock banks who are more careful in dealing with the public and cautious on account of financial crisis, the ratio is much smaller. The sahukars usually realise their dues in kind rather than in coin, but pay to their creditors in cash. Properly speaking, the village sahukars' savings are not their own, but it serves the purpose of an addition to their advances only and is seldom realised. The co-operative societies in the villages are playing the greater part, but if you ask me the honest truth inspite of the facilities rendered by the state they are not playing any useful part, but are only helping in the accumulation of the farmers' debt, though of course the upper classes among them gain some advantage in that. These are the points to be explained personally. I would prefer a system of the village banks and would suggest that the present indigenous bankers must play a greater part in the formation of their own banks. Money is never idle with the village bankers, but with the joint stock banks sometimes it remains idle because there is no industry in the country to be financed. As for the industries in the villages there are none worth the name and what little there are, require encouragement and improvement which is not possible without state help. It is true that the state, of late has in her own way and according to her own imagination endeavoured to improve the agriculture and the cottage industries by starting a demonstration train with a view to give instructions to the people at large, but in my humble opinion she has miserably failed because, properly speaking, the train is nothing short of a show only or say demonstration as it is rightly called. Save that, it is an advertisement for better implements, mostly foreign, it has made no advance and if you ask the honest truth the public money which could have been otherwise utilised in doing much good and enlarge the sphere of usefulness has uptil now been nearly wasted. As for the enquiry into the periods of loans in the villages, these are usually fixed loans for nearly three years after which the deeds are usually renewed. The joint stock banks accept mudati hundis, but there is no such system in the villages and in 75 per cent of the cases stamp papers are used.

The Manager, Punjab National Bank, Ltd., Sargodha.

PART I.

1. (*i*) Remittances are generally made by means of Bankers' demand drafts, telegraphic transfers, money-orders and under insured covers and by Darshani and Mudati Hundis.

(*ii*) The present system is quite satisfactory and extends good facilities for transfer of money from one place to another. The money-order charges are a bit high and should be reduced.

2. (*i*) They play a very important part in the internal trade of the Province. Mutual debts and liabilities between the different parties and concerns are paid off and cleared without the inconvenience of carrying cash from one place to another.

(*ii*) Yes.

3. (*i*) There is no harm as the difficulty which is experienced in case of instruments payable to order will be removed.

(*ii*) Yes.

(*iii*) Not for the present.

4. (*i*) Supply bills play a very important part in the internal trade of the Province in as much as they provide facilities for internal remittance.

(*ii*) No.

(*iii*) No.

(*iv*) Yes.

5. No.

6. (*i*) Yes, I am of opinion that the duty should be reduced to half for the present.

(*ii*) Not very necessary.

(*iii*) Commercial bills are generally drawn for three or six or nine months after day or sight.

(*iv*) Very rare.

(*v*) Yes.

7. We find that the branches of the post office are spread through the length and breath of the Province and command approach to a large area of population. As such they can extend great facilities for collection of bills and cheques. Money-order charges as already stated are very high and reduction in this respect is absolutely necessary.

8. (*i*) Mudati and Darshani Hundis.

(*ii*) Mostly by commission agents. They pass freely from hand to hand provided the parties to the Hundis say the drawers in

particular and the drawees to some extent command credit in the market.

(*iii*) Yes.

(*iv*) No.

9. (*i*) Yes. Advances are made on the security of Railway receipts, but advances on the security of invoices are very common.

(*ii*) No.

10. No. They are negotiated by endorsements.

(*ii*) They are already negotiable.

11. No.

(*ii*) Cannot foresee better results.

PART II.

1. (*i*) By means of Railways, carts, camels and asses.

(*ii*) Generally not.

2. The practice of raising loans on the security of grain stored in Kothas has become very common. This sort of investment is encouraged by the banks and has become the chief avenue of investment.

3. (*i*) Not for the present.

(*ii*) The question does not arise.

4. (*i*) The Imperial Bank of India and the other indigenous bankers afford a lot of facilities in respect of marketing of the crops. Advances are made against stocks stored in Kothas at a comparatively low rate of interest.

(*ii*) Quite adequate and satisfactory.

5. There is some harmony in the methods of investment, but improvement in this direction is the need of the hour.

PART III.

1. (*a*) (*i*) & (*ii*) The stock brought down to the markets is stored in Kothas by the arhtis who on the security of the same raise loansf rom the banks and again advance it to their constituents in the villages. As soon as favourable rates prevail the arhtis arrange to take delivery of the stock on payment to the banks and despatch the goods to the port stations. The Railway Receipts of such goods are again encashed by the banks who forward to their agents for delivery against payment to the consignees at the port stations.

(*b*) (*i*) & (*ii*) Similarly the Imperial Bank and the other indigenous banks play a very important part in the financing of the import

trade. Goods imported are stored in the banks godowns and under instructions of the party concerned at the distributing centres goods are despatched and relative Railway Receipts are delivered against payment at the consuming centres.

2. (*i*) At a very reasonable rate of interest and against 25 per cent margin.

(*ii*) No. Provided the financial position of the parties concerned is good.

3. (*a*) There is no doubt that the grower of produce in India has got no hand in the regulation of the market prices. This is chiefly due to the fact that the regulation of rates apart from the question of demand and supply is more or less controlled by other agencies who carry on speculation business. Hence the cultivators cannot take full advantage of their produce.

(*b*) (*ii*) Under the present circumstances it is difficult unless the financial position of the grower of produce is improved and they have capacity to store and wait for the better rates.

4. (*i*) By the importing and exporting agencies themselves.

(*ii*) Interest charges do vary with the class of business. In case of liquid security such as Government Promissory Notes, jewellery and grain the rate of interest is comparatively low, as compared with the rate of interest on advances against immoveable security say property. There is a difference of 1 to 2 per cent. For instance, if the rate of interest in case of advances on grain is 7 per cent., it is 9 per cent against immoveable property.

PART IV.

1. (*i*) & (*ii*) Their financial condition is very bad and they are badly handicapped. Under the present circumstances the only course open is to provide credit facilities at a very low rate of interest.

2. (*i*) They are financed by Co-operative Credit Societies and by local sahukars.

(*ii*) The middle men and the large dealers do not give any special facilities.

3. Under the present circumstances the co-operative organization is the best way of financing small industries and the workman can expect a fair return for his labour provided the rate of interest is reduced to 6 per cent.

PART V.

1. (*a*) It receives deposits, grants loans on approved security, discounts and collects Mudati and Darshani Hundis, carris on exchange and other Banking business.

(*b*) Banking is primary.

(*c*) (*i*) Mostly trade, and industry.

(*ii*) About four crores.

(*d*) (*i*) About 5½ crores.

(*ii*) By way of deposits received from contractors, lawyers highly paid officers, widows, orphans and charitable institutions.

(*iii*) From 2 per cent to 6 per cent.

(*iv*) Postage, establishemnt, telegram, telephones, travelling allowance bills, &c.

(*e*) Four per cent on average.

(*g*) (*i*) Immoveable property, jewellery, Government Promissory Notes, grain, &c.

(*ii*) Immoveable property is got valued by an expert and moveable property at the market rate.

(*iii*) In case of immoveable property two and-a-half time more than the amount of advance and in case of moveable property 25 per cent to 35 per cent margin is kept.

(*iv*) One to 10 per cent.

(*h*) When the personal security of the debtor is considered not sufficient or when the amount of advance is a big one.

(*i*) Cash credits are allowed on personal as well as on the security of goods, lauded property and Government Promissory Notes.

(*j*) Yes, in certain cases.

(*ii*) Generally for trade and domestic and contract purposes.

(*k*) No statistical record.

(*l*) (*i*) Yes for six months generally.

(*ii*) After three years.

(*m*) (*i*) Mostly the loans are refused on account of inadequate security.

(*ii*) No statistical record.

(*n*) Say ten per cent.

(*ii*) Before the due date, demand in the ordinary course is made and if there is no response notice through the legal adviser is served. In certain cases parties are sent for and personal pressure is brought upon to have the adjustment made.

(*iii*) When the half-yearly interest is in arrears and there is no reduction in the principal ;

(*b*) When the debtor is reported to have suffered losses and his position becomes weak, the renewal is considered not desirable.

(*c*) When the value of the security depreciates and margin is not kept in tact.

(*o*) Owing to the mismanagement of the courts and lengthy procedures adopted in deciding the cases a lot of difficulties are experienced and banks as a special case deserve some legal facilities for recovery of their loans.

(*ii*) I know of an instance in which Rs. 5,000 were decreed in 1926 and inspite of execution of three years about Rs. 900 have been received. During this period the expenses incurred amount to Rs. 100. It is only in the beginning of 1930 that Rs. 3,000 has been realized by private settlement.

(*p*) Advances against grain are generally adjusted without any difficulty, and it is only in rare cases that resort to courts is made when there is deficit due to fluctuations or removals by unfair means.

(*ii*) Say $\frac{1}{3}$.

(*q*) (*i*) The Imperial Bank of India makes advances on the security of jewellery and allows cash credit limits on the security of goods, Government Promissory Notes and other approved securities. Such advances are being carried on on a large scale.

(*ii*) No.

PART VI.

1. Banking offices are not many in number and therefore cannot command approach to a large area of population. They are only found in big cities and the rural population is practically debarred from the banking facilities. Moreover, their resources are also limited and cannot afford to meet with the requirements of the peoples.

2. (*i*) Very popular.

(*ii*) The rates of interest are already sufficiently attractive.

(*b*) Of course if the term of duration is decreased from five years to three years and they are made negotiable.

3. (*i*) Yes.

(*iii*) Generally retired pensioners, Government servants and small scale investors.

(*iv*) The present rate of interest is very low and hence the commercial classes and big investors do not place their deposits in the Savings Bank. If the rate of interest is a bit increased, say upto $4\frac{1}{2}$ per cent., I think these classes are sure to be attracted.

4. Yes. The competition is very keen and the reasons are obvious. The rates of interest allowed on Postal certificates and treasury bills are sufficiently attractive and compare favourably with the rates allowed by the banks. Moreover, as they are issued by the Government of countries which at present enjoys the highest credit in the market, people are attracted to purchase them.

(*ii*) The competition is very injurious and has brought about great withdrawals from the banks.

5. Not for the present. Instead of inducing the people to invest money in Government securities they should be attracted to invest their funds in productive industries for which facilities should be provided.

6. None.

7. Highly paid officers, lawyers of old standing and contractors.
(*ii*) I think they must be keeping some account.

8. (*i*) They invest according to their requirements and in such a way that the funds may be available whenever they are in need of them. Some buy Government securities, Post Office cash certificates or deposit with banks or Post Offices, others buy immoveable property.

(*iii*) Yes.

(*iv*) Generally for the education and marriage of children and other family requirements.

9. Yes, desposits can be made in banks.

(*ii*) Say Rs. ten.

(*iii*) Yes, by expansion of banking offices and other credit agencies.

10. (*i*) They either invest in purchase of cattle and land or hoard them.

(*ii*) Yes, but not very common.

(*iii*) No.

11. Yes. Banking and investment habits grow under prosperous conditions and as the prosperity of India is being hampered on account of political and other reasons such habits cannot grow.

(*ii*) This is due to several causes—

(*a*) *Political.*—Due to political subjugation the people cannot imporve financially.

(*b*) Due to lack of education most of the people find it difficult to deal with banks and cannot know how to invest money profitably.

(*c*) Banking offices are only opened in big cities and hence the rural population is debarred from banking facilities.

(*iii*) It is highly desirable rather imperative that the people should be educated to invest their savings in productive undertakings. This can be done in two ways—

(1) By means of demonstrations on Melas and other congregational occasions.

(2) By educative propaganda.

12. (*i*) Highly paid officers, contractors, merchants and limited concerns.

(*ii*) Yes, this is due to the fact that the people have begun to deal with the banks and on account of abolition of stamp duty on cheques.

13. (*i*) Yes.

(*ii*) Yes.

14. Surely this will increase the use of cheques as experience shows that since the bills of contractors are paid by cheques they have begun to make their payments by issuing cheques.

15. (*i*) No appreciable difference.

(*ii*) To some extent.

(*iii*) With the opening of the Imperial Bank of India the indigenous banks have become weak. The indigenous banks cannot afford to stand against the competition of the Imperial Bank of India and hence a major portion of the business is being snatched and monopolised by the Imperial Bank. Consequently their profits have decreased and the reserves cannot be increased.

(*iv*) Absolutely not.

(*v*) Yes to some extent.

Mr. Avatar Narain, Gujral, B.A., LL.B., Advocate, High Court, and Chairman of the local board of Directors of the Peoples Bank of Northern India, Limited, Jhelum.

PART I.

1. (*i*) In my district through joint stock banks, post office and private bankers.

2. (*i*) Most of the trade is being carried on by the help of cheques, mudati and darshani hundis.

(*ii*) Most certainly.

5. Yes. In my opinion a clerk should be specially appointed in all treasuries and sub-treasuries for the purpose of exchange. The treasury staff at present refuses to give currency notes on various excuses unless they are tipped. Treasury officers should be specially asked to hear complaints about exchange at once and take action wherever necessary.

6. (*i*) The period for which a hundi is drawn should not be a criterion for the fixing up of duty. On account of the penalties of the Stamp Law the mudati hundi sometimes becomes very risky. The cases are not rare when unscrupulous persons have taken advantage of shortage of stamp and have successfully evaded payment. It would prove highly beneficial if stamp duty on darshani and mudati hundis is made uniform. Moreover, an amendment should be made in Stamp Act by which it should be provided that no suit shall be dismissed for want of or deficiency in stamp on the bill of exchange.

(*ii*) No.

(*iii*) Hundis for 30, 45, 60 and 90 days. To evidence the factum of loan or in payment of the price of commodities.

(*iv*) No, not here.

(*v*) No. Reduction of duty on bills of exchange would not affect the duty on bond at all; because the classes of people who use the bonds and who draw bills of exchange are quite different.

7. Money-order charges for amounts less than Rs. one hundred should be reduced to $\frac{1}{2}$. But the post office should not take up the task of collection of bills and cheques, as it would affect the Indian banks most adversely.

The post office should give special facilities to joint stock banks for transmitting money on easy terms.

10. (*i*) With endorsement.

(*ii*) Yes.

SECTION II.

I will deal with cases of those who do money-lending only. Money-lending in my district has decreased appreciably in the last ten years. Some of the causes are as follows :—

(*i*) Old class of money-lenders having died, their sons, having been educated, have taken to other vocations and have given up this profession.

(*ii*) Money-lending having come into disrepute with the officials, it has been discarded by many people, who have either started contract business or have shifted to mandis where they have opened shops.

(*iii*) On account of insecurity of life in villages the money-lenders have migrated to cities where they have adopted other professions.

(*iv*) The Land Alienation Act, the Insolvency Act, etc., have made money-lending absolutely unsafe and profitless.

(*v*) Failure of successive harvests and general depression after the War have ruined most of the money-lenders.

(*vi*) Many money-lenders have invested all their capital in the purchase of land in canal colonies with the result that they have got nothing to invest in money-lending.

(*vii*) Co-operative banks and societies and the preaching of class hatred have done their work in pushing out the money-lender.

5. Regular official propaganda against money-lenders is creating lot of difficulties in the way of honest money-lenders.

6. Court fees should be reduced.

(*b*) Alienation of Land Act should be relaxed.

(*c*) Insolvency Act should be amended.

(*ii*) These shall benefit both the lender and the borrower, because on account of the threatened extinction of the class, the whole village economy has been upset. The poor villagers, who could formerly tide over their difficulties at the time of need have been left without anything to fall back upon. The consequences of this seem to be very serious and there is nothing strange if the villagers goaded by poverty at any time might break the peace of the country. The village saying that—

> " Without a preceptor there is no salvation, and without a money-lender no honour " is literally true, because it is he alone who helps them in case of need, howsoever low their resources may be.

Oral evidence of Rai Sahib Jamna Das, Director of the People's Bank of Northern India, Rawalpindi.

Chaudhri Sultan Ahmad.—You are Chairman of the Board of Directors of the Peoples Bank of Northern India, Rawalpindi Branch ?—Yes.

There are two branches of the bank in Rawalpindi ?—Yes. There is one in the city and one in the cantonment, but the directorate is the same for both.

How long have you been director ?—Almost five years. Since the very beginning of the branches.

Were you originally in Government service ?—Yes, I was Jailor at the Multan Central Jail from where I retired.

Do you belong to Rawalpindi ?—Yes, to Rawalpindi proper.

So you know a lot of the conditions in this part of the world ?—No. I have 35 years' service in a department where I could not be spared and it is only since the last five years that I have been here that I have gained some knowledge of local conditions.

What are the chief activities in which the money of the bank is invested ?—We advance to traders and advance against property both movable and immovable—mostly immovable.

Against produce ?—No, we do not do this business in this branch.

But your Bank does advance against produce in some stations ?—Rawalpindi district is not an exporting centre and there are no chances of doing this here.

What about Gujar Khan ?—We opened a branch there only about a fortnight ago and so far no such business has been done there.

So that you lend mostly on the security of immovable property ?—Yes, mostly on house and landed property within municipal limits.

What about agricultural land ?—Not against the land of agriculturists.

You do not advance against agricultural land belonging to members of agricultural tribes ?—No. But we do take it from others. The land against which we advance is generally purchased by the borrower to convert it into house sites and that too is done in rare cases.

There is no export trade in Rawalpindi ?—No.

Do you not advance against piece-goods ?—Not on the security of piece-goods, because that would mean keeping a man to keep an account at the shops and that is not good business.

What about people who import direct from England ?—In Rawalpindi we do not do that business. We advance only on property.

Do you advance against railway receipts ?—Yes, we accept both import and export railway receipts.

Up to what proportion of the value of goods do you advance ?—We keep a margin of 25 per cent and advance up to 75 per cent.

What does the majority of loans consist of ?—We advance to shop-keepers and commission agents of Rawalpindi.

Are they retailers or wholesalers ?—Generally retail sellers.

Do you advance on personal security ?—Yes, and on the security of title deeds as well. It depends on the status of the person. There are firms who are quite respectable and to them we give on personal security.

What are the rates of interest ?—Generally from 9 to 12 per cent.

Do you feel any difficulty in recoveries ?—There are a few cases at the present time as the money market is tight.

But these are not very big items and the trouble is not of such a nature as to hazard your business ?—No. It is only due to tightness of money.

Rai Sahib Kishan Lal.—Do you clear invoices that come from England ?—No.

Chaudhri Sultan Ahmad.—Do you advance to villagers ?—No.

Rai Sahib Kishan Lal.—Either money-lenders or agriculturists ?—No. We have had a few applications but we refused them.

Have you got your own godowns ?—No. We do not store.

Chaudhri Niamat Ullah.—Do you finance the fruit trade from Kashmir ?—No. We advance money to fruit commission agents only.

To a large extent ?—No. According to the position of the agent.

We were told that there were five or six fruit agents only ?—There are many but only four or five of them are of some position.

Do you finance the majority of them ?—Yes, because the bank is next door to them and close to the *mandi*.

Is the rate of interest the same ?—Yes.

Rai Sahib Kishan Lal.—Do you deal in hundis ?—Yes, from reliable firms and those who are on our confidential list.

Only local hundis or also outstation hundis ?—From respectable firms outside also. Especially in the case of the fruit trade we deal in hundis on Bombay, Karachi, Calcutta, etc.

But if anybody requires money do you give hundis for ninety days or so ?—Those advances are made on pronotes.

Chairman.—We were told yesterday that there is not very much hundi business here ?—Yes, that is so.

We were also told that there has never been very much hundi business here ?—I do not know about that. At least in my time there have been no hundis, but we do discount hundis sent by commission agents outside. They draw such hundis once a week. Otherwise we do very little of exchange hundis.

Most of the business is done on pronotes ?—Yes.

I should like to have your opinion on question No. 3 of our questionnaire. It is suggested that once a cheque has been drawn payable to bearer it should not be possible to convert it by endorsement into a cheque payable to order.—I think that a cheque once made payable to bearer should always remain payable to bearer.

Are hundis ever drawn payable to bearer ?—No.

Would you alter the existing practice in that respect ?—I do not think so. A hundi should not be made payable to bearer.

Would you then be opposed to any legislation which attempted to change the existing practice ?—Yes, Sir.

You say that you advance a good deal on house property. Do you find that to be an entirely satisfactory form of security ?—We have always recovered any money we have advanced on the security of houses.

But have you had more difficulty than you anticipated ?—In giving such an advance we look to the position and status of the man and the title deed. If the property is unencumbered there is no harm even if the house is in the City as we advance less than half of the value of the house.

The question is whether you have any difficulty in making recoveries ?—We have not had many litigations on that score. Sometimes people have some difficulty, but we have not had any such experience in the bank. Other people who advanced against buildings have had difficulties because of pre-emption rights, etc.

Do you regard immovable property as good a security now as you did four or five years ago ?—The price of property has gone down no doubt, but the bank has had no difficulty in the matter.

From your savings bank and fixed deposit accounts do you find any indications that the savings habit is increasing in Rawalpindi ?—Deposits are practically stationary nowadays. When we started here, they came in large amounts.

But is most of the money you have received, new money in the sense that it has not been transferred from another bank ?—It is new money.

Is that coming entirely from the city and the cantonment ?—Yes.

Is it coming more from one class of people than another ?—It is coming from different people but not from different tribes.

I was wondering whether it was coming more from the professional than the trading class ?—No.

Are savings bank accounts steadily increasing ?—Yes. We had a little difficulty when we reduced our interest.

On savings bank accounts or on fixed deposits ?—On fixed deposits. But now as other banks have also reduced their rates, we are getting back the money.

What is your rate of interest for twelve months at present ?—It is 5½ per cent if the amount is less than Rs. 5,000, and 6 per cent if it is more than Rs. 5,000.

You speak of a reduction of rates. When was this reduction made ?—Only in June or July last year. We reduced from 6 to 5½ per cent in the case of amounts less than Rs. 5,000.

So far as personal security is concerned, do you find that the security offered to you is as good and as trustworthy as it was four or five years ago ?—Personal security is not the same as it was four or five years ago. We are now asking for security from those people whose personal security we used to accept previously.

What is the change due to ?—Tightness of money and people showing themselves to be more prosperous than they really are. People want to show that they are in as good a position as they used to be when they are not, and we have to be cautious.

Has there been much speculation in Rawalpindi ?—No. People do not deal in *sattas* and other things of that kind.

What proportion of the advances required by shop-keepers and traders in Rawalpindi do you suppose you supply ?—About 20 per cent.

Who supplies the remaining 80 per cent. ?—There are other banks, *i.e.*, The Punjab Co-operative Bank, The Punjab National Bank, The Sidh Bank, The Punjab and Kashmir Bank, Chela Ram and Sons, and in the mandi there are the money-lenders.

What proportion of the business is done by those indigenous bankers including bankers and money-lenders ?—They do more than the banks.

Do these banks that you speak of, deal direct with the retail shopkeepers ?—Banks deal with the commission agents and with shops as well.

I have in mind the long line of shops in the bazaar, most of them of small people probably not paying any income-tax. Who finances them to buy their stocks ?—They do not go to the banks ; sometimes they go to the money-lenders. Only those people go to the banks who hold some position and status in the market.

Those would be mostly wholesale people ?—Yes.

Do you know anything of the finances of these small shopkeepers ?—No. Except that the banks do not finance them.

The people, the banks finance, are wholesalers ?—Yes. People who do business on a big scale.

Who finances the distribution of these piece-goods from Amritsar to Rawalpindi ?—I do not know but there are one or two shops to whom we advance.

You do not finance that business to any great extent ?—No.

Rai Sahib Kishan Lal.—Do you know whether they get goods from Bombay also ?—Bombay as well. Generally people go to Bombay and buy their goods there.

Do they go more to Bombay and Delhi ?—Yes, they can get goods cheaper there.

But you do not touch that finance ?—No.

Chairman.—When you finance these bigger shop-keepers or wholesalers, what security do you generally take from them ?—I think from the bigger persons it is generally personal.

Khan Bahadur Chaudhri Sultan Ahmad.— Do your deposits show an upward tendency ?—Yes, but it is not so marked.

They are expanding all the same ?—They are expanding, but not to any marked extent.

Do you think the present banks supply sufficient facilities to all traders for their finances ; is there no paucity of funds ?—At present the existing banks supply adequate finance.

Khan Bahadur Chaudhri Niamat Ullah.—Do you accept cheques signed in Urdu ?—Yes.

Do you take any special precautions in regard to cheques signed in vernacular ?—Those who always sign in Urdu, are very few, and their signatures are familiar to us.

Is there any greater difficulty in scrutinising cheques signed in Urdu than those signed in English ?—There is no difficulty in respect of cheques signed either in Urdu or English but we experience some difficulty in identifying the signatures made in *Landa*, and we don't accept the cheques signed in *Landa*.

Chairman.—Do you insist that an Urdu cheque should be signed in the presence of an employee of the bank ?—Not necessarily.

Khan Bahadur Chaudhri Niamat Ullah.—Have you any objection to a cheque being crossed ?—No, but I think a bearer cheque should always remain a bearer cheque.

Chairman.—Do you get any facilities from the Imperial Bank ?—I don't think so, because they generally charge Re. 0-1-0 or Re. 0-2-0 per cent per demand draft.

Would your position here be weaker or stronger if there were no Imperial Bank ?—I think our position would be stronger.

If there were no Imperial Bank in India ?—The other banks would be much stronger.

You don't get any assistance from them ?—It is rather troublesome.

Rai Sahib Kishan Lal.—Is the existence of the Imperial Bank in any way useful to the bankers ?—If their charges were low and if they could help in business, they can prove useful.

You mean they don't allow any concessions to the joint stock banks ?—They give the same facilities to the bankers as to the general public.

(Witness withdrew).

Oral evidence of Lala Ram Labhaya Mal, Manager of the Punjab National Bank, Ltd., Montgomery.

Chairman.—How long have you been here as Manager of the Punjab National Bank?—For the last three years. I have got about 25 years' service.

When did the Punjab National Bank open its branch here?—In 1919.

Are there any other branches of the Punjab National Bank in this district?—Yes, there is one at Okara.

Is that under you?—No.

Can you tell us your total advances approximately during the last year?—Something like four lakhs.

Against every kind of security?—Yes.

How much of it was advanced against the security of produce?—In these days we are not doing this kind of business.

Did you advance last year?—Now we cannot afford to do this sort of business in the presence of the Imperial Bank which makes advances at one per cent above the bank rate.

At what rate do you advance?—We have been advancing at the rate of 7½ per cent. against the stock-in-trade.

When did you change your rates?—About two years before. In these days we don't advance at less than 9 per cent.

At 9 per cent are you getting any business?—Occasionally people come to us.

Why is the amount of business at 9 per cent very small now?—Because people can get advances at 7½ per cent from the Imperial Bank.

When did you raise your rate to 9 per cent.?—It was 9 per cent from the beginning; only in certain cases we have been advancing at 7½ per cent. Now there is keen competition all round. Wherever you go, you will find that the Imperial Bank advances at one per cent above the bank rate throughout India.

How much margin do you require? Something like 4 per cent.

Did you advance much on wheat last year?—We have been doing this business at 7½ per cent. last year.

How much did you advance approximately?—We did a very small amount of business last year. We have to carry out the instructions given to us by the Head Office from time to time.

Do you advance against ornaments?—Yes.

How long have you been doing this business?—Ever since I came in service we have been doing that.

Is that business increasing here?—This business does not suit us now.

At what rate do you advance against ornaments ? At 9 per cent. Now-a-days people in the city are advancing against jewellery at 1½ per cent or 2 per cent per mensem.

Do you have direct dealings with the zemindars ?—I may inform you that the Land Alienation Act is a drawback. It stands in our way, but in certain cases we advance to the zemindars too against their lands. In accordance with the provisions of the Land Alienation Act the bank cannot get the lands attached and therefore we discourage that kind of business.

(Witness withdrew.)

Oral evidence of Sardar Charan Singh, Sodhi, Manager, Peoples Bank, Montgomery.

Chairman.—How long has the Peoples' Bank been in Montgomery ? About 2½ years.

How long have you been here ?—From the start.

What is the total amount you advanced last year against any kind of security ?—Something between Rs. 80,000 and Rs. 1,00,000.

Was all that given against produce ?—We do not invest against grain because the Imperial Bank's rates are lower.

What is most of your business then ?—Against hundis or house property ?—Generally house property or with firms of good credit.

Do you discount hundis ?—Yes, we do that.

Do you advance against ornaments ?—Yes we do. It is not on a big scale as the Imperial Bank's rates are very low.

What are your rates ?—Nine per cent. minimum, while the rate of the Imperial Bank is 7½ per cent.

Do zemindars come to you with ornaments ?—No very few come here.

Do you ever have dealings with zemindars ?—Very seldom.

With sahukars ?—Yes.

With village sahukars ?—Not generally. We do not advance to people outside the city.

(Witness withdrew.)

Oral evidence by Lala Raimal Das, Manager, Colony Bank, Lyallpur.

Chairman.—How many branches has your bank got ?—Our bank has got only one branch at Lyallpur.

Do you advance loans on the security of ornaments ?—Yes; now we advance more freely against ornaments.

What is the reason of this increase in this kind of loans ?—It is considered a better security.

Formerly you did not advance so much on gold ornaments ?—No ; but now it is safer to advance against ornaments.

Is there any danger now to advance aganist other securities ?—In case of other securities, difficulty is experienced in making realisations.

Do you advance to agriculturists ?—Yes, we advance both to the agriculturists and to the town people.

In what proportion ?—Practically in equal proportions.

Do you lend out money on the security of land ?—No, but we advance against the security of house property.

Do you advance loans against the security of agricultural produce ?—No.

Lala Harkishan Lal.—When was the bank started ?—It was started in 1908.

Who are the Directors of the Bank ?—The present directors are Rai Bahadur Shankar Das, Public Prosecutor, S. Sant Singh, Advocate, Lyallpur, S. Nidhan Singh, Hakim, Lyallpur, Dr. Siri Ram, M.B.B.S., Lyallpur and Seth Lilo Shah, Banker, Lyallpur.

Do these people do their own separate business as well ?—Yes, Seth Lilo Shah does banking here ; Dr. Siri Ram is a medical practitioner and similarly others.

Since when do you advance loans to agriculturists ?—Since 1924. As a matter of fact I joined here in 1924.

Do you give any concessions to the agriculturists when advancing loans ?—We get only joint pronotes from three or four persons ; in any case not less than two.

Chairman.—When advancing loans against ornaments, do you take any other security as well ?—No.

Do you advance loans to agriculturists against their landed property ?—No ; we only ascertain that he is a *bona fide* agriculturist.

Ordinarily the pronotes are payable on demand. Is there any period fixed orally for repayment of debt ?—Ordinarily six months are fixed, but very few people pay within the stipulated period ; generally debts are realised two or three months later.

Have you very often to go to court for the realisation of the outstanding debts ?—We seldom go to court for this purpose.

Are the town people more or less regular in repayment of their debts than the agriculturists ?—In this respect both are equal.

On what does the rate of interest depend ?—It depends upon the nature of security. On pronotes we charge Re. 0-14-0 to Re. one per cent and on ornaments we charge Re. 0-12-0 per cent per mensem.

Do agriculturists take loans on the security of ornaments ?—Very seldom.

Are the loans advanced on the security of ornaments easily recoverable ?—Yes.

How ?—After the fixed period we demand money from people who take loans on the security of ornaments and within the course of two or three months they pay up.

Does the money ever remain idle with you ?—Sometimes it does, but then we invest it either in Government securities or deposit it in other banks on a high rate of interest.

Lala Harkishan Lal.—Do you deposit in the Imperial Bank ?—No, we generally depsoit in the Co-operative Bank, and we have been depositing with the Central Bank of India.

What interest does the Co-operative Bank pay ?—Six per cent. Our deposits are for one year with the other banks.

Are your relations with the Co-operative Bank or with the joint stock banks cordial ; is there no competitive spirit ?—We have no competition with any other bank except the Imperial Bank, because it now advances loans on the security of ornaments.

Do other banks keep money in deposit with the Imperial Bank ?—I don't know.

And your relations with the other joint stock banks, *i.e.*, Peoples Bank, Allahabad Bank, or the Central Bank of India are cordial ?—Yes.

Is there any competitive spirit as between the joint stock banks ?—No.

Do you advance loans on the security of land ?—Only to non-agriculturists on the mortgage of land or by keeping their title deeds.

What proportion of the price of the security you advance as a loan in the case of landed property and in case of ornaments and at what interest ?—We advance 50 per cent as against landed property and 75 per cent as against ornaments. The interest ranges between Re. 0-12-0 per cent to Re. 0-14-0 per cent.

Do you advance loans on the security of house property ?—Yes.

What interest do you charge in that case ? It ranges between 9, 10 and 12 per cent per annum.

Do you consider house property better than landed property ?—Yes.

Chairman.—Which is the best security ?—Ornaments and stock in trade.

Lala Harkishan Lal.—Do you make any difference in the period of loans advanced against house and landed property ?—All debts are payable on demand, but it is orally agreed that the repayment will be made within six months, though they are never paid within the stipulated period.

Chairman.—Do you experience any difficulty in the recovery of debts ?—None pays on the due date.

Is there any difference between the town people and the agriculturists in this respect ?—They are equal.

Lala Harkishan Lal.—Do you go to court for purposes of realisation ?—We have to go to court in a very small number of cases, say, between 2—10 per cent.

When you have obtained a decree, do you experience any difficulty in execution proceedings ?—Yes, a great deal of difficulty is experienced in making recovery.

How much time after obtaining the decree do you make realisation ?—One year is the least period.

Does the court allow interest after the decree and till realisation ?—Generally 6 per cent is allowed up to the time of realisation.

How many suits did you file during the last three years ?—Ten suits.

What interest is allowed from the date of institution of the suit till recovery ?—Six per cent. We try not to go to court in order to avoid loss of interest.

Is the system of floating account more common here ?—Yes, business men and pleaders generally have floating accounts.

And Government servants ?—They keep savings bank account. We allow 5 per cent on the savings bank and the depositors are allowed to withdraw Rs. 200 a week.

What interest is allowed by the other joint stock banks ?—The interest allowed by other joint stock banks varies from 4 to Rs. 4-8-0 per cent per annum.

What interest do you allow on fixed deposits ?—We allow 6½ per cent for a year ; other banks allow from 5—6 per cent.

Are you getting more deposits in this way ?—Yes. During the last ten years our deposits have been increasing.

What class of people are making deposits with you ?—We are generally getting accounts transferred from other banks. Fixed deposits come from employees and business men.

Then you are not getting new clientele, but only transferred accounts ?—New clientele we are also getting ; they are generally Government servants and local people.

Can you make any suggestions in respect of the extension of banking facilities in order to make banking more popular ?—There must be an organisation among the banks in order to induce people to deposit their surplus money in the banks.

What is the ratio of your expenses as compared to your total working capital ?—Our monthly expenses of establishment are about Rs. 220. The last year's expenditure was Rs. 5,009-5-6 and income amounted to Rs. 45,945-14-0. Rs. 24,827-4-11 was paid as interest to depositors and bankers, Rs. 1,138-13-0 were written off as bad debts. Thus Rs. 14,970-6-7 was the net income. The working capital was Rs. 6,51,008-10-6 at the end and in the beginning it was Rs. 4,88,446-12-7. Our paid-up capital as on 31st December 1929 was Rs. 71,203-15-8. We saved about 20 per cent on the paid-up capital.

Khan Bahadur Chaudhri Niamat Ullah.—Do you know what interest is paid on Post Office Cash Certificates ?—I don't know.

What is the minimum with which you open an account ?—We take Rs. five in the first instance, and thereafter we accept up to Re. one as deposit.

Rai Sahib Kishan Lal.—Do you deal in Hundis ?—No, but we realise outstation cheques.

What commission do you charge on such cheques ?—We charge only such commission as is charged to us by the bank to which the cheques are sent for realisation.

Those persons who have got floating account with you, do you charge commission to them for sending their money to other places ?—We charge only remittance charges.

What interest do you allow on floating account ?—We allow 3 per cent on daily balances of Rs. 100 and on the multiple of Rs. 100.

What interest do you allow to other persons on their investments ?—We allow $5\frac{1}{2}$ per cent for three months and 6 per cent for six months, and Rs. 6-8-0 per cent for twelve months.

Chairman.—What dividend did you allow last year ?—Eleven per cent.

Since when are you giving dividend as 11 per cent. ?—We have been paying 11 per cent since 1927. In 1927 the profits amounted to Rs. 12,393-8-3. We did not write off any bad debts in that year. In 1928 the net profits amounted to Rs. 12,952-9-1 and Rs. 788-10-3 were written off as bad debts. During the last three years Rs. 1,927-7-3 were written off as bad debts. Reserve Fund is Rs. 47,500, and by adding Rs. 4,500 it comes to Rs. 52,000. The subscribed capital is two lakhs ; and the authorized capital is also two lakhs.

How many loan accounts have you got ?—About 300.

Out of these how many loans were advanced to agriculturists ?—About 150.

What is the highest rate of interest charged by you ?—In very rare cases we charge Rs. 1-2-0 per cent per mensem.

Do you advance loans without any specific pledge ?—In very rare cases.

Have you fixed any maximum limit of loans ?—No.

Have you fixed any minimum limit in respect of gold ornaments against which you advance loans ?—The minimum limit in such cases is Rs. 100.

Are recoveries becoming more difficult, or are the conditions the same as before ?—There is no marked difference in difficulties ; they are not increasing.

After execution you recover full amounts ?—Yes.

(Witness withdrew).

Oral evidence of Mr. F. H. Johnston, Manager, National Bank of India, Ltd., Amritsar.

Chairman.—Are you the Manager of the National Bank of India, Limited, Amritsar ?—Yes.

How long have you been here ?—3½ years.

How long has the National Bank had a Branch here ?—For more than 25 years.

Is the bulk of your advances here made in connection with piece-goods ?—As a matter of fact, all Exchange Banks finance imports and exports of the country.

Do you advance against produce ?—Not here, but we usually do this business at Ports.

Nor against ornaments ?—No.

Against house property ?—We advance against house property only provided it brings in other business.

Can you tell us what your rates are for advances ?—They vary with the clients.

What is your minimum rate for advances agianst piece-goods ?—That is decided by an Association f the Banks.

Can you tell us what the rate is at present ?—It is Bank rate, minimum seven per cent.

What proportion of your business is represented by the piece-goods in comparison with your total business ?—I cannot give you any figures.

Approximately ?—We advance against piece-goods more than we do on exports.

Lala Harkishan Lal.—Piece-goods as compared to sundries or hardware ?—I should think ninety per cent. is piece-goods on the import side in this Market.

Chairman.—What proportion is represented by wool, hides and skins ?—The hide market has been very bad during the last 12 months.

In a normal year ?—Goat skins, sheep skins, wool and hides are the biggest exports.

What would be their proportion ?—I should think roughly about fifty per cent skins, about thirty per cent wool and the remainder hides.

We were told yesterday that trade here was suffering from shortage of capital. Is that your view ?—Yes, there is shortage of capital, but, generally speaking, trade is financed by the Banks.

In one or two places we have been told that there have been heavy losses owing to speculation during the last four or five years, and that speculation has to some extent been due to credit facilities having been too ample. Would you say if that was the case in Amritsar ?—To a

certain extent credit has been given too freely by Banks and has resulted in losses. The importer also hands his goods to the dealers for longer credit and liberal terms.

Is it not perhaps an advantage to the market that credit has been contracted ?—Yes, as the importer will not be able to import more than the market requirements and the question of getting rid of his goods does not arise.

On the one hand you admit that the credit facilities have been too liberal in the past, and that that has led to losses, and yet you say that the market is handicapped by the lack of credit facilities. Can you elucidate this point ?—I understood you to say that there was want of capital, not want of credit facilities.

Has credit been too freely given during the last four or five years ? —In a certain number of cases ; but the losses have been sustained by importers who have given credit. The smaller dealers failed ; they got the goods, but never paid for them.

You think more capital is wanted, but not necessarily more credit ? —For the dealers in piece-goods yes, they would be able to pay for the goods within a shorter period.

Can you give us any idea as to whether saving is increasing at all in the city ?—It is very difficult to say, but I should not think so.

Lala Harkishan Lal.—You said that the rate of interest that you charge is governed by an Association of the Banks and again you said that the rate depends on the clients ?—In the first case I was referring to the financing of export business ; the import business is fixed at Bank rate, minimum seven per cent.

At present you say the Bank rate is seven per cent. Has it ever been higher than that in Amritsar during the 3½ years that you have been here. I said the import business is fixed at Bank rate, minimum seven per cent. The Bank rate was eight per cent. for about two months in 1929.

Has it ever been lower either ?—Yes, but I say the minimum rate is seven per cent. against advances of imports.

I want to know whether at any time during the 3½ years the minimum has been lower than seven per cent. ?—The rate of interest on advances against imports has been seven per cent. all the time that I have been here, except when the Bank rate was eight per cent. in 1929.

Have you ever felt the necessity of extending the period of custody in the case of piece-goods ?—The loans against piece-goods vary from three to twelve months, perhaps more.

Do you feel now that a person who used to keep his goods for three months, now wants six months ?—I should say, it is about the same. If there is a slump, of course the goods remain with the Bank much longer. For instance, two years ago when there was a slump, the goods remained with us much longer than usual.

You said that the importers give the dealers longer time. Does that mean that the Banks are not concerned and the importers themselves give a credit ?—Yes.

They do not come through the Banks ?—The importer gets goods through the Banks and pays for them. He has to sell his goods in the market and I understand he gives a fairly long credit.

Do you deliver goods and then give clean credit ?—No. The importer gives credit to the dealer against demand or usance Pro-Notes.

What is a D. A. term ?—In the case of importer and dealer it is merely a contract on the same lines as D. A. Goods are given up against signature or sometimes verbally.

Has this time been extended now ?—I cannot say.

You said that they get easier credit in quantity and not in time ?—I think I said in length of time.

Is that time being extended ? I could not say. In the past it was fairly liberal. If the dealer fails in the meantime, the importer loses.

Could you give us any idea with regard to the quantity that is really imported by an agent, and that is left with you in security ? I mean between the two ?—I do not quite understand.

For example, Ralli Brothers import goods and their money is practically invested, but other people get goods and pass them through you, then the Bank's money is invested. What would be the proportion ?—I cannot give you figures, but suggest that the proportion is about half and half.

Is this kind of business done by your Bank and the Chartered Bank ?—Yes, all Exchange Banks do it.

But there are no other Exchange Banks in Amritsar ?—The Allahabad Bank does it.

Has he affected your business ?—He is a competitor.

In rates ?—The rates are the same as regards interest on import loans. He is in the Association.

Chairman.—Does that mean that rates are uniform for all members ?—Yes, as regards rates of interest on imports. There are three Banks in the Association. The Allahabad Bank, the Chartered Bank and oursleves.

Is that a local Association ?—Yes.

Lala Harkishan Lal.—I want to know whether the inclusion of the Allahabad Bank has increased the business or whether the business is the same and there is further competition ?—I do not know how long the Allahabad Bank has been here and whether business has been increased by that Bank being here, but at any rate they are competitors.

Chairman.—Do you often have to take cases to Court?—No. Not very often.

We hear a great many complaints of delays in law courts?—In my experience we have had only two cases. There is a good deal of delay.

Lala Harkishan Lal.—Is the Exchange Rate also fixed by the Association?—Only the B. C. rate. The market rate may be different in the three Banks.

The market rate may be different in the three Banks on the same day?—Yes.

We were told by piece-goods merchants that this was also governed by the Association?—Only the B. C. (Bills for Collection) rate. Banks follow the market rates of exchange in Calcutta and Bombay. Two Banks in Calcutta may have different rates.

They said that the merchants of Amritsar have more difficulty than the merchants of Calcutta and the disadvantage is 1/32, may be as much as 3/32, and that this was due to the unfair treatment by the Exchange Banks who have combined together?—You cannot expect Exchange Banks up country to quote port rates. In the first case cover for those rates is not available here and has to be obtained in the ports. If a Bank sells at say $\frac{1}{6}$ in Amritsar and the rate in Calcutta is $\frac{1}{6}$, the Bank will only get $\frac{1}{6}$ and gains nothing. Whereas in the ports they have imports and exports and a good deal of interbank business. It is very difficult for Banks up-country to quote port rates.

I suppose in brief because your expenses are more?—Not exactly. our turnover is less. Take Delhi where there are hardly any exports. The Banks cannot buy bills and have to buy in Calcutta and Bombay for their purchases. If they quote full rates on the sale side and get the same rate on the purchase side, the transaction gives them no profit in Exchange.

(Witness withdrew.)

Mr. J. Reid Agent, Chartered Bank of India, Australia and China, Ltd., Amritsar.

PART I.

1. (*i*) Imperial Bank and demand drafts and T. T. drawn by up-country agents principally on the ports.

   (*ii*) System works satisfactorily.

3. (1) Yes.

   (2) Cheques only.

5. No.

6. (1) No.

   (2) No.

   (3) 30 and 60 days sight.

   (4) No.

8. (*iii*) Usually locally.

   (*iv*) Yes. Disinclination of shroffs to give clean credit and the tendency to call for collateral security such as Title Deeds of property, also Banks advancing against imports lodged with them as security.

9. (1) Yes.

   (2) No difficulty if Railway receipt made out in name of lender as sender.

10. (1) Yes. With endorsement but security doubtful as sender has right of stoppage in transit.

    (2) Yes.

PART III.

1. (*a*) (*i*) From the village to the mandi the export trade is financed by the zemindars, banias and co-operative societies. The Imperial Bank of India and Indian Joint Stock Banks also help to some extent in financing in villages, as they lend money in mandis against hypothecation of stocks in Commission Agents' and Exporting houses' godowns, who in turn lend to village producers against the latters' contracts to deliver produce at subsequent dates. The above banks also lend money in mandis against currency hundis and thus feed the market with money which goes to the villages for purchase of produce.

(*ii*) From the mandi to the exporting ports it is financed by the Imperial Bank of India, Indian Joint Stock Banks and Exchange Banks. The Indigenous Banks and some of the Exchange Banks make advances against produce in godowns but the Exchange Banks usually limit their accommodation to such firms who do export business. In

mandis the exporters usually take delivery of the produce through a shroff (guarantee broker) who finances the payments and the shroff will receive a demand draft on the exporter's firm drawn on their office at the port, signed by the firm's representative at the larger centres for the price of the commodity. He generally receives a commission of $\frac{1}{4}$ to $\frac{1}{2}$ per cent for this transaction. These drafts are purchased by the Indigenous as well as by the Exchange Banks and the shroff thus receives funds to finance further transactions. The export is cared for by the larger export firms at the ports such as Rallis, the Exchange Banks financing by the purchase of Foreign Bills, either with or without documents.

(*b*) (*i*) From the importing ports to the distributing centres in India, it is generally financed by Exchange Banks, Indian Joint Stock Banks and big Import houses such as Ralli Brothers. The goods are shipped to a port and the relative bills sent to an up-country Agency for collection. From the port the goods are railed up-country. The importers in the majority of cases pay these bills by means of loans granted by the Exchange Banks financing the bills against a margin of 20 per cent of the value of the goods plus all import charges, with interest at Imperial Bank rate. Goods taken delivery of by the importers from their loan account are either sold for cash or on credit of from 2 to 4 months with interest at 6 per cent or more per annum to dealers. The dealers exhibit the goods in their shops in the larger distributing centres and dealers from the villages come to those centres and buy for cash and or on credit.

(*ii*) From the distributing centres to the consumers it is financed by the commission agents (*arhtis*) acting as middlemen. They buy for the dealers in larger villages, who in turn sell to the dealers in smaller villages who sell to the Ryots against the security of their promise to pay when the crops are harvested and sold.

(2) In the case of the export trade the produce is bought on the threshing floor by carriers or zemindars to be carried and sold at the nearest market. Produce is also sold to banias in liquidation of producers' debts and the banias store the produce to sell at a time it can fetch the best price. In the mandis the produce is pledged with the Imperial Bank of India and other Indian Joint Stock Banks or commission agents at rates varying from 6 to 9 per cent per annum.

The import trade from port to mandi is generally financed by Exchange Banks and also other banks and big import houses at rates varying between 6 and 8 per cent per annum.

From the mandi to the consuming centres it is financed by the commission agents at the rate of 6 to 9 per cent per annum.

The obvious disadvantage is the large number of middlemen employed. Further the funds of commission agents remain locked up for unusually long periods. With further development of banking the commission agent may be relieved of this burden and improved

means of communication are tending to bring the producer direct into the market.

(3) There is a good deal of truth in the suggestion. The village producers are illiterate people and know very little about the trade and commerce of the articles they produce. They are afraid that if they themselves market the produce they will be cheated by a commission agent.

Producers are heavily indebted to village banias and co-operative societies and have to pay land taxes to the State at the time of the harvesting of their crops.

In the circumstances the producer cannot but sell his produce on the threshing floor, when in accordance with the laws of supply and demand the produce is usually cheap. Later on the prices may go up but the produce is in the hands of others who have cornered it. That the producer may get a better return it is suggested that he should be educated and should at least be fully aware of the commercial history of the articles he produces.

In the meantime it might be possible to arrange some method of disposing of his crops at market prices which might be done by a Government controlled and Government audited concern which could receive his crop, as we understand is done in some other countries. These agencies would receive the crops of various Ryots, and give a receipt to the consignors stating thereon the grade of his crop and advancing him say 50 per cent of its value, the balance being paid on the basis of the average price obtained from sales of the particular grade during the season less an agency commission. If the Ryot had confidence in such an institution he could devote all his attention to the growing of his crops, knowing that his interests as regards the sale thereof were being better looked after, and with better results than if he sold the crop himself. He would also have the satisfaction of knowing that he had obtained the same price as the other Ryots for his crop.

Means of transport between the mandis and the neighbouring villages should be improved and well guarded and so enable producers to come in direct touch with the mandi. Further to help them in their financial matters the establishment of *Land Mortgage Banks* is most essential. With the establishment of Land Mortgage Banks and improved means of communication and a certain amount of education it is possible producers would get a better return for their produce.

Oral evidence of Mr. J. Reid, Manager, the Chartered Bank Ltd., Amritsar.

Lala Harkishan Lal.—There are three banks which are doing exchange business here—the Allahabad Bank, the Chartered Bank and the National Bank ?— Yes.

Is any other bank dabbling in this business ?—I do not know. The Imperial Bank does, but I understand that they touch exchange very little.

Is the exchange rate here fixed by the Association or according to supply and demand ?—The rate of exchange is fixed on Calcutta and Bombay rates.

But does the Association fix it for the day ?—No. A bank can do exactly as it wants to.

But how is it done ?—We give the same rates as the National Bank, but the Allahabad Bank agree to the B. C. (Bills for collection) rate only.

Then are the Association's functions confined only to fixing the rates of interest to be charged on goods deposited with you ?—That is one function.

Is that the only function of the Association ?—We have a list of rules made out by the Association.

Regarding what matters ?—I can give a copy. It is hanging in my bank for the information of the public. Take for instance the B. C. rate. We fix on the Bombay B. C. rate. We get a wire from Bombay when the rate changes.

You alter your rates according to the Bombay rates. But then do you charge anything over and above the Bombay rate ?—Yes, interest for eighteen days. We have to take that because we have to take our sterling cover in Bombay and we have to buy in Bombay against sales made here. There are not sufficient export bills here to cover our sterling sales, otherwise we could cover our own exchange in this market.

That means that the export of the Punjab really goes from Karachi and Bombay ?—Yes.

And the imports come to Amritsar and Delhi ?—Yes, Sterling Bills being drawn on up-country importers direct.

The Imperial Bank is handling bill business. Does it finance the exports from here to Karachi ?—I suppose so. There is competition for those bills.

But if it was not handled by the Imperial Bank the imports and exports might balance more ?—No. The sterling bills are sold in Karachi. Most of the export firms are in Karachi, not here.

They have their offices all over the Punjab. They have buying agents, who buy for them here and the latter make arrangements with

banks to finance them pending payment from the Exporters in Karachi for the goods.

But so far as internal trade is concerned from mandis to exporting ports the exporting firms find their own money ?—They do not negotiate bills from the stores. That is left to the agents. Or the agents might be able to arrange their own finances.

But what I mean is that the exchange banks do not come in to finance operations of exports from the mandi to the port ?—To some extent they do. We compete for the bills drawn on the Ports in rupees.

But you do not have sufficient money to counterbalance the imports ?—The imports are in sterling and so do not counterbalance.

The North-Western Railway at one time advertised that they would book goods to London and in that way business was done continuously and exclusively from here and nobody touched it. Can similar arrangements not be made in regard to exports so far as the banks are concerned ?—But you do not arrange bills of lading ?—To a certain extent it is done, for instance, hides and skins are mostly dealt with here. Sometimes firms have agents here and do not fix sterling exchange here, but draw their money from the Ports to pay for their local purchases.

But if arrangements were made by the banks to take up the financing from here and to deal in bills of lading on London, then the exchange rate might improve because there would be more export ?—It is the total export of India that affects the exchange rate.

Do you in addition to financing the imports and making an advance of money against stocks of imported goods, do any other financing in Amritsar ?—Yes, we are financing exports against railway receipts. We do any business that has connection with the sterling exchange business.

Any other ?—If there is any sterling exchange business connected with it, we may advance against goods in godowns.

You have godowns in the case of piece-goods, but none in the case of other stuffs ?—If a firm gave a mortgage on their property and stocks, we might make an advance provided there was sterling exchange in connection with it.

Unless it was meant for export the sterling does not come in ?—That is so.

You do not do any ordinary banking in money ?—Only when it is in connection with sterling exchange.

Is that also provided in the Association rules ?—No. A Bank is not restricted. Our London Office gives us instructions as to the business we may accept.

We had a complaint yesterday by the importers that they are not getting any advantage of the exchange rate here. They said that sometimes it is as much as 3/32nd ?—That is not so.

They said that 1/32 was common ?—If a man wants £ 5,000 to-day, he can get the same rate as in Bombay, but he must get "demand" instead of T. T. (Telegraphic Transfers) *i.e.*, we make eighteen days' interest against cover taken at the Ports.

They tried to explain that the 1/32 was simply the difference which was practically fixed under £ 5,000 ?—Yes, 1/32 is practically eighteen days' interest. We give "on demand" against our purchase of Telegraphic Transfers at the same rates. That is practically 1/32 pence difference in the rate.

That is provided you get it in Bombay ?—Yes, provided I cover immediately and the rate does not go against me in the meantime.

Is there nothing else over and above the 1/32 ?—No.

They told us that sometimes they had to pay more and had to make a stand against that ?—No, we have never charged more. They have a great advantage here as they get an option of several months. They would not get the same option for delivery at the Ports.

Chairman.—Why do you do it here ?—We can do it.

Why can you do it and not Bombay ?—They have a rule against it.

Lala Harkishan Lal.—Since when ?—A long time.

When this exchange question was being talked about I got £ 100,000 worth of exchange about a year ahead from the National Bank of India and the Chartered Bank in Calcutta, Bombay and Karachi and kept it because I had ordered machinery and was afraid that if it went up to 1/4, I should have to pay through my nose ?—I have never seen a contract like that myself in Bombay, *i.e.*, for delivery at any time during the year in buyers' option.

In Bombay and Calcutta what margin do you get over the advances that you make against these imported goods ?—On piece-goods twenty per cent in Amritsar. We have no knowledge regarding the business in Bombay and Calcutta.

Do you get that in cash ?—Yes. We advance eighty per cent of the amount of the bill or invoice amount.

A man must pay twenty per cent. in cash ?—Yes.

If people have capital up to twenty per cent they can do business in Amritsar ?—It means an increase of capital by eighty per cent. with which they can do further business less the amount of import charges which they have to pay.

Do you find that the importers or dealers find any difficulty in meeting their engagement so far as advances on goods are concerned ? No. Business is good.

Are the people punctual?—Yes. I have very little trouble.

Have you experienced any slump within the last few years?—There have undoubtedly been losses, but most firms have met their engagements.

Chairman.—We hear a great many complaints of the difficulty of doing business in Amritsar. Some people speak of shortage of capital, others of undue restriction of credit, others of lack of confidence and so on. Have you been here long enough to offer any opinion on the point?—I have been here since 1923 and I have a fair idea.

Is there a shortage of capital in Amritsar for its legitimate needs?—No. Taking it all over.

Is there less capital than there was when you first came here?—No. I think perhaps the big Indian firms are really stronger than they were then.

Is credit more contracted than it was?—No. It is practically the same. In fact, margin on loans was 25 per cent. at one time and has been reduced to twenty per cent, so there is an improvement in facilities.

Lala Harkishan Lal.—Is it because prices have fallen?—I think credit is better.

Chairman.—Do you feel the need of exercising more caution in business than you did five or six years ago?—No.

A complaint has been made that for various persons credit has contracted owing to there having been many insolvencies?—They have got to provide the margin of twenty per cent. But I think it was 25 per cent seven years ago and godown rent has been lowered from time to time and now it is much less.

Is the value of business increasing?—I think that the business of Amritsar has increased.

Would that acount for a certain difficulty in handling business?—I think there are sufficient firms and capital to finance import business.

Do you regard the financial condition of Amritsar as in any way less healthy than it was seven years ago?—No. The position is better.

In what respect?—The standing of firms is high. They meet their obligations.

Is the commercial integrity rising?—Yes.

Lala Harkishan Lal.—Is the quantity of business also rising?—Taken over a period of time it is.

Chairman.—Is this improvement at all due to an increase in banking facilities?—Undoubtedly.

When you came here in 1923 did you feel that the trade of Amritsar was seriously hampered by the absence of banking facilities?—The exchange banks were here and no others have come in since.

Then in what respect are banking facilities greater?—The number of banks is not greater, but the facilities are greater.

In what respect have these facilities increased?—The margin has been reduced from 25 to twenty per cent and the godown rent has been reduced—now it is fourteen annas a month minimum or annas 8, pies 6 per week.

Can you suggest any further improvement in banking facilities here?—We are always open to meet any proposal put forward by the Piece Goods Association. That was the reason for our reducing the godown rent.

Has this increase in banking facilities been fully justified by the results?—Yes.

Do you deal in gold?—Very little.

(Witness withdrew.)

B. A. C. Neville, Esq., General Manager, Northern India Branches of the Imperial Bank, Delhi.

Part I.—1 (*i*). Facilities for remittances between places at which the Imperial Bank of India is established are sufficient for all requirements and remittances can always be obtained at very low rates. Facilities available for internal remittances are Cheques, Bank Demand Drafts, Bank Telegraphic Transfers, Government Supply Bills, Demand Hundis drawn by shroffs and merchants.

3. (*i*) I am still of the opinion, which has been expressed by the bank from time to time, that the Negotiable Instruments Act, 1881, should be amended so that no endorsement on a Negotiable Instrument payable to *bearer* should operate to restrict its negotiability and thus legalise a practice which prior to the judgment of the Bombay High Court in 1924 had been considered regular and followed by banks in this country.

The law as it at present stands throws a very considerable amount of extra work and responsibility on banks who have now to examine the endorsements on all " bearer " cheques without any appreciable advanatge to their constituents or to the public, and it is, therefore, necessary to create by law a type of instrument which being originally drawn payable to bearer will always remain payable to bearer.

(*ii*) My answer to this question is in the affirmative qualified by my answer to the following question.

(*iii*) In view of the fact that it is the common usage to express on the face of a hundi instructions regarding the method of payment—a practice it would not be possible to accept in the case of cheques apart from the usual "crossing"—there may be grounds for the apprehension expressed regarding the possible effect the proposed legislation may have upon the hundi.

It is not desirable that any established usage which may have grown up in respect of the hundi should be interfered with, and if it is considered that the suggested legislation would interfere with that usage then further legislation should provide for the exclusion of the hundi from the scope of the measure, but I am strongly of the opinion that it is wrong that a much needed alteration of the law in respect of other negotiable instruments should not be effected only because of a possible consequence to the hundi, which can be provided for otherwise.

6 (*i*).—The present stamp duty on usance bills is, in my opinion, far too high and undoubtedly tends to restrict the drawing of such bills. In the case of sixty days bills it increases the cost of finance by over one half of 1 per cent per annum. I do not consider that the duty should be abolished but that it should be reduced to nominal amount.

(*ii*) In the event of the duty not being reduced to a nominal amount I consider that a distinction should be drawn between bills of varying currency, under the present system the incident of duty on a sixty days' bill is double that on a 120 days' bill. The distinction, if made, should, I consider, start at sixty days' bills.

(*iii*) Commercial inland bills of exchange are usually drawn with currencies of 60, 90, and 120 days; bills with longer currencies are rare.

7.—The suggested extension of activities by the Post Office appear to me to be open to objection as an invasion by Government into the field of private enterprise.

9 (*i*) *and* (*ii*).—Considerable finance is provided during the process of marketing by means of the purchase by banks, shroffs, etc., of demand drafts with railway receipts for consignments of goods attached.

The present state of the law, from the point of view of a lender on the security of goods represented by a Railway receipt is not altogether satisfactory, section 57 of the Indian Railways Act empowers a Railway to withhold delivery of the goods, where the Railway receipt is not forthcoming, until the person entitled, in its opinion, to receive them has given an indemnity against the claims of any other person with respect to such goods. The Railway does not hold itself out to the public or to anybody else that it never parts with the goods except upon the production of the Railway receipt nor is it under any duty to insist upon the return of such receipt. A Railway receipt is therefore *not* a good document of title and can only be accepted by a bank as collateral security in respect of drafts to which they are attached.

The result is that the Railway may in certain circumstances deliver the goods without production of the receipts to the consignees notwithstanding that he may happen to be under an obligation in respect of a bill or draft, and it was intended that he should not be entitled to receive delivery thereof from the Railway without discharging such obligations. No liability will attach to the Railway in such cases if it takes an indemnity. The indemnity which the Railway takes from the person to whom the goods are delivered may be considered by the Railway to be sufficient, but it may turn out afterwards that such indemnity is not adequate to cover the indebtedness on the Bill.

It seems to me that if the Indian Railways Act were to be amended, so as to afford a greater measure of protection to the actual holder of a Railway receipt obtaining finance against such documents would be greatly simplified. I would suggest a special form of Railway receipt to be isued, in duplicate or triplicate to the consignor, *on request*, a condition of the issue of such receipt being that the relative goods would not, in any circumstances, be delivered up by the Railway without production of either the original, the duplicate or the triplicate

of the receipt. The receipts would clearly show that they had been issued in duplicate (or triplicate) and would not, of course, be negotiated by a bank, etc., in the absence of the whole set. The duplicate, etc., could be posted so as to catch consecutive mails and so avoid any delay that might be occasioned by miscarriage of the original.

PART II.

3 (*i*) *and* (*ii*).—Licensed warehouses on the lines of the system which exists in the United States of America would provide a negotiable instrument, in the form of a warehouse certificate, which would undoubtedly facilitate the financing of the produce stored in such warehouses.

In my opinion the following fundamental principles would have to be observed in the operaton of any such scheme :—

(1) The Warehouseman, or Manager appointed by a Warehousing Company, would have to be of high moral character and be entirely independent of the local parties who would store their produce in the warehouse.

(2) His fees or salary would have to be fixed on a fairly generous scale.

(3) Government supervision as provided for in the U. S. A. Act would be necessary and, in addition, a security deposit, based on the capacity of the warehouse would have to be taken from the warehouseman or warehousing company.

(4) Produce with respect of which a receipt is issued would have to be kept separate from other deposits, and in such a manner as to be easily identifiable, and the *holder* of a warehouse receipt would have to be given every reasonable opportunity of inspecting the relative produce.

If the above principles are observed the overhead charges of a warehouse are bound to be high, even if existing godowns are utilised and only by storage on a large scale would the incident of such charges be reduced to a level comparable with the existing cost of storage. I do not think there is any market in the Punjab where the storage of produce is sufficiently large to enable a Warehousing Company's charges to be reduced to such a level, and I am of opinion that this objection would hold good at most up-country markets.

A further objection to such a scheme is that Warehouse Receipts would most likely be used as a medium for gambling transactions, with the inevitable result that the price of the produce being dealt in would be subject to violent fluctuations. This would render the operations of genuine traders more difficult and would adversely affect the financing of such produce by banks.

4 (*i*).—The Imperial Bank of India and other banks at places where such banks are established, provide finance for movement of produce chiefly by means of purchasing the demand drafts of dealers representing produce despatched to consuming centres, thus enabling dealers to turn over their capital more quickly than would otherwise be possible, and keeping the market in funds wherewith to pay the agriculturists for his prdouce. Competition amongst the banks for this business is very keen and such funds as are required can always be obtained at places where the Imperial Bank of India is established at a cost to the dealer of from one to two annas per cent. At places where the Imperial Bank of India is not represented rates rule much higher.

The Imperial Bank of India also takes a considerable part in financing the marketing of crops by its discounting of usance bills for indigenous bankers, merchants and dealers and its advances to them by way of clean and produce loans.

PART III.

1. (*a*) and (*b*). So far as the Imperial Bank of India is concerned it plays little or no part in financing (*a*) Export trade—(*i*) from the village to the mandi, but it provides a very large proportion of the finance required for :—

(*ii*) From the mandi to the exporting port by purchasing freely drafts and telegraphic transfers drawn on Port towns by (1) the exporting firms and (2) firms who rail produce to the ports for sale there to exporting firms.

Such business is put through at competitive rates which provide little more than interest at a reasonable rate for the period the bank is out of its money, and although under our agreement with Government we obtain the facility of free transfer of funds, this benefit is, to a very great extent, passed on to the business community.

With regard to the (*b*) Import trade, the Imperial Bank of India takes little part therein as such business is usually financed through from the place of export to the distributing centres up-country by means of foreign bills, which business the bank is precluded, by statute, from undertaking, but it provides cheap remittance facilities to the Exchange and other banks engaged in the trade for the return of their funds to the Port towns.

3.—The position has, I think, improved considerably in recent years by reason of the opening of branches of the Imperial Bank of India and its system of granting advances freely against produce stored in the mandis at comparatively low rates of interests, thus providing the commission agent with finance wherewith to purchase from the actual producer.

PART V.

9 (*i*).—Generally speaking, the indigenous banker invests his funds (consisting of his own capital and deposits) locally, but if he finds he can either lend to a greater extent than his resources will permit or has surplus funds for which he is unable to find employment he has recourse to one of the joint stock banks, exchange banks or the Imperial Bank. So far as my experience goes the indigenous banker does not hold very large cash balances. This tendency for money to find its own level already provides a link between the indigenous banking system, the Central Money Market and Provincial capitals.

9 (*ii*).—If such branches are to pay their way they must come into direct competition with the indigenous bankers. A branch of the Imperial or a joint stock bank is already established at all the larger centres, and these banks can be relied upon to open a branch at any place where there is a reasonable prospect of making a profit.

PART VI.

12 (*i*) *and* (*ii*) *and* 13 (*i*).—Judging from the increasing turn-over on current accounts the cheque habit is growing, but growing slowly. The abolition of stamp duty on cheques is undoubtedly assisting such growth and a tendency for persons in Government and other services on comparatively small pay, who did not previously maintain banking accounts, to do so is noticeable, though Savings Bank accounts have a greater attraction for such persons.

14.—I do not consider that the payment of salaries for small amounts by cheques would help to promote the cheque habit, and it would have the disadvantage of greatly increasing the work, and congesting the premises of bank offices, especially at the beginning of the month. I consider, however, that the freer receipt of cheques in payment of Government dues would help.

Oral evidence of Mr. B. A. C. Neville, Manager, Northern India Branches of the Imperial Bank of India, Lahore.

Before the evidence was taken Mr. Neville desired that it should be placed on record that the evidence he proposed to give was an expression of his personal views and was not given on behalf of the Imperial Bank of India.

Chairman.—To what extent is immovable property taken by the Imperial Bank as a collateral security?—To a very limited extent. Actually in northern India advances against immovable property are about three per cent of the total advances.

Is this type of business increasing?—No. We do not look with favour on it. It usually results in a lock up of the funds.

Other witnesses have told us that immovable property is becoming less popular as a security because of the fall in the value of house property. Is that your experience?—Yes, it is becoming less popular. We find that when we give an advance against the immovable property it frequently tends to become a lock up of funds and we have difficulty in realising the money.

I understand that under its Charter the Imperial Bank is debarred from making advances for a period of more than six months, but that advances are frequently extended as a matter of convenience to both parties for three years. Is that the case?—No. Practically all our advances in the Punjab are on the seasonal basis.

Are they very rarely extended beyond that?—Very rarely. In fact practically never, except in the case of a few advances which we have made against immovable property and which tend to run on from year to year. But they form a very small percentage of the total advances.

Do you find that the difficulties in recovery are increasing?—My personal experience has been that it always has been difficult to recover advances against immovable property and that the longer such a loan is allowed to run on the more difficult it is to recover it.

Do you notice any change in this respect during the last three or four years?—No.

Is any considerable amount advanced on the security of debentures and companies shares?—No, the percentage in North India is about one per cent.

Do you consider that the system of advancing against produce has passed out of the experimental stage?—Yes. Undoubtedly.

Do you anticipate a considerable extension in the near future?—I do not anticipate a considerable extension. Extension must be gradual.

Do you anticipate any difficulty in providing the necessary finance ?—None whatever.

Is the heavy fall in produce prices that has taken place during the last four or five months likely to make extension more difficult ?—To a certain extent it may affect storage because many of those who stored last year made losses ; but with low prices it seems to me that storage will be encouraged.

Will you have to increase the margin that you now retain in making an advance against produce ?—We retain 25 per cent which must be maintained.

But do you think this drop in prices is likely to affect your margin in future ?—Not necessarily. We endeavour to maintain our margin and when prices drop we call upon our clients either to give more produce or reduce the advance.

Is that generally complied with ?—Almost invariably.

Have you been able to insist upon this during the last three or four months ?—I may say that I was very pleased with the way in which people who borrowed from us maintained their margins. Of course advances have been returned very rapidly, in fact more rapidly than usual and I think a great many of the people who borrowed from us got rid of their stocks before the drop.

Do you consider that *storage facilities* for produce in the Punjab are adequate ?—I made a special enquiry on the point when I came up here about six or eight months ago and from replies received from our various branches it appears that storage facilities are ample. I can furnish the Committee with the figures if they care to have them.

Yes we would like to have them. We have the figures for the Lower Chenab Colony but not for the whole Punjab. Do your figures show that facilities are adequate ?—That is my impression. In certain places godowns have been built by reason of the fact that we have come along and are willing to give advances against produce.

Lala Harkishan Lal.—Have they been built by the Bank ?—No, but at the request of the Bank.

Chairman.—Have the commission agents done this ?—Yes, also one or two local landlords.

What is the capacity ?—They are usually *kothas* for loose storage. The usual size.

Lala Harkishan Lal.—They are sometimes for 1,000 maunds sometimes for 750 ?—The ones I am thinking of are for 1,000 maunds.

Chairman.—You say in your note that the system of licensed warehouses is not likely to be successful unless the storage is done on a very large scale ?—Yes.

What sort of figure have you in mind when you speak of a 'large scale' ?—I was thinking of the Lyallpur elevators which were a failure.

Approximately what percentage of the wheat stored under the control of the Imperial Bank is damaged by rats and weevil in a normal year?—We made a special enquiry as regards weevil all over India and the general opinion was that loss from weevil never exceeds five per cent.

Did the figures suggest that there was much difference between the Punjab and the rest of India?—No. Most of replies were between three and five. The lowest was $2\frac{1}{2}$ per cent and the highest five. The figures for the Punjab were between three and five.

We were told at Lyallpur that so far no attempt has been made to give credit facilities against storage in villages. Does that apply to the whole Punjab?—Yes.

Do you propose to extend those facilities to the villages in the near future?—In the first place storage facilities in the villages are rather *kachha*, that is to say, the godowns are not such as to enable us to get complete and undisputable possession and also the individual *kothas* would be very small and, in fact, the business would not pay us. It is chiefly a question of whether it would pay the Bank or not. If it is a paying proposition we would take it on otherwise not. Another difficulty is that of communications. During the rains, for instance we cannot get to a lot of these villages and we must have our stocks inspected at least once a month. We have actually endeavoured to develop produce advances in the villages in the Madras Presidency and it has not been successful for the reason that communications are bad and during the rains we cannot get to our stocks for two or three months.

Do you happen to know the total amount advanced against produce last year? you have given us the figures for the 31st July?—I think the 31st July figure would probably be about the highest amount; though I think, at one time it went up to 76 lakhs.

Can you not say even approximately how much is advanced against produce in the course of twelve months?—Generally speaking, the advances are made here between the months of May and August and after that the tendency is for the stocks to go out.

Then cotton comes in and *toria*?—Yes. Of course we do start advancing against cotton in November.

Probably most of the thirty lakhs shown on the 31st January is against cotton?—No. We do not do much against cotton on account of insurance difficulties.

What are the insurance difficulties in regard to cotton?—The Companies are not at all keen on insuring cotton, especially when it is stored in ginning factories and factory compounds.

Do they object when cotton is under your lock and key?—Only if it is in factory compounds. We advance as little as possible on cotton in factory compounds because the insurance companies are reluctant to insure it.

Then your advances against cotton are handicapped because of insurance difficulties?—It is a matter which is under discussion. Hitherto Insurance Companies have done it and we have not been handicapped but we may be in the future. But I think we will be able to overcome these difficulties by insisting on storing being done outside factory compounds. There is lots of accommodation available outside ginning factories because by the time cotton comes in a good deal of grain has moved out and I am getting people to store outside factory areas and do business on that basis.

Would you say that the system of advancing against cotton had also passed out of the experimental stage?—Our advances against cotton can hardly be called an experiment, because the Presidency Banks used to advance against cotton.

Under this system?—Yes, we have always stored baled cotton. The Bank of Bengal and the Bank of Bombay did a lot of this business.

In the Punjab?—I do not think they did it in the Punjab. But they did it in the Central Provinces.

Then am I right in thinking that advancing against cotton present no more difficulties than against wheat except on the one point of insurance?—Yes. and that difficulty applies to stocks stored in factory premises only and not to stocks stored in ordinary godowns outside.

In your case is more cotton stored outside or inside factory premises?—Practically all of it outside.

Is the rate for advances $7\frac{1}{2}$ per cent from January to June and seven per cent from July to December?—Yes.

Is that a uniform rate for the whole of the Punjab? Yes. That seven and $7\frac{1}{2}$ includes insurance and charges for *durwan* and godown keepers. But it is not applicable to cotton but only to grain.

What is the rate for cotton?—One per cent above the bank rate with a minimum of six per cent.

Lala Harkishan Lal.—Do you mean one per cent over this rate?—No. Over the Imperial Bank of India rate.

Are costs extra?—Yes. Insurance and pay of godown keeper are extra.

Chairman.—What would be the total charge?—If the bank rate is seven per cent it will be about $8\frac{1}{2}$ per cent. But of course as the bank rate drops this will go down.

How many of the hundred new branches that the Imperial Bank undertook to open in accordance with the terms of its Charter have been opened in the Punjab?—Seventeen. But we also opened one sub-agency, eight pay offices and 34 out-stations which are not included in the 100, but we give banking facilities at the pay offices.

When was your last branch opened?—Gojra was the last branch. It was opened on the 20th December 1925.

Are you contemplating opening more branches in the near future ?—No. What we are doing is this. We open out-stations at likely places and put a godown keeper in charge, and he gets what business he can assisted by the agent. In course of time we see what the possibilities of the place are. If we consider that they are good then we convert the out-station into a pay office and put a clerk in charge and keep cash and give credit facilities, we issue drafts, we buy demand drafts and parties wanting advances against produce can actually draw the money on the spot and repay it on the spot ; and we take saving bank accounts and deposits, though to a limited extent.

Is it limited in the case of each individual or in regard to the total that may be taken by the pay office ?—What I really mean to say is that the clerk in charge has no power to sign for the Bank and therefore when deposits are accepted they have to be accepted on the understanding that they will be kept in the parent branch and the receipt issued by the agent of the parent branch. It is restricted in that way.

What business can be done at an out-station ?—The only business is advancing against produce but the godown keeper can send a good deal of demand draft purchase business to the parent branch. He keeps in touch with the *arhtis* and various dealers in the mandis and when they have D. D. for sale and are sending their produce away he tries to get them to put the D. D. through the parent branch and in that way they attract business to the parent branch.

Then the only facility they give is advances against produce ?—That is practically the only facility we can give at an out-station.

Is the money paid there ?—For the actual advance they have to go to the branch or very often the pay office, because many of the out-stations are attached to pay offices which are nearer than the parent branch.

Where are the eight pay offices ?—One at Okara, two at Khanewal and Mian Channu attached to the Multan Branch, one at Budlada attached to Ludhiana, two at Moga and Muktsar attached to Ferozepore and one in Rawalpindi City.

Do you think it probable that any of these pay offices will be converted into a branch in the near future ?—They would probably first be converted into sub-agencies.

What is a sub-agency ?—We have recently converted Abohar pay office into a sub-agency. Sub-agencies are practically branches but are under the control of a neighbouring branch with a senior officer in charge. Usually a sub-agency is placed in charge of a comparatively junior assistant whose work has to be looked over.

Do you think that any of these pay offices is likely to be converted into a sub-agency ?—It is difficult to say. Not in the near future at any rate.

What is the total number of branches in the United Provinces ?—24.

And sub-agencies ?—There are no sub-agencies.

Pay offices ?—I cannot tell you off-hand but can send you a list.

Is the Imperial Bank dealing with fewer indigenous bankers than ten years ago ? By indigenous bankers I mean any one whose primary business is the acceptance of deposits or dealing in hundis. I think that a great many of these men who were primarily indigenous bankers ten years ago are now taking up other business, and that at a branch like Lahore, where the Bank of Bengal was established before the amalgamation, we are doing considerably less business with them than we did ten years ago.

What form does your business with indigenous bankers take ?—Discounts and purchase of demand drafts and remittances, largely remittances.

Do you rediscount their hundis ?—We are quite prepared to do so and we do it to a certain extent.

Do you think it would be possible for the Imperial Bank to give them more assistance than at present ?—We are always very glad to take any acceptable business they offer us. That is more or less the position. We have not in any way restricted our business with indigenous bankers but it does not come to us.

One witness stated that the Imperial Bank gives preferential treatment to joint stock banks. Is this correct ?—If it is a question of remittance then it is a question of the amount of business which a customer puts through. A branch of a joint stock bank will probably put all its remittances through us which amount to a considerable sum in the year and for that reason we give the joint stock banks and the exchange banks a special concession rate of 1/32 for all their D. D. remittances. We extend that concession in whole or part to any indigenous banker who will undertake to give us a certain amount of business, or undertakes to put all his business through us.

A witness in Amritsar stated that during the last two years the Imperial Bank had been treating individual dealers and customers better than joint stock banks in regard to charges for remittance of sums of Rs. 5,000 or less. Does the Imperial Bank differentiate in any way in regard to charges for remittance between one class of customer and another ?—The concession of Rs. 5,000 has been done away with. But previous to that there was no differentiation as regards that concession.

Why has that concession been withdrawn ?—We found that it involved a tremendous amount of work and it was not paying us to do it free. We take cheques and sometimes they are not paid and we make a loss. Then there is postage and registration and clerical labour involved. We tried an experiment and it was not a success.

Was it withdrawn only three or four months ago ?—Yes at the beginning of the year.

Another witness stated that the Imperial Bank sometimes sold Telegraphic transfers and demand drafts to the public on the same terms as to the joint stock banks and urged that a Bankers' bank like the Imperial Bank ought to accord lower rates to banks than to the public. Is it the case that sometimes no difference is made ?—Yes, a difference is invariably made except in the case of indigenous bankers and certain big firms who put a very large amount of business through us and they get a concession rate.

Generally speaking then you do not differentiate between a bank and an ordinary customer ?—We do differentiate. We invariably charge the ordinary customer more than the banks.

And do you differentiate as between banks ?—No. But we differentiate between the indigenous banker who gives us a very small amount of business—he is charged the same rate as the public—and the indigenous banker who gives a large amount of business—who gets the same rate as the joint stock banks.

I understand that the Imperial Bank requires not less than three signatures before it will discount a hundi. Will the Imperial Bank accept the signature of a joint stock bank as one of the three ?—We only require two signatures. That is under schedule I, Part I (*a*) (*v*) of the Imperial Bank of India Act.

Will the Imperial Bank then accept the signature of a joint stock bank as one of the two ?—Yes.

Has the Imperial Bank any direct dealings with the rural classes except to a very limited extent in regard to ornaments ?—To a very limited extent. Almost negligible.

Are you satisfied with the existing relations between the Imperial Bank and the Co-operative Societies in the Punjab ?—They do not avail themselves of the credit facilities that we give them as they might. We establish credits and they do not utilize them.

Have you no other complaint ?—No.

Has the Imperial Bank any considerable dealings with the smaller types of urban business, *e.g.*, retail traders and shopkeepers ?—They are our saving bank constituents and a number of them take advances against gold ornaments.

But they do not get advances against stock ?—No.

Are vernacular cheques accepted by the Imperial Bank throughout the Punjab ?—Yes we accept cheques written in Urdu, Hindi, Gurmukhi and Nagri.

As freely as English cheques ?—I would not say they are accepted as freely as English cheques because a man who wishes to draw in one of the vernaculars has to make special arrangements with the *khazanchi*

and has to come and record his signature before the *khazanchi*. But after that they are accepted quite freely.

Does that act in any way to discourage the use of vernacular cheques ?—I do not think so.

The arrangement which has to be made with the *khazanchi* is quite simple ?—Yes.

Do you think that in the last five years the Punjab has suffered from any excess or shortage of credit facilities ?—My personal acquaintance with conditions in the Punjab extends to eight months only. The general principles regulating the supply of credit are applicable to the Punjab as elsewhere. " Those responsible for granting credit facilities must expand or restrict such facilities in accordance with business and market conditions, that is to say, if produce prices are low at harvest time in comparison with present and probable future world prices, credit facilities should be freely given, but if, by reason of a short crop, etc., local prices are out of parity with world prices, credit should be restricted and storing should not be encouraged. Those regulating credit facilities must also see that stocks are not held for an unduly long period and that they are gradually released from the market between seasons." I think that is more or less the position.

One or two witnesses have suggested that the trader in the Punjab is apt to misuse too liberal credit facilities and that he requires less, not more, credit. Have you got any views on the point ?—The same principles apply everywhere. If credit is given too freely it will be misused and will lead to over-trading. I have had no experience of other countries but I have read of what occurs in other countries. We have the recent experience of the Canadian Wheat Pool. Undoubtedly the pool was given undue credit facilities and the result has been a big loss. Would you say that India was more susceptible to that kind of thing than other countries ?—No, I do not think it is as susceptible as other countries.

You can perhaps hardly speak of the Punjab as your experience of conditions here has been too short ?—No, but I think the average commission agent in this country who stores is a shrewd man, and gets out in time without very much forcing from the banks.

A witness at Amritsar stated that, other things being equal, the mp erial Bank will not advance so freely against Indian made, as against foreign made goods. Is that correct ?—We advance freely against Indian made piece goods which are the produce of first class mills. In the case of smaller mills it is somewhat difficult to arrive at the quality and valuation. We have to be rather more careful and possibly this may be the reason for this suggestion ; but we do not refuse to advance. Of course the same thing applies to foreign made goods. If we do not know the mark and mill turning them out, we always use a considerable amount of caution in advancing against them.

It appears to be the case that large sums of money which used to be deposited with indigenous bankers are now being placed with the Imperial Bank and the joint stock banks. Some witnesses have stated that this has led to a serious contraction of credit owing to the fact that the Imperial Bank and the joint stock banks look more to material and less to personal security than indigenous bankers owing to the absence of the close personal ties that are possible between an indigenous banker and his clients. Do you agree with this view?—I do not know very much about conditions in the Punjab but doubt if there has been a big transfer of funds from the indigenous bankers.

The evidence before us suggests that there has been a transfer?—I agree that owing to the presence of close personal ties between the indigenous banker and his clients it was possible for him to give unsecured advances more freely than is the case with joint stock banks, but the indigenous banker can always rediscount, that is to say, in the absence of deposits he can use his credit and use it to his own profit by rediscounting such hundis as he holds to as great an extent as he may wish. But I think that, to a certain extent, the question of rediscounting is tied up with that of stamp duty on hundis. The indigenous banker previously took hundis but now takes demand promissory notes with a verbal agreement that he will not demand payment for so many months; such notes are not suitable for rediscounting and for this reason he is restricting his business.

But would not an indigenous banker be in a better position for advancing money if he got more money from deposits and had not to depend upon discounting or rediscounting his hundis?—He would have to pay a higher rate of interest on deposits than the joint stock banks and the Imperial Bank pay.

It goes up to six per cent?—The Imperial Bank pays $3\frac{1}{2}$ and the joint stock banks pay 4 to $4\frac{1}{2}$.

But at what rate can an indigenous banker raise money from the Imperial Bank by re-discounting hundis?—Our hundi rate is usually near the bank rate; perhaps half a per cent more.

That is $6\frac{1}{2}$ per cent: that would be rather more than his deposit rates?—Yes. But if he takes deposits he would have to pay interest for a definite period, perhaps the whole year. If he works with his own capital and discounts hundis for four or five lakhs, that is, if he actually took hundis and not promissory notes, he could re-discount them on his endorsement with joint stock banks and thus turn his money over two or three times. Instead of having four lakhs invested in usance bills he could have ten lakhs in usance bills. It would be a more economical arrangement for the indigenous bankers.

But though this facility is available, do you think he uses it?—He does not use it, to any great extent.

Can you say why he does not use it?—Is it due to lack of what is called co-ordination?—One of the reasons is that his bill portfolio

contains these demand pronotes which banks will not rediscount and on the other hand his customers refuse to pay the heavy stamp duty on usance bills.

You do not think that there is any reluctance on his part to deal with the Imperial Bank for any reason ?—I do not think so.

Can you say in what months more money is particularly required in the Punjab and what are the months of idle money ?—The months in which money is in demand are November to February for cotton and May to August for grain, and, presumably, money is more plentiful in the other months.

Chairman.—Would you say that the other months were slack months in the sense that money tends to lie idle and is difficult to employ ?—If there is no employment for it in the Punjab, it will flow elsewhere ; but taking India as a whole it is usually employed at some place or another, though in the months of June and October money is rather a drag on the market.

Those are the slackest months ?—Yes.

Lala Harkishan Lal.—And those are the months when Government loans are offered ?—Yes.

Chairman.—We were told that May and June and I think September and October were the months in which there was a most brisk demand for money ?—Yes. I should think September was early for cotton.

Lala Harkishan Lal.—Formerly some of the ginning factories used to start work in September, but now they don't start before the end of October ?—I don't think there is very much demand for money for cotton until November.

Chairman.—How far does the bazaar rate for first class hundis vary with the bank rate ?—By bazaar rate you mean the shroffi rate ; I don't think it bears very much relation to the bank rate. The shroffi rate for first class hundis is usually slightly lower than the bank rate.

Lala Harkishan Lal.—That is generally in Bombay and Calcutta, but what about Amritsar, Multan and Delhi ?—I have last year's figures for Amritsar. It seems to be slightly lower than the bank rate in Amritsar. In January it was $6\frac{1}{2}$ per cent and the bank rate was 7 per cent.

Do these rates vary together or do they vary independently of each other ?—They vary together to the extent that as the bank rate drops, money becomes easier in the market and consequently the shroffi rate also drops.

And the difference between the two is very small ?—Yes, it is perhaps $\frac{1}{2}$ per cent or one per cent.

Why should there be a difference ?—The bank rate is the rate for the whole of India, and there is bound to be local differences.

What is the highest point touched in the last five years by the bank rate ?—Eight per cent., in February 1929.

And by the bazaar rate ?—The bazaar rate of Amritsar was seven per cent at one period according to the records in my office.

(iv) In 1898 Mr. J. H. Sleigh, Secretary and Treasurer of the Bank of Bombay, stated as follows :—

(*See J. M. Keynes, Indian Currency and Finance*, 1924, *page* 197.)

> " When the official rate rose abnormally high, the rate in the native market did not respond to the full extent, but generally stopped at 7 or 8 per cent., though the Presidency Banks' rate might rise to 10 or 12 per cent. The explanation is simple. The shroffs, who finance nearly the whole of the internal trade of India, rarely, if ever, discount European paper and never purchase foreign or sterling bills. Neither do they lend money on Government paper or similar securities, but confine their advances to the discount of hundis, to loans to cultivators, and against gold and silver bullion. The hundis they purchase are for the most part those of traders, small and large, at rates of discount ranging from 9 to 25 per cent per annum, but the hundis they buy and sell to each other, which are chiefly the traders' hundis bearing the shroffs' own endorsement, rule the rates in the native bazaar, and are generally negotiated during the busy season, at from 5 to 8 per cent discount. They also discount their endorsements pretty largely with the Presidency Banks when rates are low, and discontinue doing so when they rise above 6 per cent."

How far is this an accurate description of present conditions ?—I think the shroffs still employ their funds in a similar manner, but advances are now seldom made by means of hundis, and they use every device to avoid the stamp duty. They don't discount with us to the same extent as they formerly did with the Presidency Banks, presumably because we cannot accept their bills in the form in which they hold them. We, however, get a large amount of shroffi bills when our discount rate is six per cent or below.

Is that a hindrance to business ?—I certainly think it is a hindrance to business ; it is a hindrance to the free flow of credit. For instance when money is very tight, the Imperial Bank can borrow up to twelve crores from the currency, but such borrowings must be backed by usance trade bills, and our difficulty is to get the bills, because our advances are usually in the form of cash credits and demand loans against Government paper ; the bills which we formerly got from the shroffs on rediscounts, we do not hold in our portfolio now-a-days.

When was this duty raised ?—There was an increase in the duty in 1909 and it was further increased in 1914.

Has this difficulty arisen since then? Can it be definitely connected with the rise in the stamp duty?—When the last rise came, our bill business began to fall away.

Chairman.—Would you reduce the duty to merely a nominal amount?—I certainly think that the hundis should be stamped with an impress stamp.

But so small that it does not interfere with its free use?—Yes.

We have had several complaints about the difficulty of securing a sufficient number of small notes for large and large notes for small, as the case may be. Do you wish to meet this complaint?—I don't think there is any real ground for complaint. I know that a very large number of people use notes for remittance purposes through the post. Our point of view is that we maintain currency chests at a considerable cost: we have to keep large strong rooms to hold the chests and there are various other expenses attaching to the management of currency chests such as extra Potedars, Inspectors, etc., and we are, therefore entitled to the small charge we make for remittances through currency. We offer very cheap facilities for the transfer of funds, and it is our policy and also the policy of the Government to encourage transfers through the currency by means of telegraphic transfers and to discourage the use of notes for remittance purposes. There has been a good deal of complaint about this difficulty in exchanging notes for coins, big notes for small notes or small notes for big ones. We very often get a man coming into one of our branches with say a large number of small notes which have been cut and are very dirty and perhaps, in addition, he brings a lot of coins and demands clean thousand rupee notes which he wishes to send by post and so avoid our remittance charges. It probably takes a couple of our men three or four hours to examine and compare the numbers of the cut notes and to shroff the coins, and for all that work we get nothing.

Lala Harkishan Lal.—Government contributes nothing for keeping the currency chests?—We get free transfers for keeping the currency chests and we cover our expenses by charging 1/32 or Re. 0-1-0 per cent to the banks and public.

Chairman.—How many currency chests are there in the Punjab? There is one at each branch. I don't think there is any branch in the Punjab that has not got a currency chest.

In regard to the proposed legislation on the subject of bearer instruments, would you make it impossible for a person other than the drawer to alter the character of a cheque or a bill of exchange from bearer to order by merely substituting the word "order" for "bearer" on the face of the document?—You could not possibly legislate for that, because any one can alter the character of a bearer cheque by merely striking his pen through the word bearer. That converts it into an order cheque. There is no objection to that from the bank's point of view. There is no need to write the word "order" for

"bearer," because under the Negotiable Instruments Act a cheque payable to a certain person is payable to him or his order. It is not necessary to write the word "order." What the banks object to is the change in the character of the cheque by endorsement. At present any person can alter the character of a cheque from bearer to order on the face thereof.

Lala Harkishan Lal.—But the drawee could not alter the word "bearer" to "order"?—Any one can alter it in practice. There is nothing to indicate who drew the line through the word bearer and no initial is required.

Every one has got a right to alter the character of a cheque by crossing it and making it payable through a bank?—I do not object to that. That decision in Bombay is more or less a quibble.

Chairman.—Your objection applies only to making a change in the character of a cheque by endorsement?—Yes.

You say in your note that reduction in stamp duty should start with sixty days' bills. Do you mean with bills drawn for more than sixty days or at sixty days' sight?—Where would you actually draw the line?—It is at sixty days' sight, but on consideration I don't think it would be practicable to make any such distinction. The point was that the duty payable on sixty days' bills is, the same as that on say, 100 days' bills. The charges are the same, but if an ordinary person is going to discount it, he says "well, this accommodation is going to cost me seven per cent.," and then stamp duty is another half per cent for sixty days, but only another $\frac{1}{4}$ per cent for 120 days. I think that view is taken by quite a lot of people.

You are not in favour of extending the activities of the Post Office in regard to remittance; would you have the same objection in regard to places where there is no branch of the Imperial Bank or a joint stock bank?—On the ground of competition it is unfair competition.

The question of remittance seems to me a very important one in a big country like India and where there are no branches of the Imperial Bank or a joint stock bank, should not remittance facilities be given by the Post Office?—They have got money order facilities.

That is very expensive and also limited in amount?—Yes.

Would you not distinguish between places which have a bank and those which have not?—Usually in the smaller places where there is no bank, the Post master is not a very highly educated man, and I doubt very much if he will be capable of dealing with the collection of cheques and hundis. I would have no objection at places where there is no bank.

About the payment of salaries by cheques, you say that it would greatly increase the work of the bank. Have you any experience of how the system works in the United Provinces, where I understand all salaries of over 100 are paid by cheque? No, I—have not had

any experience of the actual working of the arrangement, but I believe it was started at the bank's instigation, because of the difficulty of following the endorsements on pay bills, and that we asked the United Provinces Government to make payments by cheques if possible.

You were in favour of it in the United Provinces?—That is for salaries of Rs. 100 and over.

Would you be in favour of that for the Punjab, the object being to stimulate the banking habit?—I would.

In the case of the non-gazetted staff a consolidated pay bill is drawn up for the whole office and one sum is drawn, which is then disbursed by the Head of the Office; but under this system any one drawing over Rs. 100 would be paid separately by a cheque?—I think that would require consideration, because if at, say, Lahore they have a crowd of some thousand people coming along to the bank on the first of each month to cash their cheques, it would be overwhelming. At present one or two men come along with a consolidated pay bill and they draw the whole amount.

It would undoubtedly increase the work of the bank, but possibly more banking accounts would be opened?—I doubt it very much. I think it might be done, but we would have to consider the limit in relation to the number of persons likely to come to the bank. Perhaps Rs. 100 might be too low.

Have you any proposal to suggest by which the banking habit might be stimulated in the Punjab?—I am afraid I have not considered it. Of course stimulation is being done through officers in charge of pay offices and the agents of branches; they are pushing the savings bank habit as far as they can.

Have you got any organised system of propaganda for that?—We have not.

The figures which you have given us show that there is a very large increase in that business?—In fact we have had leaflets printed in vernacular which we distribute, but I think the best propaganda is by word of mouth; it helps a lot. Wherever we have pay offices and branches, we point out the advantages of opening savings bank account and a certain amount of business comes to us in that way.

Has there been any change in the rates or facilities in the last five years or is the increase due to an increase in the saving habit?—As a matter of fact the rate has been reduced over that period and we have not given any special facilities. It is due entirely to the saving habit.

Can you say at all from what classes most of your clients are recruited?—Are they urban or to some extent rural?—I have no information, but I should say a very large percentage is urban.

Lala Harkishan Lal.—There is no system of call money in the Punjab in any of your offices or where your branch is, between the banks?—That system does not prevail in the Punjab.

I suppose you have not at any time worked out the profit and loss on the currency chest which is counterbalanced by free transfers?—No, we have not actually worked it out.

And free transfers don't apply to Government; they apply to the bank itself. If you have to re-adjust your balance, you have free transfers through the currency chest, but the Government does not get any free transfers?—We do make free transfers for them, we don't charge anything to Government.

You mean so far as balance is concerned, but I was referring to currency chest?—I was coming to that. When we make heavy payments on account of Government at one branch, we draw from the currency chest at that branch and pay in an equivalent amount at another branch. For instance if there were very heavy payments made at Ferozepore, then the Ferozepore agent draws out three or four lakhs from his currency chest and he sends a wire to the Lahore office, and the latter pays in the amount at the currency chest at Lahore, there is no charge made to Government for that.

On any remittance?—On Government account, no.

Even from Province to Province?—No charge is levied.

You say that you give 1/32 concession to your best customers. Is that uniform or is it the maximum; some people might be having 1/64th?—It is not uniform; it depends upon the amount of business.

That is the maximum then?—This 1/32 is the minimum rate at which we work.

That is charges; how much concession would they have?—Concession would be 1/32, because our ordinary rate is 1/16th and the concession is 1/32.

That concession is the maximum, whether they are firms, banks or private individuals if they give the amount of business demanded by you. You might be charging Re. 0-0-9 also?—Yes.

This is in the discretion of the local agent, or there are any fixed rules?—It is not in the discretion of the local agents; the local agent has to refer it to my office or in the case of other branches to the Head Office.

What I mean is the range between which it ranges, if he has to refer to you; he cannot refer the quantity, but he can refer the person; that means local discretion?—He will refer any proposal by a firm, etc., to give us all their business amounting to so many lakhs of rupees in a year with his recommendation as regards the rate to be charged.

That would vary?—Yes, it would vary.

You tell us that you take piecegoods in security, both foreign and indigenous. In the case of foreign piecegoods you take up the goods in London or always in India?—Always in India.

That is, your branch in London does not negotiate the bills of lading?—No, we are not allowed to do exchange business.

I am not talking of exchange, but I am talking of the bills?—London office does not do such business except to a very small extent for some of its own customers, and not for piecegoods. They take up a few bills usually for very small amounts; but we take the goods up here and pay the bills.

At Indian Ports?—We usually take them up where we do the business. The bills are usually drawn on the importer and the importer takes them to the bank.

He cannot realise the bills unless he pays to the bank?—It is done through his dealer; his dealer takes the advance from the bank.

What would be the advantage to him in a place like Amritsar or Delhi in going to the Imperial Bank if the exchange bank has received the bill and the money is to be paid there, and it is willing to advance money against the piecegoods at more favourable rates generally than the Imperial Bank?—I think the rates are about the same. We work at about the same rates as the exchange banks. I don't know exactly what their rates are; they don't publish their rates, but we get some of the business: so apparently our rates are quite favourable.

Wherever you receive these piecegoods, you have your own godowns?—We have our own godowns generally.

To what extent would you reduce the stamp duty on these usance bills?—I would reduce it to a nominal figure.

What would be the nominal figure?—I have not actually worked out a scale.

Chairman.—Would you halve it?—I would have a maximum of Re. one *ad valorem* up to Rs. 5,000 and thereafter Re. one.

Lala Harkishan Lal.—Every body has realised that the present rates are prohibitive, but how far lower would you go?—You don't want to sacrifice too much revenue, but at the same time you want to reduce it.

Chairman.—Do you think it necessary to reduce it to a nominal figure in order to meet the difficulty of providing a sufficient number of bills for currency purposes or do you think a less reduction would meet that difficulty. I think a less reduction would meet the case.

Would it be sufficient to cut it down by one half?—I think it should be cut lower than that.

By 2/3rds?—It might be reduced to the level at which it stood prior to 1909 or 1910, because I know that prior to 1910 there was no

difficulty in getting hundis, but I certainly think that the rise in duty in 1910 caused a check and certainly the rise in 1914 was very serious.

Lala Harkishan Lal.—You arrange your offices into four classes; branches, pay offices, sub-agencies and outstations?—Sub-agencies come before pay offices.

You have said something about cotton. Do you really advance money against ginned cotton lying in the open in the ginning factories?—No.

But much of the business is really done in that way?—Yes, it is.

It is either on the raw cotton which is heaped up or the ginned cotton which is lying in the ginning factories in the open for baling and so on; but the Imperial Bank does not advance money on that?—I am not quite correct in saying we don't; we do in the case of a factory that does not gin for other people; otherwise you cannot say which is the cotton against which you have advanced. But we are not very keen on advancing against loose cotton lying in the open compound.

Financing in the Punjab against cotton is required because people want to gin a large quantity. Their cost of ginning turns on the turnover and therefore they want money to buy up large stocks when it comes into the market, and gin it two or three months after. That raw cotton cannot be put into the godowns so very easily, because it requires huge godowns and expense of carrying to and fro and therefore it is heaped in the open, and that is only when real finance is required by the ginning factories?—We would like to do it, but there is the insurance difficulty and also the fact that most of these ginning factories stock cotton belonging to half a dozen or more people.

That is only if they don't get the finance?—We are trying to develop the business as far as possible, and we have succeeded in certain cases in granting advances against loose cotton, but the difficulty is that the insurance people won't insure cotton in factory premises for fear of fire.

I have not heard any fire accident occurring, because the stocks don't belong to one party. Generally when they belong to one party, then fire is likely to occur?—As long as the insurance companies give cover, we will do the business when borrowers do not gin for others, but they are reluctant to doing so.

Excepting these articles of grain, which means mostly wheat in the Punjab and some little gram occasionally, do you advance against any other articles?—Against a certain amount of rice also.

And of the other crop, against cotton and oil seeds and nothing else?—All sorts of grain in addition to rice and cotton.

You would not advance on *dals*?—Yes, we do, as long as it is of good quality and there is a market for it.

In addition to the piece goods do you advance on any other goods imported or manufactured in the country?—There does not seem to be very much demand.

Metal for example?—It depends upon whether there is a market for it. The point to be looked to is that if we have to foreclose, we should be able to sell in the market to recover our money.

All varieties of goods are included in the piece goods; for example gunny bags?—We do advance on new gunny bags.

You said that generally the six months' condition is enforced, but when you advance money on stocks of a mill, generally it is not collected back within six months?—We see that the stocks are turned over and generally the account comes down to a point at some period during the year.

On new stocks even?—The account runs down to a point once a year, say, we have advanced to a cotton mill; the account runs up as they purchase cotton during the cotton season, and as they manufacture and sell, the account runs down, until it reaches its lowest point at the beginning of the following cotton season.

It might be in a ginning factory, but in a spinning mill there is no time in the year when all cotton comes down necessarily to a very low figure; there is no season for that?—They are manufacturing all the year round, but they are usually buying stocks at one time.

Sometimes they do and some times they don't?—Quite so.

I mean there is no season for it?—That has got to be taken into consideration.

If the party is good and the account is running satisfactorily and honestly, then you renew the period?—Yes, it is renewed.

Do you go on for years?—They do, many of our accounts run for years.

I am talking only of the Punjab and I was asking about the Punjab and not of Bombay or Calcutta?—Provided the mill is working satisfactorily, the account is continued. But in my experience the majority of the mill accounts run down to a point at certain times of the year; jute mills for instance nearly always run down to a point, say, in August, before they start buying their new supply.

In the Punjab it would be different for the reason that they have to keep stock of cotton. We don't know exactly whether for twelve or fifteen months, but in Bombay and Calcutta it would be different, because there are other people who stock raw materials, for example in Bombay there are *jathas*; so the mill itself may have only manufactured stuff and they may be buying ready stuff or delivery spread over, but here of course it cannot be done, because there is no market.

If they hold too much of the manufactured goods we have to press them to sell some. It is very difficult sometimes.....

Well, you have said that your advances against immovable property don't amount to more than three per cent., but immovable property is not mentioned in Schedule I, part (1) ?—Please see Schedule 1, part (1) (*vi*).

When you say three per cent., that means three per cent collateral security ?—Three per cent of our total advances; of course it is collateral security.

In this three per cent do you feel any difficulty in realising the money ?—The accounts have all been satisfactory and we have not attempted to realise.

You would like to extend that security, as other securities are not quite so tangible and not so very readily available to do this business as the immovable property ?—I should not like to extend such advances.

Is it your own opinion or the opinion of the bank ?—I cannot say about the bank; that is my personal opinion.

Apart from these piecegoods and the immovable property as collateral and Government securities, gold and silver, are there any other securities in your district to any great magnitude where you could or any other joint stock bank invest money ?—Except personal security, clean loans or two or more names, there is scope for that.

As a banker and not as the Imperial Bank, if immovable securities are not available or satisfactory, to what extent you would invest your funds in personal security ?—You mean one's total funds.

The total funds of a local bank, for example, which confines its activities to a Province or something like that with a limited scope ?—I should say a maximum of 15-20 per cent.

Lala Harkishan Lal.—The remainder you would distribute among the securities ?—Yes on tangible security.

We know that the shroffs do rediscounting directly with the Imperial Bank, but can the same person do it through the joint stock bank or with the joint stock bank who could take hundis with a single signature as a practice and come to the Imperial Bank and raise funds ?—Yes the signature of the shroff or joint stock bank would provide the necessary second signature.

Is this done in the Punjab ?—Yes, a certain amount of discounting is done for shroffs.

Do you make no distinction between the indigenous banker, the shroff or trader ?—Practically all our bills discounted are endorsed by a shroff.

But what I am asking is whether the endorsement of the joint stock banks is accepted ?—Yes it would be, but joint stock banks when they hold bills in their portfolio seldom rediscount them. We would rediscount if they wanted us to.

Has anything been done in the Punjab up to this day in this respect?—I do not think so. My experience of the Punjab is very limited. Of course you know when a bank comes along to rediscount its bills it is looked upon with suspicion.

Then so long as it is looked upon with suspicion they would not freely do it. This is one of the problems before the Central Committee and incidentally before us also. How could the various financing agencies of the land be linked up to an apex bank, whether it is the Imperial Bank or some other bank? and a suggestion has been made that the shroffs should come through the joint stock banks to the apex bank, but probably the shroffs maintain that they should go direct.—I think they should come through the joint stock banks.

At present it is not customary and some suspicion attaches to it.—If it became a common practice there would be no suspicion because it is a common practice in other countries for banks to rediscount.

That would help to give banking facilities in small places, for examples, a small bank could be started in, say, Toba Tek Singh and could collect hundis with its own money as well as with the assistance that it might receive from a big joint stock bank like the Imperial Bank and could do a good deal of business, and the Imperial Bank situated at Lyallpur would, without any expenditure get its own rate of interest through this bank?—Yes, provided the bank was secure enough.

That applies to all borrowers?—Yes.

Your complaint is that the co-operative banks do not come to you for borrowing money. On what security could you give them?—We give them advances against Government paper and, when they require it, against the pronotes of unions.

Would you be willing to do that?—We have arranged that in certain cases.

Would you do it in the case of the central banks also?—Only to the extent they have themselves advanced.

In advancing against produce you have a fixed rate for the two halves of the year so that you do not take the element of risk of individual cases and places into account?—We have a fixed rate.

In some places, for example, the wheat gets weevil into it and in other places it does not; in some places the people speculate and in other places they are simply keeping it to tide over the season?—No we do not take all that into consideration. The margin covers the risk.

Rai Sahib Kishan Lal.—Have you ever helped any indigenous banker to rediscount his hundis or given him some other assistance?—We are only too glad to get such business, but they do not come to us to any great extent. We used to do a very good hundi business in Lahore but that seems to have gone and we do not get it now-a-days.

Chairman.—You said in regard to cotton advances that there had been some unpleasant experiences in regard to the insurance of cotton. Was that recent?—No. Most Insurance companies say that they have had a very bad experience for the past two years, generally in the Punjab.

And has that made the advancing on cotton more difficult?—It is likely to do so in the future.

Lala Harkishan Lal.—It has. For example hardly anybody has come to the Peoples Bank. People have let out the factories to the Japan and Bombay people as they can get the cotton insured?—That means that the business is passing out of the hands of the local men into the hands of the Japanese.

Chairman.—How long have you been out in India?—Twenty-four years.

Could you say whether in this period there has been any change in the standard of business integrity?—I should say it is much the same.

These figures that you have given us for loans against gold ornaments show that the business is growing. What are the terms of this business?—We take a margin of twenty per cent of the value of the ornaments and charge seven per cent on the advance and charge interest quarterly.

What is the effective rate of interest?—About 7¼ per cent.

Are your rates uniform for the whole of the Punjab?—Yes. For the whole of India.

What is the minimum amount that will be advanced?—Rupees 200.

Do you know at all whether advances are being made to zemindars?—To a very small extent.

(Witness withdrew.)

Oral evidence of Mr. G. S. Butalia, Agent, Imperial Bank of India, Jullundur City.

Chairman.—Are there any indications that saving is increasing?—Of course; there are many zemindars who went to Canada and other foreign countries; they have brought a lot of money here. Most of our savings deposits are from these people and our savings bank deposits have increased considerably.

Could you give us any idea of the number of returned emigrants who are dealing with you as depositors?—I think I must have got about 700 accounts of these people.

All from the Jullundur District?—Yes.

None from Hoshiarpur?—Very few from Hoshiarpur because it is a long distance off.

Is a certain amount of money remitted through you from abroad every year by emigrants?—Most of it comes here through us.

Can you give us any idea of the amount that passes through your hands that is remitted from foreign countries through you?—The daily average is about Rs. 5,000.

Coming from those countries?—Yes; they may not return themselves, but they send to their people here. These drafts are drawn on us, and most of these people put the money in their savings bank accounts.

The whole of that comes from emigrants?—Yes; it comes from Canada, Australia and other countries.

Are they mostly rural classes?—Yes.

Do you think the whole of this business passes through your hands?—Yes.

What part of that would be for Hoshiarpur; a considerable part of this Rs. 5,000, I think?—It is for two districts, Hoshiarpur and Jullundur, and some also for Ludhiana only in case they draw by mistake on us, but that is not appreciable.

What is the largest amount that has been brought back by returned emigrants within your knowledge?—I remember one man brought about Rs. 25,000; another man brought about Rs. 50,000, which is the highest figure, though the latter told me that he had about Rs. 1,00,000 left there.

Mr. A. Y. Russell, Agent, Imperial Bank of India, Ferozepore.

PART II.—MARKETING.

2. It is impossible to state exactly how far grain stored in Kothas, Bank godowns, etc., is used as security for obtaining credit.

Some of the merchants in the district are averse to pledging their stocks to Banks, as they are afraid that as soon as it becomes known in the bazar, their credit among their fellow merchants, will suffer in consequence. These same merchants are not averse, however, to borrowing from indigenous bankers, in some cases at high rates of interest. The reason for this is probably explained by the fact, that indigenous banks do not observe the same alert supervision over such stocks as Joint Stock Banks. The borrowers, as a rule, object to periodical inspection of their stocks, which in most cases puts them to a certain amount of inconvenience, especially where stocks are stored in Kothas.

3. (*i*) The system of licensed warehouses in the United States of America in my opinion would not receive the support of the local traders in the Mandis for the following reasons :—(*a*) The charges to the traders for rents, etc., would be in excess of those at present paid for storage by them. (*b*) The merchants would feel that they had not the same charge over their stocks, whereas they can obtain samples without unnecessary trouble and delay at present. (*c*) Further, Government grading of stocks would not be acceptable to the traders, who, as a rule, prefer to keep the " tricks of trade " in their own hands.

5. (*i*) There is co-ordination among the various credit Agencies in so far as their financial requirements are covered by approved securities or approved co-obligants to advances on personal security.

Mr. J. N. Mirotra, Agent, Imperial Bank of India, Kasur.

PART I.

1. (*i*) On account of existence of a Currency Chest with Imperial Bank of India, Kasur, ample facilities are available to the public as well as to the local banks as regards payments to them according to their requirements of the internal remittances received in their favour and of exchange of Notes into Whole Rupees.

8. (*i*) There are two kinds of Hundies current in this market, namely, demand or darshani hundies, and Usance local bills or Muddati Hundies.

Demand Bills provide means of importing funds to finance the purchases of various commodities undertaken by the local Commission Agents for people outside this market.

Usance or Muddati Hundis provide means of accommodation to merchants for a fixed period.

Demand and Usance Bills are worded as under :—

Demand.

To Drawees' name and address. Place and date————

On demand please pay to————————————the sum of Rupees————(amount in words) for value received.

Drawers' Signature.

Usance Bills.

Place and date————

————days after date or sight please pay to————the sum of Rupees————(amount in words) for value received.

To Drawees' name and address. Drawers' Signature.

The drawee accepts such bills and marks his acceptance on their face together with the date when accepted.

(*ii*) There are no real Shroffs in this town. A few wealthy commission agents are reported to have invested their surplus by making small advances to local merchants by way of Usance bills or Muddati Hundies.

9. (*i*) Railway receipts for goods in transit accompanied with a bill drawn either for full or a part of the cost of the commodity covered by the relative Railway receipts are easily saleable locally.

PART II.

1. (*i*) The principal crops of this Tehsil are barley, wheat, gram, Kapas and Toria.

The products are brought into the market from the fields on bullock carts, ekkas, donkeys and camels.

(*ii*) Barley is mainly used for domestic consumption, while other crops are mainly sold in the market, but there is no change in the method of marketing of either.

4. (*i*) There are no Co-operative Banks or professional money-lenders in this town. The local branches of Joint Stock Banks do, however, finance most of the commission agents who purchase and store during the season on behalf of their Beoparies or customers grain and Kapas coming in the market.

Imperial Bank of India also makes advances to the people against Gold Ornaments, at a very reasonable rate of interest. Most of the merchants, cultivators and the people of the public have apparently derived full benefit from the facility of this kind offered by this Bank.

Imperial Bank of India also gives financial assistance to exporters of grain, oil-seeds and cotton by buying their demand bills drawn on seaport towns.

PART III.

1. (*a*) A few foreign companies have opened their offices in this town to purchase hides, bones, cotton, oil-seeds (Toria) and wheat for export purposes. Their agents provide funds for their purchases either by selling their demand drafts locally or by arranging a supply of funds through their Brokers or Khazanchees.

(*i*) No arrangement is made for financing the crop while in transit from the village to the Mandi.

(*ii*) Major portion of Toria and Kapas is bought for export by the foreign companies referred to above. Toria is exported as soon as it is bought, Kapas is ginned in the local factories and cotton that is turned out is pressed in bales and exported to seaport towns.

The cost of the two crops in question is paid to the cultivators through the commission agents who sell these commodities on behalf of cultivators.

The means of proving funds to meet the purchases of the foreign companies under reference has been described above.

The Agent, Imperial Bank of India, Gujranwala.

PART I.

1. Facilities are afforded by the Bank to the public, including banks and bankers for internal remittances either in the shape of Demand Drafts and Telegraphic Transfers on places where there are branches of the bank at rates varying from pies 6 to annas 4 per cent or by discounting Demand Bills payable at outstations at rates varying from anna 1 and 6 pies to annas 4 per cent. Remittances by Government Currency Notes or by Postal Money Orders are also available to the public.

3. To remove the considerable amount of extra work and responsibility on banks, I am in favour of creating by law a type of instrument which once drawn payable to bearer will always remain payable to bearer.

4. No experience at this branch.

6. I am of opinion that the rate of duty on Bills of Exchange should be reduced to a nominal amount to encourage this sort of business, as the present stamp duty on Usance Bills is too high and by which the drawing of such bills is discouraged.

8. There are three sorts of hundis current in this trade-centre, *viz.*:—

(1) Demand Drafts.

(2) Inland Bills.

(3) Local Bills.

Demand Drafts.—Demand hundis drawn on places other than those where they are drawn.

Inland Bills.—Usance Bills drawn on places other than those where they are drawn.

Local Bills.—Usance Bills payable and drawn in the same place.

8. (*ii*) Hundis are generally negotiated for merchants and commission agents. Hundis negotiated between traders pass freely from hand to hand.

Hundis payable at Bombay, Karachi, Calcutta and Delhi are generally picked up by the local Bullion and Cloth Merchants for their requirements and the remaining bills are negotiated through the local banks of the district.

(*iv*) Due to slackness in trade, hundi business has decreased during the last few years.

9. Demand Drafts accompanied with Railway receipts are discounted by the bank freely for known parties.

10. Railway receipts change hands in business with endorsements.

11. *Bijaks* relating to produce in godowns are negotiated in the district, but *sattas* are not popular.

PART II.

2. Grain is stored in kothas loose and in bags, and in banks' godowns as security against advances to intending borrowers to an extent not exceeding 15 per cent of the total outturn marketed.

PART IV.

4. As yield per cent on money invested in Government securities or Postal Certificates is higher than that obtained from the bank and is, therefore, more attractive to the public.

5. Every facility is given to the public for buying Government securities at a charge of $\frac{1}{4}$ per cent and $\frac{1}{8}$ in large amounts on the value of the securities purchased.

6. No other financial agency to our knowledge except local banks for purchase and sale of securities other than those of Government.

9. The smallest sum accepted by the bank for credit of a Savings Bank account is Re. one.

12. Cheques are mostly used by officials and traders of good standing.

(*ii*) Since the abolition of stamp duty the habit of using cheques is considerably increased.

Oral evidence of Lala Mukand Lal, Agent, Imperial Bank of India, Montgomery.

Chairman.—How long have you been in the employ of the Bank?—For the last eighteen years.

How long have you been here?—I have been here for the last three years.

When was this branch opened?—This branch was opened in 1924.

Are there any other branches in the district?—There is a pay office at Okara. It is not a branch.

Is that all?—Yes.

Can you tell us what was the total amount of your advances last year?—I cannot disclose these figures.

What proportion would your advances against grain represent of your total advances?—Our advances are chiefly against grain.

You say this is for four months?—Yes.

Have you godowns?—Yes, at the mandis at Okara, Chichawatni, Arafwala and Montgomery.

How many mandis are there in the district?—These are the only big mandis.

Do you advance more against wheat or against cotton?—We advance against wheat, grain, cotton seeds, etc.

What is the minimum amount advanced?—No minimum amount has been fixed. It has been left to my discretion.

What is the smallest amount you handle?—About 250 maunds.

Do you deal direct with zemindars?—Not with zemindars. They store their wheat in villages and do not come to the mandis. They come through *arhtis*.

So you deal entirely with commission agents?—Not necessarily.

Do you consider the storage facilities in this district sufficient?—I think they are quite sufficient.

Do you ever have any difficulty in arranging for storage?—No, we have had no difficulty.

Were people in the habit of storing grain before?—We started this business only in 1926. Before that other banks used to do it, but we were not doing this class of business.

If a man wanted a place in which to store his grain would he find the facilities sufficient?—Yes.

Could you give us an estimate of the proportion of wheat that passes through the mandis which is actually stored and not sold outright?—About 40 to 50 per cent on the arrivals in mandis is put in storage.

How much was it when you first came here three years ago? Is there any increase?—Yes, there is some increase.

What would you put that figure at three years ago?—Before the people used to send their wheat to the ports now they store locally. At first the storage was about 20 or 30 per cent. The increase has been about 10 to 15 per cent.

What would be the corresponding figure for cotton?—A very small quantity of cotton is stored here. Not even 10 per cent.

About 5 per cent?—Yes.

Is there any tendency to increase the amount stored?—I do not think it can increase as export firms buy this cotton and send it to ports.

Chaudhri Sultan Ahmad.—What about bales?—I mean bales not *kapas*.

Chairman.—You do not store much cotton?—No.

What else do you store in large quantities?—Wheat, toria, but not much as it is not produced much here: Cotton seeds, a small amount of grams, etc.

I take it that there is a certain amount of damage to wheat from weevils through storage?—Not much, about five seers a bag.

That is about 5 per cent?—Yes.

Is there damage from any other cause?—No. No other damage.

Do you advance against ornaments?—Yes from the last two or three years.

Is that business growing?—Yes it is becoming popular.

Do you have any business with zemindars direct?—There are very few accounts with zemindars here. At present not more than 20 per cent.

Roughly how many accounts have you altogether?—I cannot say.

Do you suppose that some of the ornaments that come to you come indirectly from zemindars, though not directly? No. They are not zemindars' ornaments, but belong to the mandi people.

Have the zemindars opened savings bank accounts?—Yes, there are some accounts.

What is their number?—I cannot say.

How many savings bank accounts have you got here?—Cannot say.

And how many were they when you came here three years ago?—Some accounts have been opened and some closed.

Would the total be larger or smaller?—The savings bank business is increasing no doubt.

Rapidly?—No. Slowly and steadily.

To what extent does it attract the zemindars and agriculturists?—I cannot say exactly, but there are some accounts.

Could you let us have the figures?—No. Cannot give the figures.

Do you find any one bringing you gold?—Not here. This is not a gold market.

Or jewellery?—No.

Is there anything in your experience during the three years to suggest that any hoarding is done in the mandis or villages?—No.

Nothing at all?—No.

A certain amount of the business in every town passes through indigenous agencies and a certain amount through joint stock banks. What, roughly, would be the proportion here that passes through the Imperial Bank and the joint stock banks?—I cannot say.

Are there any indigenous bankers here?—No. Are there no people who deal in hundis, or do all hundis come to banks?—There is not much hundi practice here—very little.

So that the bulk of the business passes through the banks?—Yes. People are not writing hundis. They finance themselves through the banks.

Do you think the cash certificate rates sufficiently attractive?—The rates are quite good and attractive for the public.

Have you any idea as to what class of person buys cash certificates?—I do not know.

Do you ever buy cash certificates for your people?—No. No application has ever been made.

Do you buy Government securities for people?—Yes, we do.

Is that class of business increasing?—In this colony there are very few people who buy Government securities. They invest their money in land.

Could you say whether the use of cheques has increased since the stamp duty was removed?—No doubt it has. But it can be increased a little more.

How?—If the payment of bills is made to officials by cheques. The practice in the treasury at present is to pay on original bills not on cheques, but if the same system is adopted as at Lahore as the Accountant-General issues cheques to officials, it will increase the use of

cheques. Also the telephone people and the Post Office should accept cheques for the payment of telephone bills.

What are the objections to doing this? Have you ever discussed this question with the treasury officials?—I have never discussed with treasury officials, but I think it is more safe to issue cheques.

From the banking point of view do you see any objection?—The cheques can be endorsed to everybody, but these bills cannot.

Do you manage the Government business here?—Yes.

Would it facilitate that work if payments were made by cheque?—Yes.

In the case of people who have an account with the bank it will obviously involve no difficulty, but would it not be difficult in the case of people who have no account with banks?—No.

Chaudhri Sultan Ahmad.—Would they not have to send it to you or to another bank and have it cashed? Would you do it free of charge?—Yes. They are local bills. They are like all cheques.

Chairman.—It would not involve more work for you if the man has an account with the bank, but if a man has no account would it mean more work for you if payment is made by cheque?—But if this is done more people will open accounts with the banks.

You would, therefore, look on it as increasing your business?—Yes.

Supposing a person does not open an account would it add to your work or not?—No, it will not make any difference.

I am suggesting that the present system may be modified and every one drawing over Rs. 100 paid by cheque. Would this not add to your work by obliging you to cash cheques issued on your bank?—Yes, that would.

But on the other hand you think it would probably add to your business?—Yes.

Do you accept cheques drawn in the vernacular?—Yes, we do.

As freely as cheques drawn in English?—There is no difference.

Do you not hold the treasurer responsible?—Our system as regards the vernacular cheques is the same as in Lyallpur. We take them as freely as cheques drawn in English subject to the *khazanchi's* guarantee.

Lala Kishan Lal.—Do you accept them in *Landa*?—If the *Khazanchi* endorses them, we do.

Chairman.—Is this a surplus bank or a deficit bank? Does more money come to you than you require?—No. We pay out more money than we receive.

Can you tell us the total amount of money paid out in the course of a year?—In 1927 we paid out about a crore of rupees.

How much of that would be paid out to other banks?—We pay mostly to export firms.

Against what security?—To finance their business against demand drafts.

Are these supported by railway receipts?—No, we get a letter of credit from other branches in exporting centres.

The security then upon which that business is done is really furnished by other centres?—Yes. But we pay the money here.

When is the demand for money slackest?—April and May and again in September and October.

What are the brisk months?—From November to February and March—the cotton season; and June to August the wheat season.

Have you relations with co-operative societies?—Yes. We deal with the Co-operative Central Banks.

Only with the Central Bank?—Yes.

Have you any suggestions to make for making the relationship closer?—No.

Chaudhri Sultan Ahmad.—Do zemindars ever redeem their jewellery?—Yes. We have never sold any gold ornaments yet.

What is the rate of interest?—Same as in Lyallpur.

Lala Kishan Lal.—What proportion of work do you do in Montgomery compared with other banks?—I cannot say.

Is not your rate of interest less than that of joint stock banks?—Other banks also advance at 7½ per cent against produce.

Do you do hundi business?—There is not much hundi work here.

Chairman.—Are not the rates for demand drafts the same for the whole of the Punjab and fixed by the head office?—I think they have given some concession in some big branches.

Do you issue drafts free or not?—There is not much business here. People want money here, but not to remit.

(Witness withdrew.)

Oral evidence of Mr. R. D. Jackson, Lyallpur.

(He stated that the views expressed by him were personal and not on behalf of the Imperial Bank of India, evidence on whose behalf would be given by the Governors of the Bank.)

He stated that the had been in charge of the Lyallpur Branch of the Imperial Bank for about four years. His total service with the Imperial Bank was nine years. The Lyallpur Branch of the Bank was the most important in the Punjab as far as the grain market was concerned. The bank advances both to other banks and against produce. In 1928-29 of the average advances roughly 50 per cent were against produce and 50 per cent to banks and others. Witness put in a statement showing the percentage of storage of the different kinds of produce and the maximum storage capacity of the mandis in the Chenab Colony, together with the amounts stored in each during the past three years.

The average period of storage was five to six months. He could not say off-hand what proportion of the wheat that passes through the mandis is stored, but promised to supply the figures later on if permitted. Since the advent of the bank in 1921 the amount stored in the mandis is, generally speaking, increasing from year to year ; naturally some grain was stored before that time, but on nothing like the scale it is now. Advances against produce have become an important part of the business of the Imperial Bank since 1926. It was first undertaken in Lyallpur as an experiment, but has now passed out of that stage, and the bank now operates in every mandi in the Chenab Colony. Generally speaking, *arhtis* alone deal with the bank. It will take time for the zemindars to come forward and deal direct. One reason why the bank does not deal with zemindars is that they prefer to store in the villages in places not regarded as suitable, while the bank requires that the produce it is proposed to pledge shall be stored so that the bank's possession is complete. When a prospective borrower desires an advance, enquiry is first made into his financial condition, and subsequently a limit is fixed up to which the borrower can pledge his goods and draw money. Goods are then stored in the presence of a servant of the bank. Generally advances are permitted up to 75 per cent of the current market value of the produce. In enquiring into a man's financial position it is also considered whether he is trustworthy and honest in his business dealings. This principle is followed generally by banks all over the world. The margin of 25 per cent cannot be said to be excessive, as provision must be made for various things such as deterioration, fall in prices, &c., expenses of sale of the security if such has to be sold in realisation of the advance ; again if a borrower does not pay his interest, the margin of 25 per cent is still further reduced. The bank has its own godown in Lyallpur, as it is difficult at times to get proper storage places in the city ; many of the storage places used in Lyallpur itself are not acceptable to the insurance companies. Some of the storage places in the district are rooms in houses and the bank

simply puts its own lock on them. The bank insists that such places are of a kind that will make the bank's possession complete and are safe for the grain that is stored in them. The produce is allowed to be left in storage as long as is reasonable, having regard to a borrower's position and the state of the market. In the normal course it is not usual to allow it to be left over from one season to another. Produce advances are charged interest at 7½ per cent per annum for the first six months of the year and 7 per cent per annum for the remaining six. This is an inclusive charge not only for interest but for the services of the godown keeper, durwan, also insurance charges, and other incidental expenses which were previously debited to the customer.

The same system is observed in regard to baled cotton save that interest rates are not inclusive, the borrower has to pay the insurance. A man can pledge ten or twenty bales if he wants to. In the case of cotton factories a borrower pays the insurance charges, the interest is one per cent above the bank rate, and so a ginner may get his money cheaper or dearer than the *arhti* does according to the bank rate prevailing at the time. This difference in the case of cotton is due to the fact that cotton is a very difficult security and also because during the cotton season money is scarce. Storage of cotton is not encouraged because there are no mills in Lyallpur, it should move down to places of manufacture. In reply to Lala Harkishan Lal's objection that if the cotton is stored in Lyallpur, it will not only be available for two markets—Bombay and Karachi—but also for the Cawnpore Mills, witness stated that good cotton is not usually kept back and it is only the cotton left over after the ginning season that is stored, and that forms a very doubtful security for the bank to advance against having regard to the experience of recent years. The margin kept in the case of cotton is 30 per cent. Insurance premium on baled cotton is twelve annas per cent per annum, proivded it is stored in a normal second class godown. If it is stored in a working factory, the premium is Rs. 1-4-0 per cent.

Some difficulty was felt at first in starting produce advances; by produce is meant agricultural output other than cotton or *Gur*; as people did not like the bank insisting on godowns where supervision could be made and where possession was complete. Goods must be checked and verified. To encourage them to take to this form of business some laxity in the matter of storage was permitted, but now no such concession is made and we find no trouble at all. The integrity of the man is primarily of more importance than the security offered. In the mandis before grain is stored, it is weighed in the presence of the permanent servants of the bank and, save in exceptional cases, stored grain is not accepted. Wheat is not turned over once it has been stored. Weevils damage up to the extent of 5 per cent but there is little other danger to stored wheat. In the case of grain the real danger is that of fluctuating prices. In the case of paddy and toria safeguards against dryage are necessary. The margin in the case of

paddy is 30 per cent. Paddy is never allowed by me to be carried over from one season to another. A godown keeper is paid Rs. 65 to Rs. 100 and can rise to Rs. 140. About a minimum of 7,000 bags storage would be required to pay for his cost, and other expenses of inspection and supervision.

Witness agreed that if the zemindars formed co-operative societies for the purpose of storage, it would be of benefit to them, and he would be prepared to recommend that the bank should deal with them. He understood that this was actually being done in Madras. The Co-operative Commission Shop has never approached the Imperial Bank for an advance against produce. The amount stored with the shop is very small and they are not well patronised in this respect.

Advances against gold ornaments was started by the bank two or three years ago, but is not increasing at the moment. About 70 per cent of the loans are made to zemindars and 30 per cent to shop-keepers and professional classes. One hundred and sixty zemindars drawn from all types have deposited ornaments with the bank. Old gold coins have never been brought. Gold bars are sometimes brought in. The largest weighed forty *tolas*. The personal opinion of witness was that hoarding is not carried on in the colony. The rate of interest for advances against ornaments is one per cent above the bank rate with a minimum of 6 per cent or 7 per cent fixed. Ornaments form a better security than produce. The minimum amount that must be taken is Rs. 200. There is no maximum fixed for such loans. This type of business is likely to increase as it becomes more widely known. These transactions are kept as secret as possible.

Some of the better class zemindars have opened accounts with the bank's savings bank and such accounts are on the increase.

Advances are not made to bazaar shop-keepers, Lyallpur not being a distributing centre and there is no storage of imported stocks. Shop-keepers usually finance their trade by hundis which pass through other banks. The Imperial Bank is forbidden by its Act to deal in house property as a primary security

Strictly speaking, there are no indigenous bankers in Lyallpur, the banks and co-operative societies are the general agencies for financing business ; there are two firms who do shroffee business on a small scale.

If zemindars save any money, they spend it on buying more land. Deposit accounts do not fluctuate to any extent with the harvests. Public bodies, traders, businessmen and big zemindars are the usual depositors. Ordinary zemindars possessing five or ten squares of land do not usually deposit money in the bank, though there are one or two accounts opened by such people. Very little money is being saved in these days. The only way to increase the saving habit among the people will be by education. People are acquiring the saving habit slowly and deposits in the savings bank are slowly going up.

Witness thought the rates and conditions on which cash certificates are being offered to be sufficiently attractive.

The removal of stamp duty on cheques may have made a difference in their use in big business towns but not to any extent in Lyallpur. For popularising cheques it was suggested that the Post Office should be asked to accept cheques in payment of telephone charges, &c. Other Government departments, like the Hydro-Electric Department in Lyallpur should be prepared to take payment for their bills by cheques. The municipality should accept cheques in payment of municipal dues. Treasuries should use the pre-audit system and pay Government servants by cheques as is done in the Presidency Towns, and has now been adopted by the Army Department in Northern India. The Public Works Department and Irrigation Department, also make payments to contractors by cheques.

Cheques signed in the vernacular are treated in the same way as cheques signed in English, save that they are translated by the *Khazanchi* who is responsible for such and who also guarantees their genuineness ; if there is any loss on this account, he is held responsible. There has never been at Lyallpur any case of fraud on this account. Some people fill in the body of the cheque in vernacular and sign in English. Many people who do not know any English have learnt to sign their names in English. People signing cheques in the vernacular are not required to do so before the *Khazanchi.*

There is a currency chest at Lyallpur as there is at nearly every branch of the Imperial Bank. Currency chests consists of two sections—the note section and the silver section. The silver section forms part of the paper currency reserve of the country ; the notes may be taken as simply printed pieces of paper until they are put into circulation. Withdrawals and deposits into the chest is done by the bank solely. If for instance the Lyallpur Branch is short of money, we take out, say, five lakhs from the currency chest and send a telegram to Lahore which is the headquarters of this currency circle, where the accounts are adjusted. Possibly on the same day another branch has deposited Rs. five lakhs. There are seven currency circles. There is no limit to the amount which a branch can take out of the currency chest.

Notes can only legally be cashed for silver rupees at the currency offices but efforts are always made to oblige people who come to cash them at the Imperial Bank.

More money is paid out at the Lyallpur Branch than is received. The bank may be said to finance the crops, the other banks, and the export trade, which in a year amounts to about $2\frac{1}{2}$ crores of rupees. Of this two crores comes back to the bank in the shape of receipts.

The Witness further stated that it is desirable that once a cheque is made payable to bearer it should remain payable to bearer. At present the Bombay High Court has held that if a bearer cheque is

endorsed " to order," it becomes an order cheque. This throws more responsibility on bankers.

Supply bills are not used in the Lyallpur Colony.

The railway companies should be made legally to recognise the endorsements on railway receipts and should they be made proper negotiable instruments, they would then be better security. If this is done, the railway will then only be able to deliver the goods to the last endorser, who will have authority to take delivery of the goods.

Bijaks and *sattas* are not known in the Lyallpur District.

There is no co-ordination among the various credit agencies, but this was considered a matter for the Co-operative Department.

The Imperial Bank only financed foreign export trade to the port, the exchange banks financed the shipment overseas.

There are two periods in Lyallpur when the demand for money is slack, (1) in April and May and (2) September and October. For, the other eight months the demand is fairly equal, higher, if anything in the winter.

There are branches of the Imperial Bank at Lyallpur and Gojra The Gojra Branch was started about four years ago. Both these branches have been started in accordance with the bank's agreement with the Government of India.

(Witness withdrew.)

Mr. Jaikishan Das, Agent, Imperial Bank of India, Gojra.

PART I.

1. (*i*) Internal remittances are made by means of demand hundis which are drawn by exporters against country produce exported to seaports, etc. They are purchased by bullion and piece-goods merchants, etc., for making payment of imports.

(*ii*) Small remittances are made by Postal Money Orders and Telegraphic Money Orders.

(*iii*) Remittances are also made by Government Currency Notes in full, when the amount is small, otherwise by Government Currency Notes of Rs. 100 each cut into halves, and despatched under Registered and Insured cover for Rs. 100 or so.

(*iv*) Drafts and telegraphic transfers are issued to the public including banks and bankers on places where the bank has branches, at very favourable rates for large and small amounts according to the requirements of the applicants.

(*v*) Free exchange of Government Currency Notes for whole rupees and *vice versa* is made by the bank to the public including banks to meet the local requirements.

3. Introduction by law of a type of Instrument which once drawn payable to bearer should always remain payable to bearer will undoubtedly be welcomed by the commercial community as the risk of refusing payment by the drawees on account of irregularity in endorsement on cheques or drafts so payable, but which may bear endorsements, will disappear. This will increase the popularity of such negotiable instruments with the general public.

6. Bills of Exchange payable otherwise than on demand are very scarce in this mandi. Traders and merchants generally borrow funds from money-lenders, etc. on Demand Payable Notes and, in case the stamp duty be reduced, on Bills of Exchange payable otherwise than on Demand to the same level as that at present levied on Demand Payable Notes, it is expected that borrowing by way of Bills of Exchange or usance bills will be adopted by the merchants in preference to Demand Payable Notes because the former can be easily rediscounted by the holder whenever he may stand in need of funds and also due to the privilege of making payment after a fixed period on due date.

8. (*ii*) Demand bills are discounted for merchants or commission agents of undoubted means and standing. These bills pass freely in the mandi according to the respectablility of the parties concerned.

(*iii*) Nearly all the demand bills of this area are either discounted by the local banks or purchased by local bullion and piece-goods merchants for making payments of their imports.

(*iv*) (*a*) Owing to the general depression which has prevailed in the trade for the past few years the hundi business has decreased

to a certain extent. Besides this the shortage of hard cash on account of heavy losses sustained by the merchants in business has adversely affected the hundi business. It will automatically revive when the trade will improve in due course.

9. Advances are generally made by the foreign companies of exporters against Railway receipts up to ninety per cent of the total values of the goods covered by Railway receipts. Demand hundis accompanied by Railway receipts are freely discounted by the banks for traders and merchants, etc. Generally Railway receipts against which advances are made are taken out in favour of the buyers so that the consignor may not be able to withhold the delivery of goods at their destination, etc. Railway receipts are also transferred by endorsement but in such cases the consignor has got the option to stop the delivery of goods which defect may be removed by declaring Railway receipts a negotiable instrument.

10. Railway receipts generally change hands in business with endorsement.

11. There are no Bijak and Satta systems in this market, but forward business is transacted through the medium of two limited companies formed by the local commission agent for the purpose. Both these companies have contract forms which are duly stamped and signed by both the buyers and sellers. The companies take some earnest money from the parties and are responsible for the final settlement of transactions on due dates.

PART II.

2. Nearly 20—25 per cent of the total outturn of grain marketed in this mandi is stored in Kothas by commission agents on behalf of their *beoparis* from outside districts, etc. Storage is mainly made in bags and a small quantity is filled in Kothas in loose. It is estimated that about 60-70 per cent of the total storage made in this mandi is pledged with the banks for taking advances against the security of the same.

6. So far as I know no direct oversea trade is being carried out by the merchants at Gojra. This class of business is transacted through foreign companies.

8. Investments of indigenous bankers practically continue throughout the year with the exception of a small portion of their capital which becomes idle sometime after the harvest.

9. Indigenous bankers when necessary borrow money from the local market or banks to make investments at higher rate of interest and thus connect with the money markets.

PART VI.

5. Although the investors in Government securities are being given every sort of facility by the bank whenever they require to make

investments but in order to induce the small investors it appears desirable that Government Promissory Notes should be issued in multiples of Rs. 25 or so instead of Rs. 100.

6. All securities other than those of Government are also purchased and sold by the banks at a small charge of commission for their constituents, etc. There appears to be no other financial agency which transacts this class of business at Gojra.

9. The smallest sum which is accepted by the Bank for credit to a Savings Bank Account is Re. one only. Facilities offered by the banks and post offices in this direction are apparently quite adequate to meet the present requirements of small investors.

12. Cheques are mostly used by officials, mercantile firms, traders and other literate persons of good standing.

(*ii*) Since the abolition of stamp duty the use of cheques has tremendously increased as the persons who keep accounts consider it very convenient, safe and sound method of making payments of their dues.

13. Abolition of stamp duty has caused to make considerable increase in the use of cheques.

14. Acceptance of cheques in payment of Government dues without restriction will to a certain extent be helpful in promoting the cheque habit.

B. V. Hormusji, care of Imperial Bank of India, Multan.

Points upon which information is required.	*Views.*
1. (*i*) What financial assistance is given to agriculturists in the Multan District and under what conditions as to security, period of loan and rates of advance ?	
(*ii*) How far are the facilities offered taken advantage of by those who cultivate with their own hands as opposed to landlords ?	Genuine trade (both wholesale and retail) industry and agriculture, working on sound basis, are being afforded all possible financial facilities provided they conform to the rules and conditions of the Bank. Every assistance is also being afforded to Co-operative Banks under similar conditions to enable them to extend suitable financial facilities to the agriculturists. Advances are also made against the security of gold ornaments on reasonable and easy terms so as to bring the agriculturists in direct, closer and better touch with the Bank.
2. To what extent and on what conditions are the shop-keepers of Multan financed ? Differentiate if possible between wholesale and retail shop-keepers.	
3. To what extent and under what conditions are :— (*i*) Indigenous bankers ; (*ii*) Urban money-lenders ; and (*iii*) Rural money-lenders financed.	
4. Have you any views as to the present condition of Urban and Rural Money-lending in the Multan District.	
NOTE.—These four questions relate only to the financing done by Imperial Bank.	
5. Is Hundi business declining ? if so, what are the reasons for this ?	Hundi business has no doubt been declining since the last few years. Sales of Hundi Papers at the local Stamp Office which amounted to Rs. 8,100 odd in 1927 dropped to Rs. 6,120 in 1928 and further dropped to Rs. 4,750 in 1929. The decline in this class of business is attributed to general depression of the markets, to lower prices of almost all agricultural products and to some extent to the failure of some of the important business houses which has given this City a set back from which it has not yet recovered, nor is it likely to do so until normal conditions prevail. This has made indigenous agencies, which were freely lending funds on discount, very cautious and rather than invest their funds in this manner they have been doing so in house property, bank deposits, Government securities and Post Office cash certificates.
6. Can you roughly estimate what proportion of the business done in Multan is financed by :— (*i*) The Imperial Bank and Joint Stock Banks combined, and (*ii*) Indigenous agencies.	
7. It was represented before us that Hundi business was declining, as depositing with the Imperial Bank and Joint Stock Banks was becoming more popular, and that this was causing a material contraction of credit, as the Agents of Joint Stock Banks were more exacting in the matter of security than indigenous agencies. Do you agree with this view so far as Multan is concerned.	

Points upon which information is required.	*Views.*
8. Is saving increasing in the Multan District ? If so, what are the signs of this ?	Saving does not appear to be increasing in Multan District, lower value of a rupee and higher mode of living are not conducive to a saving quality.
9. Have you any reason to believe that hoarding is (*i*) Common, and *ii*) Increasing or decreasing ?	As far as my information goes hoarding is practically disappearing.
10. Are Cash Certificates popular ? If not, what are the reasons for this ?	Cash Certificates appear to be a popular mode of investment with the middle class people.
11. For what period are the bulk of your deposits made, *e.g.*, six months or 12 months ? Is your branch a surplus Branch. *I.e.*, ordinarily is more money received than can be employed locally.	The bulk of our deposits are for 12 months. The Branch ordinarily receives more money than can be employed locally.
12. Has the use of cheques materially increased since the stamp duty on them was removed ?	Yes. The use of cheques has distinctly increased partly because middle class people and junior officials in Government and other private services have taken to maintain Banking Accounts and partly to numbers of smaller payments which formerly used to be made by different constituents in cash and for which to save stamp duty, one cheque for a lump sum was drawn, are now being made by separate cheques freely.

From the Secretary, The Northern India Chamber of Commerce, Lahore.

PART I.

1. (*i*) Facilities for internal remittance are available to the public through all banks, mainly the Imperial Bank.

(*ii*) No difficulties are apparent in the present system.

2. (*i*) Practically the whole of the internal trade of the province is done through Negotiable Instruments.

(*ii*) A reduction in the stamp duty payable on Negotiable Instruments would be likely to result in the encouragement of trade.

3. (*i*) Yes.

(*ii*) Yes, with the exception of mudati hundis.

(*iii*) There is no reason why such legislation should not extend to hundis.

4. (*i*) Supply Bills are very useful in facilitating internal remittance.

(*ii*) No difficulty is experienced in obtaining supply bills.

(*iii*) No.

(*iv*) All treasuries should issue supply bills.

5. Difficulty is often experienced in obtaining currency notes of the denominations desired. The Imperial Bank should always be in possession of large quantities of currency notes of all denominations, and it should not be necessary to apply to the Treasury Office.

6. (*i*) The duty on bills of Exchange payable otherwise than on demand, should be reduced by at least 50 per cent.

(*ii*) No distinction should be made between bills payable at less, or more, than one year after date or sight.

(*iii*) In practice Bills of Exchange are drawn for general trade purposes, from sight to one year. As a general rule the term does not exceed 90 days.

(*iv*) Bills payable at more than one year after date or sight are most uncommon.

(*v*) No.

7. The collection of bills and cheques is not the duty of the Post Office. The Chamber is of opinion that Money Order charges might be reduced.

8. (*ii*) Hundis are mostly held by merchants and banks, and do not pass freely from hand to hand.

(*iii*) Hundis of a certain area are usually only discounted in that area.

(*v*) See answer to 8 (*i*), (*ii*) and (*iii*) above.

9. (*i*) Yes, a very large business is done in this direction.

(*ii*) Many difficulties are experienced with the use of Railway Receipts, and indemnities in respect thereof. Banks will not advance against Railway Receipts unless the bank is the consignee, since the Railway is responsible only to the person whose name is entered on the railway Receipt as consignee. It is suggested that for consignments worth Rs. 1,000 or more, a Bank should sign any indemnity executed in the case of loss of the Railway Receipt.

10. (*i*) Railway Receipts change hands with and without endorsement.

(*ii*) No.

11. (*i*) Bijaks and sattas are negotiable.

PART II.

1. (*i*) By animal and mechanical transport.

(*ii*) No.

2. Grain stored in bank godowns, etc., is used to a large extent as security for obtaining credit.

5. (*i*) There is no co-ordination among the various credit agencies.

(*ii*) No.

PART III.

1. (*a*) (*i*) The crop is usually financed by co-operative banks, indigenous bankers, professional money-lenders, or grain merchants.

(*b*) (*i*), (*ii*), (*iii*) The finance is undertaken by all classes of banks.

2. (*i*) This financing is done on various terms according to the Bank, the commodity, and the station.

(*ii*) No serious difficulties are experienced.

(*iii*) No.

4. (*i*) Incidental charges are financed by the banks.

(*ii*) Interest charges do not vary to any great extent.

PART IV.

2. (*i*) Not by banks.

(*ii*) Middlemen and large dealers play a very small part.

PART VI.

1. It is not considered that the banking resources of the province, outside the large towns, are adequate. There are not enough branches of banks in the smaller towns.

2. (*i*) Yes, Postal Cash Certificates are popular.

(*ii*) The Certificates can be made more popular by advertisement in the smaller towns and villages, and by making them transferable. No revision of the terms of issue or of the rate of interest appears to be necessary.

3. (*i*) Post Office Savings Banks afford adequate facilities to the investing public.

(*iii*) Mostly the poor and middle class.

4. (*i*) The Chamber agrees that Treasury Bills lead to suit competition, but not Postal Cash Certificates.

(*ii*) Such competition is not healthy.

6. There are practically no facilities in the Punjab for the purchase and sale of non-Government securities.

8. (*i*) Money not required for normal expenditure is mostly invested in house property.

9. (*i*) Yes, bank Savings Banks.

(*ii*) Rs. five.

10. (*i*) The agriculturist class usually invest their surplus funds in gold ornaments.

(*ii*) Agriculturists often lend to fellow-agriculturists, and this is not confined to any particular castes.

11. (*i*) and (*ii*). The banking and investment habit is of very slow growth in India, due to lack of education, and the failure of so many banks of mushroom growth, in the past.

A great deal of harm has been, and is being done to banking in India by the flotation of "mushroom" banks, usually promoted by men whose financial status is not of the soundest. There is also the question to be considered of banks floated with the best of intentions, but by little experience.

To effectively deal with the 'mushroom' banks, without in any way hampering or retarding the progress of other banks, is a question which should receive close attention by the Banking Enquiry Committee. This Chamber has considered the matter in its various aspects for some time past, and it is considered that one of the first

steps towards a solution of the problem would be to ensure, by legislation, that the promoters of a bank, and the qualifications of subsequent Directors, be the holding of shares of the paid-up value of, say, Rs. 20,000 to Rs. 50,000 or more. Under present circumstances it is no uncommon matter for promoters to hold not more than 50 shares of the face value of Rs. 50 each, on which perhaps only Rs. 500 or so has been paid up, which has conveniently been spent in " preliminary expenses." In one case at least the total contribution of the promoters was, significantly the equivalent of their travelling expenses. It is further suggested that the promotor's qualifying investment should be held by Government, in trust, in Government securities and that all preliminary expenses should be paid by the promoters in the first instance, to be recovered by them when the bank opens for business as a charge against the funds of the bank.

With reference to authorised and subscribed capital, the average person in India is seldom able to distinguish the difference that exists between the two terms, and the Chamber is of opinion that legislation should be enacted to prohibit a bank being floated with an authorised capital of more than, say, ten times the amount of capital that has to be subscribed by the promoters before the bank starts work.

It would appear that many new banks of doubtful pretensions deliberately place their authorised capital at a high figure to mislead the public. During the last year for which statistics are available, of the 10 banks in British India which went into liquidation with a total authorised capital of Rs. 79,00,000, 3 banks with a total authorised capital of Rs. 40,000 had no subscribed capital."

(*iii*) By advertisement.

12. (*i*) All literate classes of the population use cheques.

(*ii*) From the figures shown by banks, the cheque habit would appear to be growing.

13. (*i*) and (*ii*) Yes.

14. The Chamber agrees that much wider use should be made of cheques in payment of Government dues.

15. (*i*) The use of vernacular scripts in banking may be encouraged.

16. (*i*) The opening in recent years of more branches of the Imperial Bank has encouraged investment habit, has reduced the general price of money, has increased facilities for agricultural credit, and has encouraged the indigenous banking system by advancing freely against hundis. The Chamber is unable to say whether internal trade and industry has been encouraged.

Lala Kanhaya Lal, Behal, Secretary, The Amritsar Piece-Goods Association, Katra Ahluwalia Amritsar.

Immediately the goods are manufactured, packed and shipped, the manufacturers or shippers negotiate their bills of lading and relative documents through their bankers who discount or advance them a major portion of the value of goods covered by the documents and receive those documents for realisation. The importers, who have generally arrangements with some of the local Exchange Banks for loans, retire the same by depositing with their Bankers from 35 to 40 per cent (inclusive of the Custom Duty) of the value of goods. The goods are cleared and dispatched from the port through the agency of the financing bankers at the expense and risk of the importing firm.

The drafts are generally drawn by the shippers subject to a rebate of 6 per cent., while the Bank Rate of interest is about 7 per cent plus one rupee per package per month godown rent. While the goods are lying stored in the Banks, they are partly financed by the importing firms and to the extent of 60 or 70 per cent by the banks. The dealers of the importers receive the delivery of the goods against full payment from the Banks. From thence the good are financed by the wholesale merchants. The mofussil shopkeepers, then, buy their requirements through the arhtis (commission agents) who finance the mofussil trade along with the local shopkeepers, upto the last home, the consumer of the goods. The rate of interest charged by the ahrtis is 6 per cent.

The Bank rate of interest and godown charges on an average package of Rs. 400 will come to about 12 per cent per annum which is is a prohibitory rate. Instances may not be rare where the amount advanced as *margin* in the Loan Accounts have become "Loon" in the bazaar parlance, *i.e.*, they have been wholly swallowed up by the heavy bank charges.

The Chartered, the National and the Allahabad Banks have formed themselves into a trio of Associated Banks, and their relations with their loan obligants are governed by set rules and regulations to which they all mutually agree. This may account for difference in rates of Exchange and other facilities at ports and those offered here. They do not finance Indian piece-goods. The Imperial Bank, however, advances on Indian piece-goods under certain restrictions such as the negotiation of drafts through their own bank. This is practically of no great help to the industry or trade in general.

The Banks do not accept in payment, at par, Demand Drafts in sterling on London of any other Bank, against their bills receivable, although Exchange may have been fixed expressly for the same beforehand. The Banks, although holding goods in account of their Indian constituents, consider themselves more the agents of foreign shippers rather than of the importers who are their clients.

It will not be out of place to mention here that the Banks, by reason of their financing capacity, have captured the market. They

enjoy an ascendency over the importers and dealers, and their control of the market has resulted greatly to the detriment of Indian industry and has been one of the factors, responsible for the depletion of capital and the present severe economic depression in the country. The banking accommodation induce the importers, dealers and others to order their goods pell-mell in quantities that far exceed the probable demands of the market.

The market is thus very heavily flooded with goods. The purchasing power of the ryot has greatly decreased. These factors have worked a great economic havoc in the market and a depletion of capital therein.

Considering it to be within the purview of your Inquiry Committee to fathom its causes, I may add this is due to the fixation of Exchange at 1-6 which greatly militates against Indian Export Trade. London being the money market, Rs. 13-4-0 for the sterling cannot permit of exports. The fall in Indian Export Trade is mainly responsible for the dormancy, stagnancy and deterioration of the Indian markets and the depletion of Indian capital which is greatly responsible for the throes of the severe economic depression through which the country is passing at present.

It may be suggested that to meet the point of heavy bank charges, the rate of loans should not be more than 6 per cent and the system of bonded warehouses be introduced so as to relieve the banks from acting as Godown Keepers. A separate institution of bonded warehouse men will create a healthy competition and will be conducive to a better atmosphere. The godown rent should not be more than one pice per day per package. This will not burden the dealers so much.

We will next refer to the Co-operative Banks. The prevailing impression among the average depositors being that the Co-operative Banks are not only under the control of the Government, but that Government is responsible for their working and will be responsible for the safety of their deposits, is one of the factors responsible for their present working capital of 16,05 lacs of rupees. This money was formerly held in deposit by the city shroffs or sahukars. Another factor responsible for this diversion of capital into the Co-operative Banks is the fishing enquiries of the income-tax authorities to which the local shroffs and sahukars are so much open. This money is, now employed for advancement of loans to the Co-operative Societies or agriculturists, whereas a large portion of it was formerly invested in the development of trade both in the urban and rural areas.

While the co-operative movement has not been of much value to the agriculturists and has defeated its object by increasing the indebtedness of the peasantry (who now borrow both from the village sahukars and these banks, while formerly they borrowed from the sahukars only), it has materially affected the market very adversely by diverting from it a large amount of capital available to the dealers at much easier

terms and more conveniently than the conditions upon which it has flowed into the market through the channel of the Exchange Banks.

Out of a total of 19,462 societies the number of village credit societies is 15,468. Their classification is tabulated in paragraph 20 of the report on the working of the Co-operative Societies in the Punjab for the year 1929 :—

	A.	B.	C.	D.	Unclassed.
1928	253	2,246	8,879	671	2,265
1929	273	2,253	10,187	799	1,946

The ratio of A and B Class societies has gone down from 21 per cent to 18·6 per cent. " Unfortunately the number and percentage of D. Class societies have gone up from 671 and 4·7 per cent to 799 and 5·2 per cent. The fact ' is ' that an old society always tends to deteriorate" and the tendency appears to be on the increase in D. Class societies which is regrettable. This may be accounted for by fall in exports, the higher standard of living as a necessary corollary of the advancement of civilisation and the general depression all over the country.

We may now refer to the Co-operative Artizan's Societies, The Report (cited above) sums up their working and progress as below :—

	Lacs. 1928.	*Lacs.* 1929.
Number of Societies	289	299
Working Capital Rs. ..	6 lacs.	6·7 lacs.
Value of raw material advanced to members, Rs.	2·94 lacs.	1·35 lacs.
Value of members' goods sold Rs... ..	2·89 lacs.	1·35 lacs.

" In comparing these figures, it should be borne in mind that those for 1928 relate to a period of 16 months."

The statement of the operations of the Co-operative Industrial Bank, Amritsar, and the various Unions at pages xxvi—xxvii shows a total advancement of loans made during the year to be Rs. 1,72,157.

The repayments or receipts from these loans during the same period amount to Rs. 1,53,542.

Due to the difficulties experienced in the disposal of the products of the members a depot was opened at Lahore, but "experiment has not been too successful so far, and the position is being examined." The Report further states that " the greater portion of any achievements must be put down to the Government supervising staff who have a very uphill task."

The immensity of so-called " achievement " to the credit of the Government supervising staff of this Branch of the Department will be readily realised when it is taken into consideration that the above volume

of annual turn-over has been accomplished with a working capital of 6·7 lacs of rupees at an annual expenditure of about half a lac of rupees met out of the Treasury of the Government Exchequer. The cost of management of the various institutions and societies borne by themselves is extra.

In this branch of co-operation also, the indebtedness of the members has increased and the members in general do not appear to be in any wise better off than non-members.

It may be stated that with a working capital of 6·7 lacs and a big organization of the size of the Government supervising staff, the public has right to expect a turn-over of not less than two million rupees a year.

The small or cottage industries both carried on by the members of the societies and non-members are to a large extent financed by the sahukars. It is through the sahukars that the members to a large extent and non-members buy their materials and dispose of their products. The part played by the Department in the development of the industry or help rendered to its co-operators is negligible.

It will not be out of place, therefore, to submit here that considered both from the national and economic points of view, while the co-operative movement has been of little service to the agriculturist or artisan, it has by diverting capital from the trade undermined individual credit. Under these circumstances the extension of the Co-operative Movement is a menace to the well-being of trade, and we would urge upon the Government to institute an inquiry into the working of the movement and to report whether its continuance is desirable.

We will then suggest that the quickest and most desirable and economic way of developing banking and restoring general public confidence is to associate the indigenous bankers or sahukars more closely with the Imperial Bank or the State-aided bank as the case may be. This will go a great way to improving the present depression in trade. Imperial Bank branches should not be opened unless they help the local shroffs and merchants. Branches of the Imperial Bank or other banks that are opened, generally result in money being drawn out from that place and made available to the foreign exporters by the Imperial and Exchange Banks and to the agriculturists by the Co-operative Banks. It should be provided that so far as possible, the money collected at the branches should be invested in the locality concerned.

The second important point is the introduction of gold standard and currency which the country badly needs at present. Regarding Currency notes, we are of opinion that the Government may issue notes for the denominations of Rs. 10 and Rs. 5 only as are mostly in use, while the issue of notes of higher values should be entrusted to a State Bank or Central Reserve Bank having no share capital but owned entirely by the State, subject to sufficient gold reserve and securities being held by it. The Imperial Bank as constituted at present, should

not be given any charter to issue notes as it has declared itself not to be a Government or State Bank and does not submit to Government rules or regulations both in the matter of its services and public dealings. We urge upon the formation of a State Bank because we feel that a Bank being more directly connected with trade, industry and commerce of the country will be better able to ascertain the exact monetary needs of the public and will take measures to meet them. It will also come forward to help other banks and industry in times of stress and financial crisis.

In the third place we may suggest the Government to develop among the general public a habit of thrift by popularising indigenous insurance and placing restrictions on the operations of foreign insurance companies who look to their own gains and not to that of the country by taking vast amounts of premia to the countries of their origin. Insurance habit is generally a result of education, culture and other influences of civilisation. It cannot be found here to any appreciable degree as the people are mostly illiterate. With the development of indigenous insurance business, the pillars of the prosperity of the country, *i.e.*, trade, industry and banking will flourish.

While urging upon the necessity of Gold Standard and Currency we forgot to state that it is sometimes alleged that India hoards large quantities of gold. While we do not possess any statistics regarding this, we nevertheless think that Indian homes do not hoard much gold. If the Gold Standard and Currency is established, gold will not be hoarded but the public will invest the same in banks and other securities as it will create a confidence. That gold will be available at any time it is required.

Other causes which have drawn out capital from the trade and industry of the country may also be stated. These are—the popularity of the Government loans, the sale of Post Office Cash Certificates and the keeping of Gold and Paper Currency Reserves in England.

The Government loans are generally floated for large sums of money at very favourable rates of interest and are usually free of income-tax. The public readily take advantage of investing all available funds in these loans as they offer absolute security and save the investors from much income-tax botheration. The investors also prefer to go in for these loans as they can be converted into cash and accepted as gold-edged securities by the banks who readily advance against them at low rates.

To the small investor nothing offers greater security and convenience than Post Office Cash Certificates. As they give adequate interest and can be readily encashed, they are gaining popularity.

The third important factor is the keeping of huge sums of money in Gold and Paper Currency Reserves in England. These are made available to English industry and trade at very low rates of interest.

while the Government of India raises loans both in London and India at much higher rates. In this connection it is suggested that these Gold Reserves should be kept in India in the State or Central Reserve Bank (as the case may be) and made available for the development of Indian trade and industry.

We further draw your attention to the operations of the foreign Exchange Banks through which the entire bulk of Indian trade has fallen into the hands of non-Indian agencies. In the interest of India, its indigenous banking ought to be developed to the fullest possible extent so as to enable it to control its own import and export trade. We are not averse to the employment of foreign capital in the country, but what we consider desirable is that its banking should be improved so as to make its resources commensurate with the needs of its trade and industry.

To achieve this end, the Government ought to impose restrictions upon the working of all foreign insurance and banking companies, such as the registration of their capital in Indian Currency here for their Indian Branches. Their working should be placed under the management of a majority of Indians in their directorate and as shareholders. This may militate against the working of foreign banks here, but this will prevent further exploitation of Indian agriculturists and trade, which are now virtually controlled by foreign agencies.

In fine, we cannot refrain from expressing our firm opinion that a solution of the present severe economic depression, the ruin of indigenous industry and the collapse, deterioration and demoralization of the trade depends upon the findings and the suggestion of remedies by your and the Central Banking Inquiry Committees.

We, therefore, strongly urge upon you the necessity of a favourable consideration of the facts laid before you and basing your recommendations on the suggestions offered.

Oral evidence of Lala Kanhya Lal and Lala Kishan Chand, representatives of the Piece-goods Association, Amritsar.

Chairman.—Lala Kanhya Lal, are you Secretary of the Piece-goods Association of Amritsar ?—No Sir, I am Secretary of the Sub-Committee appointed by the Piecegoods Association in connection with the Punjab Banking Enquiry Committee.

And Lala Kishan Chand ?—I am a member of the Sub-Committee.

You say that banks finance importers. Who finances the wholesale merchants ?—Wholesale merchants, as a rule, do not open accounts with the banks. Only a few of them do that because, as we have explained in our memorandum the rate of the banks, which runs up to 12 per cent., inclusive of all charges, is prohibitory.

But my question is who finances the wholesale merchants ?—They have their own finances.

Lala Harkishan Lal.—Do they sell their hundis in the bazaar when they need money ?—Most of them have their own money.

Chairman.—Do the importers give them credit ?—In very few cases. The Indian importers sometimes give them goods free, but European importers will not deliver the goods unless they receive their dues.

Then they have to depend on their own capital ?—Yes.

Does the same apply to commission agents ?—Yes. They have also to depend on their own capital.

But if a wholesale merchant has to borrow, to whom does he go ?—He might go to the local sahukar in the first instance.

Does the same apply to commission agents ?—Yes. They do not generally require so much finance as wholesale dealers.

What is the practice in regard to giving of credit as between wholesale merchants and commission agents ?—Credit is given.

For how long ?—The due date generally falls after ten days, but payments from commission agents are generally received any time from one to four months after that.

The period of grace is ten days and after that interest is charged?—Yes, at 6 per cent by the wholesale dealers. The due date is not necessarily regarded as the date on which payment must be made.

Does the same apply as between commission agents and their clients ?—Yes.

Is the rate of interest 6 per cent in that case also ?—Yes.

And is the period of grace ten days ?—No. The commission agent posts the entry to the debit of the moffusil dealer from the very day that he receives the goods from the wholesale dealers and charges interest from that date. He saves ten days, and this is considered as a gain.

You say that the bank rate of interest and godown charges on a bale worth Rs. 400 will come to about 12 per cent per annum. Do you mean that the total amount payable by way of interest and godown charges amounts to 12 per cent on the amount borrowed which is from Rs. 250 to Rs. 275 per bale ?—Yes, Sir.

You speak of difference in rates of exchange and other facilities at ports and those offered at Amritsar. What is the difference ?—Sometimes there is a difference between the rate of exchange which varies from 1/16 to 1/32.

Lala Harkishan Lal.—That is an additional charge ?—Yes. At Bombay, Calcutta and Karachi the exchange is more favourable to the extent of 1/16 or 1/32.

Chairman.—Is there any other difference ?—Sometimes letters of credit can be more easily obtained at Karachi and Calcutta and at Bombay than at Amritsar. We have to make deposit in hard cash before we can get a letter of credit or a letter of guarantee.

Is that not necessary at Karachi ?—No.

Are these differences due to the fact that Bombay and Karachi are much better markets than Amritsar for exchange business ?—Not necessarily. We think the banks have got a monopoly at Amritsar.

Lala Harkishan Lal.—The argument is that there are exports from there but not from Amritsar. You say that by importing and exporting you cancel the difference which has to be adjusted and which might be against India or against England. But in Amritsar it is always against Amritsar and money has to be paid not received. That is the explanation ?—But Amritsar is the chief skin exporting centre.

You work out whether it will compensate. You get out about six crores worth of piecegoods at Amritsar and the leather that is sent out to Europe (not to a places in India) is a very small quantity ?—Yes, that is so. But our grievance is that we are handicapped by this.

Yes. But that is how it is explained ?—May be that is the explanation of the banks.

Chairman.—Do you accept this explanation given by Lala Harkishan Lal ?—Yes. It appears to be right.

You say that the Imperial Bank gives no great help to the piecegoods trade ?—On Indian piecegoods.

How do you make that out ?—Because they refuse to finance against the goods of the Indian mills unless the drafts are negotiated through their own branches and that too only on goods made by first class mills. I think even the Tata Mills are excluded from the goods which they accept, because Tata goods come through their agents and the Imperial Bank will not accept their invoice.

What is the objection to bills being negotiated through the branches of the Imperial Bank ?—There is no objection, but it is not always practicable.

Why ?—Supposing I want to buy stocks. I will make purchase in Bombay or enter into contract with mills. I have got commission agents at Bombay who will take delivery on my behalf and will forward the goods through the railway and send railway receipts direct to me. In that case I have to pay interest at 6 per cent. But it is not necessary that all the mills should work through the Imperial Bank. Some mills such as the Hukam Chand Mills have arrangements with the Central Bank of India, and in their case it is not possible for the Imperial Bank to finance the goods.

Some mills, I take it, have arrangements with the Imperial Bank ?—That is the British India Corporation group and Binny & Co., Madras. These seem to be the only people who have arrangements with the Imperial Bank.

Have none of the Bombay mills arrangements with the Imperial Bank ?—None to our knowledge. And that method is economical to the trade.

Lala Harkishan Lal.—Why do you complain then ?—If a dealer wants finance the Imperial Bank will not give him.

We asked the reason, and the reason given was that they could not be sure that the right quality of goods is inside the package ?—I think that explanation is not quite correct, because most of the mills produce the right quality.

Yes. But you have the Central Bank to negotiate their bills and they do not go to the Imperial Bank. And you yourself say that it is cheaper. How then is the Imperial Bank to come in unless the bills go through it at the producing end. But the exchange banks take up most of the goods there which are of respectable and reliable mills. The Imperial Bank is willing to do this business if the goods are handed to it at the producing end, but if they are given to them at Amritsar they cannot do it ?—The same might apply to work that comes from Europe which is done by the Chartered Bank. If the goods are accepted by the Central Bank and are not accepted by the Imperial Bank the dealer is handicapped. There is one thing more ; it will necessitate our opening accounts with all the banks. If my goods come through the Central Bank and I go to the Imperial Bank to hand that invoice they will not accept it ; but if my goods come direct from England or Germany and are negotiated through any other bank and I go to the Imperial Bank and ask them to retire the goods they do gladly accept it.

So far as foreign countries are concerned ?—Yes.

Chairman.—Does this difficulty only arise as between the Central Bank and the Imperial Bank ?—The thing is that their terms are that they will only accept those invoices that come through their own branches.

Is that the invariable rule ?—Yes. This is one of the terms.

Lala Harkishan Lal.—That is a polite way of restricting business.—Yes. But the Central Bank would accept the goods lying at the Chartered Bank at any time.

You say that banks do not accept in payment, at par, demand drafts in sterling on London ?—If they did accept payment would they not lose interest ?—No. The shippers draw documents on us sixty days after sight. Sometimes we know that our goods would come in July and that the documents would be presented to us for payment in July. Before that the exchange rate is very favourable. Why should we not buy exchange then ?—I go to the National Bank and they quote a figure, I go to the Chartered Bank and they quote a bit higher. I say to the National Bank book for me for July. Supposing my shippers at that time negotiate the bills through the Chartered Bank and not the National Bank. I say to them here is the draft on the Chartered Bank at demand draft rate on London. Inspite of the fact that the draft allows payment being taken against the Chartered Bank, they will not do it. I have now advised my shippers to make drafts payable at Amritsar against any bank's draft on London in Amritsar and the National Bank refused in that case also.

They charge some commission ?—Yes.

What do they charge ?—Quarter per cent. The point is that they purchase those drafts at London.

But the arrangement you suggest would rob one exchange bank of a certain amount of business and give it to another ?—It would help one bank at one time and another at another time. And sometimes I have received a bill payable at the National Bank and also a draft on the National Bank due to me given by my shippers, and even then they would charge $\frac{1}{4}$ per cent and in certain cases they say they will buy them, which would make a bigger difference still.

Chairman.—You say that the banks consider themselves more the agents of foreign shippers than of the importers who are their clients. How does that express itself in the terms of their business ?—When the goods are received from the railway the banks store them, and to all intents and purposes they act as mere agents or as bankers. Supposing there is something wrong with the goods or I find from the dealers' complaint that there is some discrepancy, I go to them and say that I want to have the goods opened. In that case they would raise the objection and won't let me have the survey done till they are paid their charges. They would think that the shippers might not suffer thereby.

Do they refuse all facilities for survey or is it simply a matter of their charges ?—The goods are lying with them, and they won't allow the survey at their godowns.

If you are prepared to pay, would they allow you to survey the goods ?—Sometimes when the goods are fully paid for and taken delivery of, but sometimes the dealer would not take delivery and in that

case we have to let the goods remain there and have the survey done there, to which they would object.

Are they prepared to give you all the facilities you require at a price ? Is it a question of charges ?—No question of charges is raised in this instance. We simply ask that the goods have to be surveyed, and the survey is arranged either by me or my shippers ; that is simply to go to their godown, open the goods and see what is wrong with them.

Is that usually done ?—They would say that the goods be taken delivery of.

In such cases are goods usually taken delivery of ?—Yes, the goods are sometimes taken delivery of.

What is the usual practice ?—The goods are taken delivery of and the survey is then held. We have to pay fully to the bank for these goods ; we take them to our premises and survey is held there.

Is that the practice of all the exchange banks ?—Yes, generally.

What is done under similar circumstances in the case of Indian-made goods which are in the godowns of the Central Bank of India when you wish to have a survey made of goods ?—We have no practical experience of it.

Have you no such experience of any other bank apart from the exchange banks ?—No.

Is it that you don't deal in Indian-made goods ?—We deal more in Indian-made goods, but we never open accounts for the Indian-made goods ; it is generally done through our *arhtis* at Bombay.

These goods are financed by your commission agents in Bombay ?—Yes.

At what rate ?—At 6 per cent.

Lala Harkishan Lal.—And the mills too ?—Sometimes the mills do that.

Chairman.—The usual rate in both cases is 6 per cent. ?—Yes, Sir.

How many disputes took place during the last year ?—We have not got any record to show that.

Do you remember not a single case in which delivery had to be taken last year ?—Last year personally we had no case, but before that we had many cases.

How long ago was your own case ?—Three years back.

Lala Harkishan Lal.—With which bank ?—With the Chartered Bank.

Chairman.—Have you any other complaint to make in regard to differentiation of treatment as between yourselves and the foreign shippers ?—That is the only complaint.

You say that the bank's control of the market has been greatly to the detriment of Indian industry. What have you in mind ?—I have explained it further in my note.

Do you mean that they have given too liberal credit facilities ?—Facilities no doubt there are ; they give capital, store goods and make advances against goods, but the rate of interest, as I have already explained, is much too high.

You say that " the accommodation given by the banks has led the importers, dealers and others to order their goods pell-mell in quantities that far exceed the probable demands of the market." That suggests that in your opinion there has been over-trading and that over-trading has been due to liberal credit facilities. Is that so ?—Yes, on account of the accommodation given.

If banks had not been so generous in their accommodation, this over-trading would not have occurred ?—Yes, Sir.

In regard to Amritsar do you think that in the past, credit facilities have been too liberal ?—My point of view is that the foreign piecegoods trade which is financed in such a way no doubt results in larger imports ; that is my point.

Does over-trading only apply to foreign piece-goods or does it apply to other trade as well ?—It applies to everything imported from abroad.

But not to internal imports ?—No, Sir.

What is your remedy ?—High tariff wall.

How would that restrict credit facilities ?—That would restrict certainly.

Would a restriction on imports necessarily restrict credit facilities ?—This would lead this accommodation being employed in other articles, mill industries and others.

When you say that the purchasing power of the ryot has greatly decreased, have you any evidence in support of that remark ?—Before this we have been receiving very large items from our customers quickly, while now we don't receive them. Very large sums of the commission agents of Amritsar are locked up in the mofussil.

Can you give us any figures to illustrate that ?—(Before the reply came, Lala Harkishan Lal put the question).

Lala Harkishan Lal.—Is that your general impression or the impression of the Association ?—That is the general impression.

Chairman.—What you mean is that you are experiencing difficulty in recovering your outstandings from your clients ?—Yes, Sir.

Is there any decline in the orders given you by these clients ?—No, Sir.

Rai Sahib Kishan Lal.—Is there any fall in the Amritsar market by the mofussil dealers' making direct purchases from Bombay and Karachi ?—No. More goods are being sold. They make purchases from Amritsar, Delhi, Karachi and Bombay. Before they pay the Delhi agent, they purchase from Amritsar, and before the Amritsar man is paid, they purchase from Bombay, and so on. In effect they are carrying on with the money of the commission agents.

Chairman.—You have said that there has been over-trading ?—Over-trading in a restricted sense. I don't mean that the quantity of the goods purchased was as easily disposed of as before, but I want to say that previously the mofussil dealers purchased from Amritsar only, and now they go to Bombay, Karachi and Calcutta. For the first time they come to Amritsar, we extend to them credit for Rs. 5,000. They go and dispose of certain goods and then run up to Delhi and buy goods there worth Rs. 5,000. After two months they again go to Bombay and purchase goods. Thus the Amritsar money is locked up, the Bombay money is locked and the Delhi money is locked up. The man who at first had credit for Rs. 5,000 has now credit for Rs. 20,000.

Is that the main reason why you are finding it difficult to recover your outstandings ?—The main reason is that their sales have also fallen down.

Would you suggest that these dealers have been over-stocking their shops ?—Yes, they do, I think to carry on their circulation.

You speak of a serious trade depression. Since when has that occurred ?—Four or five years back there has been great depression.

You advocate the system of bonded warehouses. Who would be responsible for these warehouses ?—I think Government should be responsible. The system should be introduced on the lines suggested, *i.e.*, American warehouses. Banks would be relieved in that way. The bonded warehouses should be established only in central markets.

Do you think that the system of Government warehouses could be run more cheaply than the present system ?—I think so ; the banks looked to profiteering and the bonded warehouses would be cheaper.

You speak of the fishing enquiries of the Income-tax Department to which the local shroffs and sahukars are so much open. What exactly do you mean by that ?—That means that if a man deposits money with a sahukar and his books are examined, they (the Income-tax people) would particularly enquire as to who that man was or from what source that deposit had come, and their enquiries would continue and lead them to the man who had actually deposited with the sahukar, but that is not the case in the case of banks. The banks' books are not open to inspection and no Income-tax Officer goes there and enquire as to what their deposits are or who their depositors are.

You would wish both to be treated on the same footing ?—Yes, Sir.

How many indigenous bankers, whose business is primarily banking, are still in Amritsar ?—About thirty.

Whose business is primarily banking ?—Yes, Sir.

Your recommendation applies simply to these thirty firms ?—No, Sir ; there are others who sometimes receive casual deposits.

But their primary business is not banking ?—No.

Therefore they can hardly be called bankers ?—They cannot be called bankers.

Therefore they are not perhaps entitled to the same facilities as bankers ?—Why should not a trader be treated in the same way ; he should be required to let the Income-tax Officer know that such and such an amount had been paid on account of interest, but he should not be asked to disclose the names of the persons to whom the amount had been paid. At present when the enquiry leads to the actual depositor and he knows that he is not safe with the private banker, he would withdraw the deposit from him and go to some bank and deposit the money there.

Rai Sahib Kishan Lal.—Do you mean that persons don't deposit their money with the bankers for the reason that the information leaks out and he is taxed, and you wish that the same facilities be given to you in respect of deposits as are enjoyed by the joint stock banks ?—Yes, Sir.

Chairman.—We have been told that the main reason why indigenous bankers are losing their deposits is because a deposit with a joint stock bank, the Imperial Bank or a co-operative bank is generally considered more attractive on other grounds than the one you mention ?—That is one of the reasons.

There are other reasons as well ?—Yes, Sir.

You say that money which is now in deposit with the co-operative societies used to be invested in the development of trade. Have you any figures to substantiate that or is it simply the result of general impression ?—The fact is that the banks in the city have got deposits. These very deposits which have now gone into the co-operative bank were formerly held in deposit by the sahukars and the sahukars invested that money with the ordinary traders from whom it has now been withdrawn and invested in banks.

Have you got any figures to substantiate that ?—We have not.

You say that the co-operative movement has not been of much value to the agriculturists. Upon what evidence do you base that statement ?—Because their indebtedness has increased, as we find when we go out that they formerly owed to one source only, *i.e.*, the sahukars, but now they owe to both the co-operative bank and the sahukar.

Upon what evidence do you base the statement that the indebtedness of the members of co-operative societies has increased ?—Because we have got our shop-keepers in the mofussil, and this is what we hear

from them and for this very reason they say that they cannot meet their liabilities to us so quickly as they used to.

How many of your clients, who are members of co-operative societies, have told you personally that they are unable to meet their liabilities because their indebtedness has increased ?—Several.

Have they told you personally or are you speaking of what has been told you by others ?—Many of our own dealers have told me.

How many have told you that in the last year ?—Several. This information is from my own dealers.

They are traders ?—Yes, Sir.

In regard to industrial societies, you say that the indebtedness of members has increased, and that the members in general don't appear to be in any way better off than the non-members. What evidence have you that they are not better off ?—We have got our shop at Hoshiarpur and all of them go there to dispose of their goods both at Hoshiarpur and Amritsar, and this is what they tell us.

Do you deal with members of co-operative societies ?—We deal with all, members or non-members who prepare goods.

How many of those you deal with are actually members of societies ?—I think sometimes more goods are bought from the members and sometimes from the non-members ; 50 per cent may be the members, can't say exactly.

You say that the co-operative movement has undermined individual credit. How ?—Because they have taken the capital from trade.

Do you mean that capital has been diverted from the town to the village and as a result of that trade has been hampered ?—Yes, Sir.

Have you (Mr. Kishan Chand) had any personal acquaintance with the co-operative movement ?—I had not much connection with that movement ;

Lala Harkishan Lal.—You have said that the Imperial Bank does not take up the Indian mills' goods at all at Amritsar when they are imported into Amritsar from the Indian mills. Does the Punjab National Bank do it ?—They are prepared to advance on Indian mills goods.

Do they do it ?—Yes, Sir.

To what extent ?—The question is that those who deal in Indian-made goods don't stand so much in need of capital.

If they don't stand in need of capital, then there is no complaint ?—The position is that supposing one has got, say, 200 or 300 bales with him and if he stands in need of money at some critical stage and goes to the Imperial Bank, they won't advance.

Does the Punjab National Bank under those circumstances take the goods ?—They will be prepared to take the goods.

Have you any experience whether they do take it or not ; there are four Indian banks in Amritsar : the Punjab National Bank, Peoples Bank of Northern India, Punjab and Sindh Bank and the Central Bank. Whether they deal freely or there is no demand for that kind of business, and, therefore, neither they nor the Imperial Bank deals with it ?—What we have stated about the Imperial Bank is based on experience.

You would prefer to go to the Imperial Bank, and if you are refused, then the matter drops and you go to the Indian merchants ?—Yes, Sir.

You say that the Imperial Bank says that if the goods are taken by their office at the other end, then they would have no objection. The Punjab National Bank has also got branches at Calcutta and Bombay, which are the two producing places. Do many goods pass through the Punjab National Bank at Bombay and Calcutta to Amritsar ?—The chief business is being done by the Central Bank and not by the Punjab National Bank.

Does the Central Bank do it from Bombay and Calcutta ?—From Indore and Bombay.

Does anybody do it from Cawnpore ?—That is done generally through the Imperial Bank.

And it is not done through the Punjab National Bank from any of these two places ?—No.

Do the Central Bank and the Imperial Bank charge the same commission, the same rent and the same interest or is there any difference between the two ?—There is difference between the two. The Central Bank charges Re. 0-4-0 per week as rent, while the Imperial Bank charges Re. 0-8-0 per week. So far as interest is concerned, the Imperial Bank charges 6½ per cent throughout the year, while the rate of interest charged by the Central Bank varies from time to time.

And that is an inconvenience ?—We want this convenience from the Imperial Bank.

Why do you not want it from the Central Bank ?—Because the rates of the Imperial Bank are cheaper.

Therefore you want more facilities from it ?—The point is that the Imperial Bank has got more facilities in regard to finance ; and if they are prepared to give us those facilities on foreign goods we expect the same treatment on our country goods.

You have worked out in the case of the exchange banks that you have to pay about 12 per cent per annum on money borrowed from them. Have you also worked out what the association has to pay to the Imperial Bank in the few cases that it does advance money on foreign and country goods ?—It would come to about 9 or 10 per cent.

So that because the charges of the exchange banks are 12 per cent and the charges of the Central Bank vary while the charges of the

Imperial Bank, in cases where it does do this business, comes to 9 or 10 per cent., you want the Imperial Bank to do this business ?—Yes.

Or, in the alternative, that the exchange banks should come down to the level of the Imperial Bank ?—Yes, they might also come down to that level.

So that the banks do not matter but the expenses ?—Yes. We have got no bias against any bank.

Rao Pohap Singh.—Does the Imperial Bank have to pay anything for their godowns ?—No. They have their own godowns.

Chairman.—There is a want of precision in speaking of interest rates being 12 per cent because the rate includes godown charges and is not simply an interest rate ?—The bank does not have to pay anything extra for the upkeep of the building or its cost. As regards the insurance charges, the dealer has to pay that.

I gathered from what you said that the Imperial Bank charges are less than those of the other banks ?—Yes.

But you have said in your note that the Imperial Bank is of no great help to industry or to trade in general ?—That refers to Indian piece-goods.

Rao Pohap Singh.—But you have already said that you do not want any finance for the Indian piece-goods ?—We do want it sometimes.

Then there are the other banks ?—As I have just stated our outstanding continues for a very long time and we should have some facilities. There is one thing more ; in England and other foreign countries if a bank receives a cheque from a branch of its own it will not charge any commission, but here the banks charge commission. We do not present this as a grievance but simply state the fact. There are some banks who will not negotiate cheques presented to them unless the dealer has an account with them.

Lala Harkishan Lal.—That is what they do in England also and there everybody cannot open accounts easily, so that they are stricter there. But it is the turnover that makes things cheaper and here the turnover is small, and it does not pay the banks ?—Moreover, in the case of the Imperial Bank the other charges are also less, they charge only six annas for cartage from the station to the godowns, while the exchange banks charge eight annas.

Chairman.—Are they further from the station ?—No, I think the National Bank is nearer than the Imperial Bank.

Chaudhri Niamat Ullah.—Have you any dealings with agriculturists in the villages ?—Through the mofussil shops only.

What interest does the sahukar take from the zemindars ?—We do not know of their dealings.

Do you know what rate of interest is charged by the societies ?—No.

Do you know to whom the societies give loans ?—No.

Do you know to whom the profit of the societies goes ?—They might be dividing it among themselves.

Do you know whether there is any difference between loan for productive and unproductive purposes ?—That does not concern us directly.

You must have seen from the reports of the Co-operative Department that many lakhs of rupees have been collected by the societies and distributed among their members. Do you think that they suffer a loss by collecting this money ?—What we said was that the city money is now going out. If it had remained with the sahukars, it would have been utilized by us in our trade.

In your memorandum you have said that the co-operative movement has not benefited the agriculturists ?—We say that because their indebtedness has increased.

That is why I asked whether there is any difference between productive and unproductive debts. You have seen how the number of societies has increased. With the increase of societies would not the indebtedness also increase ?—Yes, gross indebtedness should increase ; but what we mean is that indebtedness *per capita* has increased.

So that the agriculturists have not really suffered ?—Yes. But what we mean is that the money has gone out of the city.

But you have said that the agriculturists have not benefited by the movement ?—At first the agriculturists used to borrow only from one person and as much as they really needed, but now that his indebtedness has increased his condition has become worse.

Rao Pohap Singh.—You have no knowledge of the co-operative movement ?—None personal, save that from reports.

Have you ever carried out an investigation into the working of the movement ?—No.

Do you know of any case in which people have withdrawn money from the sahukars and invested it in co-operative societies ?—Yes, it is within my knowledge that certain people have done this.

You are referring to the Central Co-operative Banks ?—Yes.

What about other banks like the Peoples Bank, the Punjab National Bank, &c. ?—I have no knowledge of that. But I know of a case in regard to the Co-operative Bank.

Now that money goes from the central bank to the villages, what has happened to the money of the village sahukars ?—Has that decreased ?—I could not say from personal knowledge, but the money must be there.

You have said that the Imperial Bank does not allow you to survey ?—We said that of the exchange banks.

What reason do they give ?—They simply say that they do not like to open things in their godowns.

Do you make any difference between members and non-members of co-operative societies among the artizans who come to you ?—No, we buy from the man who sells cheaper.

Do you give non-members any raw material ?—No. We do not deal in raw material.

You have said that wholesale merchants and commission agents do not need any money as they have their own finances. The wholesale merchants finance themselves and the commission agents do not need so much capital as the wholesale merchants.

Does he have his own money ?—He has some, and he buys on credit from the wholesale merchant. He buys on ten days' credit but sometimes does not pay for some months and pays interest on the money.

You have said that there is a lot of money in Amritsar ?—No. I said that capital has been depleted in Amritsar.

At the same time you say that finances are liberal ?—I said that people deposit money in banks and speculate on that money.

But there is no trouble in people getting money ?—No, there is no trouble there ; but the cost is prohibitory.

Rai Sahib Kishan Lal.—Do you think that there is the same confidence and trust among people as there used to be ?—No. Not because there is no credit, but because of competition with other markets.

Are recoveries as easy as they used to be ?—No. Recoveries present more difficulties.

Are there any old sahukars remaining in Amritsar ?—The old sahukars are not working on the same scale as they used to do in olden times.

Have their deposits gone down ?—Yes. Because people deposit in other banks.

Do the banks give more interest ?—No. But people find it more convenient to deposit in banks and also they think their money is safer.

(Witnesses withdrew.)

Oral evidence of Lala Dwarka Das, Kapur, *ex*-President, Piece-goods Association, Amritsar.

Chairman.—You represent the Piece-goods Association of Amritsar? Yes Sir.

How many members are there in the Association?—120.

Does it include most of the leading dealers in piece-goods? Yes, most of the wholesale dealers in piece-goods.

You say that endorsements in vernacular are not accepted by the banks unless confirmed by some other bank. Do not the banks accept them?—Most of these English banks and the Imperial Bank do not.

Does the Punjab National Bank accept them?—They do sometimes.

And the Peoples Bank?—Will also accept sometimes.

The Allahabad Bank?—No.

Do you know why they refuse to accept them?—They say that they have no trained staff for that purpose, and it is not common usage.

Do they accept cheques drawn in the vernacular? No, they do not. Besides the Punjab National Bank and the Peoples Bank of Northern India none of the others do.

You speak of difficulty in treasuries. Is that from personal experience?—Yes, it is personal experience. Even if I go to the treasury for Rs. 100, or Rs. 200 the whole day has to be spent and we must know somebody to get what we want.

When was the last occasion?—About two weeks ago when I went to get registration paper.

To register what? Transfer of immoveable property. The whole day is wasted there unless one has the ear of some petty clerk.

How long did you spend there?—About five hours.

Has that occurred to you frequently?—There is a general complaint in the city about it.

Do the same difficulties obtain in connection with supply bills?—Yes.

Have you had personal experience of that?—No, not about that.

Do you have difficulty in getting currency notes from the Imperial Bank?—Yes, we have to run to the Currency Office at Lahore. As a rule they are not supposed to give us currency notes in Amritsar. Rather it is through their courtesy that we get them.

If notes are available they supply you?—If they are available. But on many occasions they are not available or it all depends on the sweet will of the Manager or Accountant.

Do you mean that they might not be supplied even if they are available ?—We do not know. But even when they are available they give it as a favour and not as a matter of right.

But if they are available have you any particular difficulty in obtaining them ?—All these banks mostly refuse to give notes worth Rs. 100, Rs. 500 or Rs. 1,000.

Have you ever been refused ?—Almost all the Association members have been refused.

Were they available then ?—We cannot say that.

Have you had a case of that kind ?—I said that many of my Association members have complained of this.

Am I right in saying that your complaint is not that notes are not available, but that when available they are obtained with difficulty ?—Yes. The bank people say that this is not the business of the banks but of the Currency Office.

You say that bills of exchange payable more than one year after date are very rare, at the same time you say there should be a distinction in the matter of duty between such bills and other bills. If the one class is rare is it worth while differentiating between the two ?—What I mean is that the one-year exchange bill is more popular and the more than one-year bill should be abolished, and would further suggest that the duty on the one-year bills should be reduced in order to make them more popular.

What is making these bills more popular ?—It is a good investment and then the term is only one year.

If they are of themselves becoming popular is it necessary to reduce the duty ?—Yes because duty pinches.

Are Hundis ever rediscounted elsewhere, for instance, in Shikarpur ?—Sometimes *muddati* Hundis coming from Karachi or Delhi are endorsed and sold here as a *purza*, but this is rare.

After coming to Amritsar, are they sent to any other place to be rediscounted ?—Very, very rarely. Not to my knowledge.

You are in favour of making railway receipts negotiable ?—Yes.

But you say there must be ample safeguards against frauds. What safeguards do you suggest ?—I suggest that recognised dealers or big firms should have the power to negotiate railway receipts ; and that endorsements should be in good handwriting.

Would you say that the endorsements should always be in English ?—No. In the vernacular. But not in *Shikasta* in which case it will be difficult to catch the man who may try to defraud.

Could you make your suggestion a little more precise ?—The endorsement should be in a legible handwriting.

Who would judge of that ?—The banks and the dealers.

Do you suggest any other safeguard ?—None.

You say that the system of storing grain in *kothas* is popular here, and that a large number of them are used for obtaining credits. Who mostly provide these credits ?—The Indian banks like the Punjab National Bank and the Central Bank.

Do the indigenous bankers do also ?—Yes. That is one of the main business being done in Amritsar.

How much of this business is in the hands of private banks and how much in the hands of Indian Joint Stock Banks ?—About half and half.

Do the rates offered by both differ ?—Sometimes. The indigenous bankers' rates are more tempting and more facilities are offered.

What facilities do they give that are not given by the banks ?—The forms used by the banks are more strict and more legal in their aspect than those of the local bankers. Lately, however, a grain association has been formed here and now all the business passes through that association.

How do they handle it ?—Anybody who wants to have a *kotha* to obtain finances has to register his name in the Association which keeps a record and charges a very nominal fee.

Do the indigenous bankers only deal with the Association ?—Yes lately.

Have Indian Joint Stock Banks the same agreement ?—I do not think so.

Has this Association been formed at the instance of the indigenous bankers ?—Yes, about an year back there were many failures in the grain business, and many goods were not paid for and the local bankers felt the necessity of an organisation of this kind.

Did the loss fall on them to some extent ?—Yes.

Have they organised the Association to protect their interests ?—Yes, they are mostly members of the Association. If I want to finance a *kotha* merchant he will not deal with me unless I am a member of that Association.

Can anyone become a member of the Association ?—This Association is a Joint Stock Association with shares. If a man shows that he is a *bona fide* grain merchant or that he finances the grain merchants he is eligible to be a member of the Association.

So that in actual fact a man can only be eligible for membership, if he is a person of standing ?—Yes, and knows the business. If a layman wants to enter he will not be recognised.

So that membership of the Association is a real guarantee of a certain business standing ?—Yes.

Is it working well ?—Very satisfactorily. Even people from Lyallpur and Okara mandis are sending their business to Amritsar.

Amritsar is now leading in this line, and those dealers want to deal through Amritsar Association.

Do they also become members of the Association ?—Very few do.

What is the number of members ?—About 300.

Are you a member ?—No. It is not my line. But as a member of the Piece-goods Association I know of it, and of the other trades in the towns.

Is advancing against *kothas* increasing ?—Lately. Last year there was a good deal of fluctuation in the prices which went from Rs. 4-8-0 to Rs. 6-3-0 and the business increased.

You say that the foreign banks as well as the Imperial Bank do not readily advance money on Indian mill-made cloth. Can you give concrete examples of that ?—When I gave my evidence before the Textile and Tariff Board I brought this fact to their notice that the Imperial Bank was not readily helping the Indian textile industry because it did not advance money, and there was an official enquiry. Now they do not give preference to foreign textile business.

Does this apply to exchange banks also ?—Yes.

Am I right in thinking that it is not part of the business of foreign banks to advance money on Indian mill-made cloth ?—They say so. But I think it is their duty to help the Indian textile industry also and Government should make them to do so.

So you want them to extend their business ?—Yes. Why should they not help Indian industry when they are helping the Italians and other foreign countries ?

Does not the Imperial Bank advance against Indian mill-made goods ?—In practice they are very reluctant and do not encourage this business.

Can you give a concrete example of that ?—If you like I can send you later on examples where they have actually refused.

You say that the important firms have generally loan arrangements with some local banks. Do you mean other than the exchange banks ?—Yes. The Indian banks, but mostly with the foreign banks.

I understood that it was almost always the foreign banks that handled this business ?—Now the Peoples and other Indian Banks in Amritsar are giving loans.

Do they finance trade from foreign ports to Amritsar or only from the port of entry ?—They have not got branches in England.

I understood it was the exchange banks who financed the foreign trade from the country of export to India. Do the Indian banks do the same ?—Very little because the importers do not go to them. But they want to encourage this sort of business.

Do they do it? Yes. It is new development.

Do you mean also that they finance trade to some extent from the port of entry to Amritsar?—These Indian banks are a sort of collecting agency. Suppose goods are being sent from Karachi to Amritsar; the railway receipt is handed to the Indian banks to collect the money. People are also advancing against the foreign drafts as the exchange banks can do.

But so far as they are entering into this business are they not doing it more from the port of entry to Amritsar than from the country of export to Amritsar?—From the port of entry. I have never seen a single draft being negotiated by the Punjab National Bank or the Central Bank or the Peoples Bank from England or Vienna, or Prague or Paris.

What does happen is that importers in Karachi and Bombay are consigning their goods to the Indian banks here. Is that the new development?—Yes. The exchange banks do not do much of this business. In connection with the Imperial Bank I want to bring to your notice that it should finance the Indian textile business only and not the foreign business.

You think that it should confine itself to it?—Yes, because so far there is a competition and foreign exchange banks do not finance the Indian business. As they do not advance any money to the Indian textile industry the Imperial Bank and the Indian banks should do it.

But is not that business being financed by the Indian banks?—But the Imperial Bank is in a position to give better facilities because the deposits with the Imperial Bank are greater in amount and on a lower rate of interest.

You mean that if the Imperial Bank gives more attention to that business, the business could be done at lower rates?—Yes, and more business will be done. And the greater the facilities for finance and the better the rate of interest, the lower the rate for godowns as the Imperial Bank has a supremacy over all these Indian banks, and much more deposit money at its command.

What is the common rate of interest for that business?—On Indian made goods the interest in transit from Bombay to Amritsar is slightly more than the corresponding charge on foreign made goods in transit from Bombay to Amritsar.

Is it more difficult to raise credit against Indian made goods than against foreign made goods?—Yes.

What is the margin retained by the exchange banks in the case of foreign goods?—Between thirty and forty per cent.

What is the margin retained in the case of Indian made goods?—It is the same.

You say that banks are less inclined to advance against Indian made goods than against foreign made goods. Do you mean that if A imports foreign made goods of the value of one lakh and B imports Indian made goods of the same value, A will be able to get finance and B not, other things being equal?—Yes B will have more difficulty. Exchange banks do not have a sympathetic heart where Indian made goods are concerned.

The Indian importer finances his trade, if of foreign origin through the exchange banks, if of Indian origin he does it through the Indian banks. Is that correct?—Yes, because the Indian banks are willing to advance money against the Indian made goods.

Through whom does the wholesale merchant finance his business?—Through an importer, or pays for the goods and then opens an account with the banks.

Then the wholesale merchant is dependent on the importer?—Yes.

And the commission agent is dependent on the wholesale merchant?—Yes.

So then the banks are doing the whole business in one form or another?—Yes.

Lala Harkishan Lal.—You said that there are about 120 members of the Piece-goods Association. How many are outside the Association?—None in Amritsar because it is a recognised Association and everybody who deals in the business is a member.

You said that with regard to this bank rate the draft specified to pay interest at bank rate. Which bank rate?—The rate of the negotiating bank prevailing in Amritsar.

Do you mean to say that these banks have also their bank rate?—They say that for foreign trade there is a maximum of seven per cent.

That is for stocking goods not for negotiating bills which start from Manchester. Do they charge interest at the bank rate in Manchester or in Amritsar?—In Amritsar.

That might be quite uncertain. By the time the goods come here the rate might have changed. Does the man sending goods from Manchester expect interest at a rate prevailing at Amritsar?—The four banks here have fixed the minimum rate of seven per cent and the shipper in London knows the rate prevailing in Amritsar.

That is in regard to piece-goods and not in regard to other articles?—I have no experience of other articles. In very rare cases the shipper stipulates to charge six per cent.

You said something about wheat in *kothas*. How are *kothas* filled in?—Suppose I want to fill two *kothas* and they cost Rs. 700 or Rs. 800. go to an Indian bank and say I want to fill *kothas*. It will take margin money and buy wheat and fill a *kotha* and lock it and keep the key with

itself, and then it charges interest over that and godown rent of about five or ten rupees.

The godowns are not the property of the banks so why do they charge rent ?—If the bank has not got a *kotha* it hires one and charges for the rent.

When you want to sell that *kotha* how do you sell it ? By bijak or satta ?—Mostly on bijak. I buy a *kotha* now and sell for *Har*. I sell the bijak in the market.

Who makes out that bijak ?—Either the commission agent through whom the *kotha* has been filled or the bank.

Has the Grain Association got rules about the selling of bijaks ?—Yes.

Rao Pohap Singh.—You said that the Imperial Bank should take up the financing of the Indian textile industry. Do you find any difficulty with the Indian banks in that they have not got sufficient money ?—They have money but cannot lower the rate of interest because they pay more for deposits.

If the Imperial Bank takes up this work will the rate of interest be lower ?—Yes.

Will it not be a loss to the Indian banks ? Will not most of the work go to the Imperial Bank ?—Yes. But they can work in places where the Imperial Bank has no branches. My object is that the rates should be lowered for the piece-goods merchants.

Your object then is simply to lower the rates. Otherwise as far as finances are concerned there is no shortage of money ?—No. But if the volume of business goes up it might. So far we are not hampered.

Chairman.—Does this complaint apply to the Imperial Bank or to other Indian banks as well ?—Only to the Imperial Bank. The Indian banks are quite ready to help.

(Witness withdrew).

Oral evidence of S. Santokh Singh, President of the Sugar and Grain Association, Amritsar.

Chairman.—Are you the President of the Sugar and Grain Association, Amritsar ?—Yes.

How long has the Association been in existence ?—In its regular form for the last twelve years.

How many members has it ?—It consists of about 150 members. All the principal traders of Amritsar are in this Association.

What is the object of the Association ?—The object is to regulate business in the city of Amritsar.

How does it do that ?—Whenever we notice any defect, we adjudicate upon that. All disputes are mutually settled, and, so far as possible, we don't let anything go to court. There is a regular Board of Arbitration, and there is also an appeal to the Executive Committee and to the General Committee.

How many disputes did you settle last year ?—I could not give you the exact number, but it could not be less than 400 or 500 disputes.

What else does the Association do ?—We have now got the Association registered ; it is a limited company. It controls all the forward business of Amritsar. We got the Association registered last year with a limited liability, and from last year we are working in this way that all the traders in the city make transactions between themselves in the day and every evening all the transactions are registered with the company. The latter gets the margin both from the buyers and sellers.

What is the effect of registering these transactions ?—That guarantees the proper delivery of goods.

How much is deposited as margin ?—Rs. 100 for every 500 maunds of wheat. The moment 75 per cent of the margin is finished, they ask for more margin, and the clients are bound to pay it.

What was the object of forming this company ?—The company was formed with a view to control all the forward transactions just on the lines of the Liverpool Exchange. There people make transactions amongst themselves during the day and in the evening all the transactions come to the Association with the margin money. For instance, A sells the grain to B. A will send the transaction to the Association to be registered with the company and B will also send the transaction, and both A and B will send the margin money. In both cases after the margin money is once sent to the company, it becomes the seller as well as the buyer.

Does the company then become responsible for the whole transaction ?—Yes.

Does it bear losses ?—No, because they have got the margin money.

How is the margin calculated ?—On the present value they charge Rs. 100 for 500 maunds, and then from day to day they calculate the value.

How does Rs. 100 cover the whole value ?—It is calculated from day to day. Suppose I have purchased 500 maunds at Rs. 3-3-0 per maund, and I send that transaction to be registered with the company. The next day, suppose, the rate goes up to Rs. 3-5-6, which means a loss of Rs. 78-2-0 out of the deposit of Rs. 100 at Re. 0-2-6 per maund, We shall then ask for more margin and get it forthwith.

Are all these transactions entirely speculative or is actual delivery given ?—Not entirely speculative, but actual delivery is given and taken.

Are most of the transactions made with the object of giving delivery ?—Delivery is contemplated.

Is the main object of the company to facilitate speculation in produce ?—Not entirely to facilitate speculation, but to a certain extent, but at the same time to have it with proper guarantees.

What dividend is the company giving ?—Last year we gave 35 per cent. ; it is really a co-operative concern. All the merchants of Amritsar are in it.

Have you any outstation members ?—No ; we confine the issue of our shares to the traders who are dealing in Amritsar only.

Do they number 150 ?—Yes.

Can any one do business in grain in Amritsar without being a member of your company ?—No, so far as forward transactions are concerned.

How is delivery made ? Is the key of the Kotha handed over to the purchaser ?—As a matter of fact there are no keys. They simply buy the produce and transfer the deeds.

If a Kotha is not locked up, what security is there that the grain remains intact ?—Being in the city we all know each other. It is not a very ideal system, but it is there. There is no regular lock and key in most instances. The produce is stored just behind the shops ; on the back side of the shops the Kothas are situated. The Kothas change hands without being actually opened. They work on the " bijak " system.

How many Kothas are there in Amritsar ?—In Amritsar we have got about 500 or 600 Kothas, mostly of wheat.

What does that amount to in maundage ?—It amounts to about 4½ lakhs of maunds at the rate of 900 maunds per Kotha.

How many Kothas would you have in one building ?—It all varies.

What is the largest number ?—Fourteen or fifteen at one place, because banks generally prefer to have the Kothas at one place. Formerly the Kothas used to be behind every shop.

Are these Kothas constantly changing hands ?—They do.

If a person wishes to store grain in the hope of getting a better price after the monsoon, is he forced to become a member of your association ?—He must, because it is to his own advantage.

Is he prejudiced by the fact that the main object of the association is speculation ?—I would not say the main object is speculation ; they control all the business of the city.

How is that controlled ?—Suppose anybody has got some dispute about any transaction ; they must come to the association for settlement. If he does not become a member of the association, he cannot approach us. The association spends quite a good time in improving the real business.

What improvement has been made ?—Formerly there was no responsibility of the broker, but now we have held the brokers responsible for any shortage in weight, because we have fixed a limit for each Kotha.

What shortage do you allow for four months ?—We allow six chhataks per maund for the first four months.

Up to what amount do you allow shortage ?—We allow up to one seer, ten chhataks maximum. If a Kotha is opened and found short of one seer four chhataks, nothing is paid.

What other regulations of that kind have you got ?—We have got a printed book of our rules, which we amend from time to time according to the necessities of the time.

Lala Harkishan Lal.—Could you kindly send us a copy of those rules ?—Very well.

Chairman.—Do you control or inspect the weights ?—We have got our own scales. They are acceptable to everybody. If any dispute as to the scales occurs, we have got four scales in different parts of the town, and they take the bags there and weigh them to settle the dispute.

What is the fee for joining this association ?—There is no fee, but the man must buy at least one share.

What does it cost ?—The share is worth Rs. 1,000, but it is now selling on a premium. The company does not issue any more shares.

Is dividend being paid upon those shares ?—Yes.

How many shares can a member purchase ?—Not more than five.

What is the amount of produce stored in Amritsar at the present moment ?—About ten or twelve Kothas are left at the present moment ; all the rest is sold out.

What was the maximum amount stored during the last year ?—About 4½ lakhs of maunds.

Are storage facilities in Amritsar sufficient ?—Yes.

Does the association arrange for any advances to be made against storage ?—Yes, we make advances.

What do you advance ?—About 80 per cent.

At what rate ?—That varies from time to time ; it varies from 5½ per cent to 7½ per cent.

When is it 5½ per cent. ?—It is all a question of supply and demand.

Where does the association get its finance from ?—We have raised about Rs. 80,000 by the sale of shares, and then we have got a capital of the amount of margin. Generally we have rupees four or five lakhs on account of margin money.

What is the maximum that the association advanced at one time against every kind of produce during the last year ?—It was at no time more than Rs. 80,000. It is not that we could not advance more, but there was no demand. In Amritsar generally people go to the sahukars rather than to the banks in order to preserve secrecy in respect of their transactions, and the sahukars simply take their signatures in the books and make advances.

Has the Imperial Bank affected your business at all ?—In the mandis it has, but not in Amritsar, so far as storing of grain is concerned. I have got my own branches at Okara, Kairon, Patti and Lyallpur, and I find that the Imperial Bank has affected the business there.

What is your private business ?—I am a cotton factory owner, a trader and a commission agent.

Do you make advances in these different places against grain ?—Yes.

At what rate ?—About the same rates as stated above ; it varies from time to time.

What is your rate against cotton ?—Cotton, generally speaking, goes to the banks ; there they have a sort of a floating account and they work the value of the stock every evening and then make advances, and this is a system which the Indian investor cannot work ; it does not pay him to work out the prices every day ; so most of the cotton business is financed by the banks.

Are the facilities for storing cotton and for obtaining advances against cotton sufficient ?—I should think so.

Do you deal directly yourself with the zemindars ?—At Kairon, where I have got my factory, there are no middlemen, and whatever *kappas* there comes, it comes direct to my factory.

Do they ask for advances ?—It is very seldom that they ask for advances, but if they do, we fix the price according to the ruling rate. Generally speaking, they sell the produce on the spot.

Is it only in Kairon that you deal directly with the zemindars ?—There are very places where we can deal directly with the zemindars.

Could you say if there was a tendency amongst the zemindars to store their produce ?—They don't.

Do you think that if facilities for advances were increased, they would be more inclined to store their produce ?—In the village houses they would, but my idea is that so far as the facilities in the mandis are concerned, they are quite enough.

It is generally said that a zemindar prefers to sell his produce as soon as it comes in, in order to have ready money ?—Yes, and at the same time the tendency of the market in the preceding five or six years had been such that in the beginning of the season the prices were higher and as season advanced they were depreciating.

At the present moment are there signs of an increased tendency on the part of the zemindar to ask for credit facilities in order to store his produce ?—Not under these circumstances. Their means are so small that they have got to sell during the season.

Lala Harkishan Lal.—What do you charge for these arbitration proceedings ?—Nothing.

As between members ?—Yes.

And the non-members ?—They don't come to us.

What do you charge for keeping the margin ?—We charge a commission of Re. 0-12-0 for every 500 maunds of wheat.

Is this charge fixed by rules ?—Yes.

For what length of period do you charge Re. 0-12-0 ?—Regardless of length of time.

What is generally the due date ?—The due date varies from one month to 2—4 months. We charge Re. 0-12-0 for every 500 maunds of wheat and fifty bags of sugar.

Do you deal in any other goods excepting wheat, grain and sugar ?—No.

Is there any trade of oil-seeds ?—No.

Cotton seeds ?—Cotton seeds trade there is.

And cotton itself ?—In cotton there are no forward transactions. If there are any, they do come to us. For every 25 bales of cotton we have got a margin of Rs. 200 and Re. 0-12-0 commission.

Do you pay any interest on this margin ?—Four and-a-half per cent.

You might be investing it at 6 per cent or 7 per cent. ?—Sometimes we do and sometimes we cannot.

For these trades that you deal in, *i.e.*, sugar, gram and wheat, are the banking facilities sufficient in Amritsar ?—In Amritsar we have not much to fall upon banks.

Have you got enough money from all sources and there is no difficulty ?—Yes. Some ten years ago you could make 10 or 12 per cent on your holdings, but now you can hardly make 6 or 7 per cent.

We were told in one case that on piece-goods the banks make as much as 10 per cent. They charge 7½ per cent as interest ; then they charge Re. one per bale as godown charges, which was represented to us to amount to as much as 5 per cent. Is it the same with regard to these goods ?—These things are stored in our own Kothas, and in Amritsar no body can rent out a Kotha at more than Rs. eleven a month. It has been fixed by the Association. Six months is the minimum period for which you can rent a Kotha.

For one transaction ?—Call it that way.

And then it is not availed of in the season again ?—Storing goes on for two months in the year, May and June.

Then practically it means for the whole season ?—You can sell the produce within three months or even earlier.

The Kothawala does not get any other rent during that year ?—No.

So far as the tenant is concerned, he might be paying Rs. eleven for three months or eleven months ?—For six months he is bound to pay.

After that ?—For as long as you keep it . Suppose you empty the Kotha after seven months, you will pay rent for seven months, but if you empty it after five months, you shall have to pay for six months and not for five.

Chairman.—What is the actual rent after six months ?—It may be less than Rs. eleven, but it cannot be more than Rs. eleven.

On 500 or 1,000 maunds ?—Say between 800 and 1,000 maunds.

Lala Harkishan Lal.—And the rate of interest that he pays is about Re. 0-8-0 or Re. 0-9-0 per cent. ?—Yes.

So he practically spends Re. 0-14-0 on that also ?—Yes, he has to.

If a man stores in Amritsar at the present rates which are very much better than they used to be, has he to employ any Chaukidar ?—No.

Has he to pay anything on the deed ?—No.

No stamp is put on the transfer of " bijak " ?—No.

With endorsement or without endorsement ?—With endorsement.

Don't they pay any commission ?—When the transaction is between principal and principal, there is no commission.

Are there no brokers ?—Yes, they are employed.

What is the brokerage ?—Rs. four for every Kotha for both sales and purchases. It is only the seller who pays, and the buyer does not pay anything.

The Kotha itself might change hands ten times before it is finally delivered ?—Yes.

What about sugar : is it stored also ?—Yes.

What are the rates in that case ?—In sugar there is no special storage. Everybody stores in his own shop.

No credit is taken on sugar ?—Not generally.

In what sense is it stored ?—The man who wants to purchase it, keeps it with himself and when the due date comes, he weighs it out.

Kothas are generally stored in the months of Jeth—ta—Har :—

Shortages allowed are as follows :—

In the month of Asooj	..	6 chhataks per maund.
In the month of Katak	..	8 chhataks per maund.
In the month of Magar	..	12 chhataks per maund.
In the month of Poh	..	1 seer per maund.
In the month of Magh	..	1 seer 2 chhataks per maund.
In the month of Phagan	..	1 seer 4 chhataks per maund.
In the month of Chetar	..	1 seer 8 chhataks per maund.
In the month of Visakh	..	1 seer 10 chhataks per maund.

I was asking in respect of financial facilities ?—When you have got it in your godown, you have got to pledge it with the bank.

There is no fixed rate of interest charged ?—No.

With regard to these three things, have you any suggestions to make about the want or insufficiency of banking facilities ?—As I have said, so far as all the mandis are concerned, we have got enough banking facilities, and there is no scope for more.

Neither on the score of interest charged ?—Interest is quite fair.

What is a fair rate of interest ?—Six—seven per cent.

Khan Bahadur Chaudhri Sultan Ahmad.—Could you give us a graded list of wastage allowed, say, for a month or two months ?—It is all given in that book which I have promised to send you.

You have said that where you deal direct in cotton (Kairon) they sell it straight off generally, but sometimes they leave it for sixty or ninety days to have the option of better prices. What is meant by that ; do they choose the price of a day between those sixty or ninety days ?—Yes, the rate of any day within ninety days.

Is it done after the expiry of the period or before that ?—Can make his choice any day within these ninety days, and if he fails to make any, the rate prevailing on the 90th day is fixed.

Could he choose the date after three months or whatever period is fixed ?—He has to choose the rate of any date he wants from day to day within the period fixed.

You say that if it is three months and if he is allowed to select the highest day prevailing in those ninety days, he would have the advantage ?—It cannot be that he should wait for ninety days and then select one day out of those ninety days. If he wants to fix the price to-day, he has to make the choice to-day.

Your idea was that if the zemindars are offered credit facilities they would store in their villages. How would you do that ?—Would you advance money simply on their credit or on the cotton stored there, because you cannot have similar control over cotton which is stored in their homes ?—That would depend upon the investing agency.

Would you only do it on the security of cotton if you could take possession of it even if it were at a distance ?—Yes. On security of goods and actual possession of it. Originally the village sahukar did without possession, but he is nowhere now ; he is losing ground daily.

You would not advise the producer to store the produce now ?—Under the present circumstances, no. The tendency of the market for the last five or six years has been downward.

Must he sell it outright ?—Having regard to the market conditions, yes. India is not now an isolated country. The markets here are governed by the ruling prices in the world. The producers must be educated to be able to understand what the statistical position of the world is from time to time.

Chairman.—Upon whom have the heavy losses during the last five or six years fallen, the producer or the purchaser ?—Upon the factory owners, in case of cotton.

And in the case of wheat ?—Upon the middlemen ; I mean the city people who store it, because, generally speaking, the zemindar sells his stuff during the course of the season. People have lost their fortunes during these years.

Do you suppose that most of the wheat stored in Amritsar district this cold weather has been stored in Amritsar itself and not in the villages ?—Yes, because in the villages there are neither the storage facilities nor would they keep it back. They would only store it in the principal market in the district and that is Amritsar itself.

I take it that a certain amount of wheat is stored for the monsoon ?—In my opinion about $\frac{3}{4}$ths of the crop every zemindar brings to the market and $\frac{1}{4}$th he keeps back either for consumption or to wait for better prices. But there are very few big zemindars who can hold it.

When you say that $\frac{3}{4}$ths of the wheat is brought to the town, do you mean $\frac{3}{4}$ths of what is finally sold or of the total production ?—Three-fourths of the total amount finally sold.

One-fourth is stored in the villages ?—Yes.

When does it find its way to the town ?—Gradually.

Upon what do you base your conclusion ?—Upon my experience of the last thirty years. I have worked with Ralli Brothers for ten years ; and Louis Dreyffus for twenty years. I am still working with Louis Dreyffus.

Would you say that on the whole the producer now gets a fair price for his produce ?—Yes ; he is not now as ignorant as he is thought to be.

During your thirty years' experience do you think that there has been a tendency for the producer to get a higher proportion of the total price finally paid for his wheat ?—He makes the best of his opportunities.

Do you think he is in a stronger position now than he was twenty years ago in regard to marketing ?—Yes, he is stronger now. They seem to have a sort of wireless among themselves. If you pay a higher price say in Patti than at Kairon they will all go to sell there the next day. If next day the price is higher at Kairon they will all flock there. If I want to buy *kappas* I pay two annas per maund more and the next day my arrivals will be 50 per cent higher.

Do you find that elsewhere ?—Yes, it is true all over. Markets are not very far from each other and as they go along the road they tell others.

Would you say that the producer in the Central Punjab was sufficiently well acquainted with rural market rates ?—Yes.

Then do you think that he is getting a bigger proportion of the total price paid for the crops than twenty years ago ?—Yes.

What is that due to ?—Mostly owing to greater competition between traders, and also that he is improving in intelligence. For instance if the parity of cotton is Rs. 17, I always like to buy at Rs. 17-4-0 or so, so that the others may not have it. It is a natural tendency for one to buy and do more quantities than the other competitors. This tends to give the zemindar a higher price.

Rai Sahib Kishan Lal.—Can you say in what percentage of cases goods are actually delivered ?—Between 5 and 10 per cent cases.

Can you say whether this forward sale is profitable for businessmen or whether it leads to speculation ?—If you were to stop it to-day the whole machinery will come to a stands till. I can do ready business only because I can sell forward. The same is the case with cotton.

This forward sale and purchase started 20 or 25 years ago, and the result is that people do not pay out so much money as before. Is this not the cause of the ruination of people ?—Speculation has increased of late, but I have seen it for the last thirty years. Even when you buy forward and pay margin only you have to pay bills on the due date.

Can you from your own experience say whether a great many people have been ruined by this or whether many have gained ?—You

cannot have any reliable data in regard to that. It is a matter of opinion.

Chairman.—Is there a tendency, as a result of this increase in speculation, for credit to be affected ?—No, I should not think so.

Various witnesses have said that credit has been seriously shaken by the heavy speculation that has been going on for the last ten years.—That is not my opinion. It all depends on the financial position of a man and the extent of his speculations. For instance, reliable firms in Amritsar and elsewhere have been in speculation business for years without their credit being shaken.

Rai Sahib Kishan Lal.—I want to know whether a man with his own money and doing business is in a better position than a man who borrows from the bank ?—It is very hard to answer that.

Chairman.—Do you think that credit facilities have increased during the last ten years ?—Yes and speculation has also increased.

Is this not due to an increase in credit facilities ?—Yes. To some extent.

Have credit facilities also increased in the last ten years ?—Yes, because of more banks.

You say that speculation has increased and also that credit facilities have increased. Do you not connect the two ?—To a small extent.

Would you say that this increase in speculation was a factor in the present trade depression ?—No. On the contrary, it opens up a way for business.

Lala Harkishan Lal.—That is best argument that has been advanced in support of speculation ?—I think it is true to a certain extent.

Chairman.—Have any members of your association failed owing to speculation ?—Yes a few.

How many have failed during the last five years ?—Not more than six or seven. But then those people who do this business do not depend entirely on it. There may be other reasons of their failures, and at the same time others who don't speculate may be doing it secretly.

Does your company settle accounts three times a day to cover margins ?—Yes. Two to three times a day according to fluctuations in price.

Are margins always covered by cash ?—Yes.

Rai Sahib Kishan Lal.—Of course that cash may be borrowed ?—May be.

(Witness withdrew.)

Oral evidence of Commission Agents and Money-lenders, Bhiwani.

The following gave evidence :—

1. Lala Phul Chand, aggarwal, commission agent.
2. Lala Lakhpat Rai, Aggarwal, stock and share broker.
3. Lala Faqir Chand, Aggarwal, Money-Lender.
4. Lala Bansi Lal, Aggarwal, commission agent, cotton, grain, etc.
5. Kundan Lal, Aggarwal, Agricultural money-lender.
6. Lala Madan Gopal, Aggarwal, money-lender.
7. Lala Harsarup, Brahmin, Mukhtari-i-'Am of money-lenders.
8. Chuni Lal, Aggarwal, money-lender and agriculturist.
9. Lala Chhajju Ram Baid Aggarwal, and agriculturist.

No. 9.—I take deposits. There are others who do that too. We do not take deposit generally from every body. There is none here who represents such firms. There are about 200 such firms.

Hundi business is also done by commerical agents and *arhtis*. Two hundred big firms h ndle about three or four lakhs worth of hundies each. Those who do this hundi business are arhtis. Deposits are taken by traders in cloth and grain, etc. These deposits are ordinarily taken for trade and not very much for money-lending purposes. The rate they ordinarily give is $7\frac{3}{4}$ annas. There is no period fixed generally. But there is a limit of two months. These days interest is five annas. This fall in interest is from four or five months. This is due to depression in trade. A depositor can take away his money after two months. The rate of interest is of two kinds. With businessmen it is nine annas and with money lenders it is Re. 1-9 per cent both from agriculturists and others.

Money advanced to businessmen is rarely lost. But with agriculturists there have been many bad debts during my twelve years' experience.

No. 5.—My family is doing money-lending. There are so many difficulties in recovery now-a-days : firstly, on account of famine, and secondly, on account of a lack of intention on the part of zemindars to re-pay and thirdly, owing to the heavy court-fees. The Land Alienation Act protects the lands of zemindars from being attached. In my opinion only fifteen per cent. is realized out of court and through courts about thirty per cent. The remainder of the sum is renewed on a fresh pronote. Even after the institution of suit compromises are effected by getting a part payment on the spot and the balance is covered by a fresh pronote. But this I have included in the percentage mentioned above.

Others.—The average realisation from agriculturists yields only nine annas per cent. interest. The yield is so low that money-lenders are leaving this business because they can get a better yield

from other sources. Every where this is the case. Agriculturists suffer too for they cannot get money so readily.

No. 5.—If facilities for recovery are provided, credit will be more facile. My proposals are—

(1) Abolition of Land Alienation Act. This keeps their land safe.

(2) Court-fees be lowered.

(3) In attachment and auction police help should be given, for often there is a danger of life.

The reason why recovery is difficult from agriculturists is that they have no money and also in some cases they do not wish to repay. People who intentionally try and avoid repayment are about between 25 to 30 per cent.

The proportion of those who cannot pay for lack of money is about 70—75 per cent. It is true that agriculturists are poor, but we do not sue such people, but we feel it when a man possesses the means of repayment and does not pay.

Money is not generally lent on mortgage of property or ornaments. One reason is that a man feels it a disgrace to pledge ornaments. His women-folk feel it very much. Often ornaments are not recovered by borrowers for the value of the ornaments falls short of the amount advanced plus interest. Only two per cent advance money on security of ornaments. Provision of security reduces the rate of interest but only about four annas in a rupee.

Those who have spare money in the town do not bury but invest. In the villages they used to bury, but do not do so now. I have personal knowledge of villages. There they do not bury, not even during good harvests.

There are no distinctions made in money lending between caste and caste. Hundi business is entirely against goods purchased. There was a time in Bhiwani when sahukars purchased hundis from Delhi, but now there is no money available. The spare money has been lost in the cloth business. The cloth market in Bhiwani has fallen down because people are poorer.

All the money has gone to foreign countries (*Walayat*). Formerly zemindars used to purchase on loan from sahukars, but now the latter having no money cannot sell on credit. Money is sent to Bombay through Hundis. Hundies are sometimes at two annas sometimes at five annas. If they are not available people send money. People come here from Hansi and Hissar for hundis but not from Rohtak. They go to Delhi for it is nearer and on the rail.

We have no connection with co-operative societies. No sahukars deal with them. Other people do. Professional men like vakils and villagers do that.

Only one or two of us purchase Government securities.

Very few use even Post Office Saving Banks, for there is no money. The low rate of interest and lack of education is also the cause of this. We know cash certificates. But only widows purchase them. They have no confidence in sahukars.

Sahukars used to invest money in Darshani hundis on Calcutta. But this is not done now.

There is no other industry except that of brass utensils. Those who manufacture them borrow money from sahukars. There is also some difficulty in recovery but not so much as in the case of zemindars. We do not charge interest from them, for money is not advanced but raw material. They sometimes borrow in cash also. The interest is a rupee or twelve annas per cent. We feel the need of a bank ; the Central Bank does not serve our purpose.

No. 2.—The advantage of a (joint stock) bank is that it has branches elsewhere. The central bank does not give us the same facilities as a bank for the exchange of hundis. If it did, things would be alright. The greatest difficulty of lack of a bank is the lack of remittance facilities. We deposit in banks more gladly than in the central banks because the central bank cannot help in exchange business. We do not like the co-operative societies for small deposits even, for we know little about their affairs, and they have done nothing towards helping agriculture or commerce.

Sahukars invest money with each other. The money-lending business is slacker now than it was a few years before. Now we have little dealings with agriculturists. After the opening of co-operative societies business with agriculturists is less. Co-operative societies have better facilities for recovery.

The money withdrawn from money lending is being invested in trade. We have no spare money to invest in the central bank. Our money can be invested with each other at a higher rate. This helps too in keeping us in touch with each other.

Trade depression is so great that there is not much profit.

(Witnesses withdrew.)

Oral evidence of Merchants and Money-lenders of Rohtak.

(1) Lala Ganpat Rai.

(2) Chaudhri Prabhu Dayal.

(3) Chaudhri Niamat Singh.

(4) Lala Jagdish Rai, Contractor and Money-lender.

They said they were all Aggarwals from Sonepat and were wheat and *gur arhtis*. All, too, were income-tax payers. In Sonepat most of the trade was in *gur* and wheat, latter being greater in proportion. There are about thirty or 32 shops of *arhtis* in the mandi. They have very little dealings with zemindars. It is difficult to estimate the total amount of work done in the mandi, but roughly it may be fifty lakhs in the most favourable year and in the present year, when harvests are bad, it is only seven lakhs. Six or seven years ago the total outturn was about two to three crores. The present depression goes back to the last three years. In four months wheat worth seven to eight lakhs is sold. 5,000 maunds of *gur* is the daily outturn for a period of four months. The average sale in four months amounts to eighteen to twenty lakhs. Population in Sonepat is about 14,000. Muhammadans preponderate. They are not *arhtis*. Hindus alone are *arhtis*. The reason why smaller amount of business is done now is that formerly goods were exported to Karachi, Bombay and Calcutta, for further export to foreign countries, but now instead of exporting to other countries produce is being imported into India. It is not due to an increase in the number of new mandis that they do less business. Bad harvests are the only cause of this depression in trade. *Arhtis* use their own money and, if they need more, go to Delhi for it. About two-thirds of the maximum amount needed comes from Delhi. Rate of interest charged is 8 annas per cent. per mensem. The time for which money is lent is generally five to seven days. Bigger *arhtis* in Delhi advance the money or sometimes it is taken from banks on hundis. Great difficulty is felt in raising money nowadays. This has been so for the last ten to fifteen years. Rate of interest has not increased, but the amount of money available has decreased. We now get only Rs. 5,000 where we got Rs. 10,000. This has led to a depression in trade. Prices are not one-sided now. They used to be one sided. There are no sahukars in Sonepat who purchase hundis of *arhtis*. We pay zemindars in cash for the goods purchased from them. We pay them in full. We do not charge them any *arhat*. Purchasers pay this. Both *arhtis* and merchants purchase goods. There are two *arhats* charged, once when the goods pass from the zemindar to the purchaser and again when they further change hands. Practice is identical in Sonepat and Rohtak, and in all other mandis in the district. Both in purchasing and selling the maund is of forty seers. When a zemindar brings his goods for sale we call the intending purchasers and auction them. This system is not observed in Rohtak, but is confined to Sonepat, Bahadurgarh, &c. Outside purchasers also come

to purhcase goods. They purchase through *arhtis*. There is no uniform time limit for payment. It is fixed at the time of sale. In mandis payment is usually made after four days. Fifteen days is the utmost limit. They do not lend money to zemindars. The latter now borrow from co-operative banks. Banks are very rigid in their dealings. That is why zemindars prefer to deal with money-lenders. But we do not lend because our money is not safe. This business is mainly in the hands of Aggarwals in this *ilaqa*. No zemindar owns an *arhat* shop. Auction is better than ordinary sale and benefits *arhtis* and zemindars alike. Zemindars themselves bring their produce to the markets. This is sold sometimes when the produce is in the cart and sometimes after it has been stored. Kumhars and Mahajans also sometimes convey produce to the markets. But mostly it is the zemindar himself who does that. Perhaps half of the produce is marketed by the zemindars themselves. Prices are settled according to the quality of the goods. When zemindars do not themselves market the goods it is because they do not want to take the trouble of doing so ; such men are either rich or indolent. Kumhars will market their produce. Zemindars now do not re-pay their debts in kind, but in cash. This change has come about during the last six or seven years. Here and there, there are zemindars who pay in kind—perhaps twenty per cent. of the whole number. Eighty per cent. market their own produce, 50 per cent. repay their debts, the rest do not repay. Sahukars thus lose their money. It is difficult to realise from zemindars. Courts do not allow their lands to be attached or sold.

Lala Ganpat Rai.—I have dealings with about twenty to thirty zemindars. Ten years before I had advanced about 50,000 to the zemindars. Now I deal with only a few of them. Some repay their debts, others do not. I have lost a large amount of money in this way. I cannot say exactly what I have lost. I think it must be in the neighbourhood of Rs. 20,000. Last year Aggarwals lost Rs. 40,000 which theyhad advanced to each other. The loss was due to losses in *satta*. Last year too many banias failed owing to the import of wheat from Australia.

Prabhu Dayal.—We have ceased dealing with zemindars. We find it very difficult to realise money. We have also to submit to undue pressure (*rohb*) from them. We are not in the habit of going to court and we cannot realise our money out of court. We have, therefore, stopped lending money to zemindars for the last ten years. Before that money-lending was our main profession. Then I had advanced about a lakh of rupees. We left this profession because we had no hope of easy realisation ; moreover, we have started an *arhat* shop in Delhi.

Jagdish Rai.—The total amount I have advanced to zemindars is only Rs. 5,000 to Rs. 7,000. I have stopped money-lending because I find it very difficult to realise my money. My rate of interest isfrom twelve annas per cent. per mensem to two rupees. This gives me an average of a rupee per cent. per mensem considering the amounts lost

due to failure to realize. Nowadays we lose more than we gain. It is difficult to realize even the capital amount. The zemindars who used to deal with me now deal with co-operative banks. They repay the banks more readily. Last year my income from interest was only Rs. 300. This was not from zemindars, but from non-zemindars. There is a person who owes me money and who owed money to the co-operative bank as well. He has repaid the bank, whereas he has not paid me any penny. Twenty years back my dealings went up to Rs. 20,000, now they amount to only Rs. 5,000. There are not enough banks to meet the demands of the people. Military pensioners and zemindars also lend money.

Lala Ganpat Rai.—Co-operative banks and Jat money-lenders combined meet all the demands of the zemindars. Perhaps ten per cent. of their needs are not met. Zemindars will gain by the increase in the number of such banks. We would gladly lend money to agriculturists if we were sure of recovery and were protected against loss. We have lots of money in joint stock banks. because we feel it safe there. We have also deposited money in the co-operative banks. The rate of interest in co-operative banks for deposits is seven per cent. We much prefer to deposit money in banks than to lend it to zemindars because recovery from them is so difficult : but for this, it would be more paying to lend to zemindars. There is no risk or trouble in dealing with the banks. There is a co-operative bank in Sonepat, but we have no money in it.

Lala Prabh Dayal.—I have an account with the Imperial Bank. Sahukars believe that money in the banks is safe.

Most of the produce sold in Sonepat is exported. Payment is received from outside in the form of hundis or even in cash through insured packets. To some we send goods through banks and to others with whom we have dealings and in whom we have faith we also send direct. The expense of remittance falls on the purchaser. It comes to about four pice per cent. For Calcutta ; it comes to about six pice and for Karachi to about five to six pice. In Bombay it is at par. Insurance costs two annas. It is dearer. We send or get money by insurance only if we cannot get a hundi. In Delhi we purchase hundis from banks like the Punjab National Bank, National Bank, Imperial Bank, Peoples Bank or Allahabad Bank. But generally we purchase hundis from sahukars. There is not much hundi work here. You cannot get big hundis here. All the shops in Rohtak do this business. There are 8 shops of *sarafs* here. They do not lend money. They live on rent. There is not much scope for a bank here. Co-operative banks do not issue cheques. In the absence of banks people have either to go personally to get money from Delhi or have to get it by means of insured post. If a bank were to open its branch here, it will certainly earn enough to make more than Rs. 500 per mensem required for its running expenses. It costs Rs. three to send a man to Delhi to get money. This includes his railway fare, his wages for the day, &c. Every man has to send his own man. One man does not act for every one.

(Witnesses withdrew.)

Oral evidence of Lalas Bichha Mal, Manohar Lal and Shib Dayal, Bankers of Rohtak. Lala Bichha Mal is a land-owner and the rest are income-tax payers.

Lala Shib Dayal.—There is no firm in the mandi which deals exclusively in hundis. I am a house proprietor and money-lender. I do not myself deal in hundis. I deal in gold and silver. I am a retail dealer. I purchase gold and silver in Delhi. Now there is not as much sale of gold and silver as there used to be. It is daily decreasing It is due to the fact that zemindars now generally go to Delhi for their requirements ; also there is famine. Famine has been prevailing for the last three or four years. With good harvests people go in for more ornaments . Many years before the war people used very little ornaments. In war days people purchased lots of them. Now more ornaments are being used every day. Zemindars prefer solid designs. People do not purchase and hoard gold for keeping spare money. Townspeople also do not do that. In Rohtak there are about five or six shops of sarafs. Each one of them sells gold and silver worth fifteen to twenty thousand during the year. This includes sales to both people from the villages and to those coming from the town of Rohtak. People from an area of twenty to thirty miles come here. Nobody hoards gold in bullion. People turn their ornaments into gold. Solid ornaments lose very little by wear, only about 2 to 3 mashas in four or five years. I should think there were fifty lakhs worth ornaments in this area of twenty to thirty miles. In the town Hindus use more ornaments. Mahajans use the most, and educated people the least. There are no such people as hoard ornaments. I have been a saraf for 25 years in my life of 42 years. In this time I have never come across any thing which may be said to have been hoarded. Nobody has ever come to me to sell such an ornament. I have never received any coin of the reign of William. I come across many coins of the reign of Queen Victoria. We find some trouble in raising money. If there were a bank (*i.e.* joint stock bank), things would be easier. A bank should be able to pay its way, and earn at least Rs. 500 per mensem. Ginning factories get their capital from Delhi. There is no industry.

Lala Manohar Lal.—We have been doing money-lending for generations. But we are giving up this business. Now my investments with zemindars amount only to Rs. 10,000 to Rs. 20,000. We used to lend to them. but now we do not unless we know that they will return our money. We charge interest at the rate of from eight annas to one and a half rupee per cent. We charge eight annas from sahukars and from zemindars from one rupee to one and a half. We get back from the zemindars only twelve annas per cent. Rate of interest on money lent on the security of houses is less ; it is from ten to twelve annas. Because most of our debts have turned out to be bad or are difficult to recover we have stopped lending.

Lala Shib Dayal.—We do not receive deposits. Other firms receive them. Interest is allowed at the rate of eight annas. Sometimes year's limit is fixed and it is stipulated that, if the money is withdrawn within a year, the rate of interest will be less. Ordinarily deposits are at call.

(Witnesses withdrew.)

Lala Rattan Chand, Banker of Palwal, District Gurgaon.

PART I.

2. (*ii*) Yes, the reduction of stamp duty will induce the people to deal in these documents at a larger scale and thus encourage the trade.

5. Yes, we have to meet great difficulties in obtaining currency notes of the denominations desired. The cash should be easily transferable by currency notes and *vice versa* in Government treasuries and sub-treasuries as at present this is not so.

7. A reduction in money order charges will certainly improve the condition of the Post Office Agency for internal remittances.

PART II.

1. (*i*) These are brought by carts.

(*ii*) Yes, the methods vary.

2. Grain is stored on a very small scale.

PART III.

1. (*a*) and (*b*) As regards export trade the banks only help in financing the foreign trade from mandi to exporting ports, while as regards import trade they help from the importing ports to distributing centres.

2. (*i*) On interest.

(*ii*) Yes, the money is lent on high rates of interest.

3. In my opinion they get the full value because in speculation banker as well as producer may be gainer or loser.

PART VI.

2. (*ii*) (*a*) and (*b*) Their popularity can be increased if the cash certificates be transferable, if their rates of interest be revised, *i.e.*, people should get Rs. 100 out of Rs. 75 instead of Rs. 100 out of Rs. 77-8-0 and if the condition of interest now payable at the end of one year is changed to six months.

3. (*ii*) At present if the money is not deposited up to the 4th of any month no interest is due on that amount. The rule be revised and one should be allowed to deposit the money up to the 7th.

10. (*i*) They use for ornaments and also lend to their fellow brethren at the highest rates of interest.

Mr. Shananbehari Lal, Proprietor, firm Balak Ram-Dwarka Das, Simla.

PART I.

1. (*i*) Practically there are no facilities where there is no branch of the Imperial Bank of India. The only facility available to the public was to send remittance in the shape of G. C. notes in halves, but it has been made risky and inconvenient by the New Currency Notes (Refund) Rules, 1921 as amended by notification No. F-4 (*xv*) F-27, dated 19th May 1927.

(*ii*) The G. C. Notes above Rs. 100 should be allowed to circulate throughout India and not to be limited as at present in particular circles which issue them, and rules should be framed so as to compel every person in possession of such notes to keep a record as to how and from whom he received them.

2. (*i*) The bearer and order cheques and Darshani Hundis are playing a great part in the daily trade transactions, while Mudati Hundis and debentures are the means to obtain loans.

(*ii*) A reduction of stamp duty on Mudati Hundis is likely to help the trade.

3. No.

4. (*i*) Not much.

(*ii*) Yes.

(*iii*) In the first place Supply Bills should be issued from each and every Treasury and Sub-Treasury, the facility should not be confined to some districts only as at present.

5. The public experience a great deal of inconvenience in obtaining G. C. Notes, and this difficulty cannot be got over unless and until the Government Treasuries and Sub-Treasuries and the branches of the Imperial Bank of India doing Government business exchange notes into cash and cash into notes of every denomination freely.

7. If the bills and cheques are collected by the post office the inconvenience of the public specially residing at places where there are no banks will be removed to a great extent and a reduction in money order and V. P. and insurance charges will help the trade.

8. (*i*) Two classes of Hundis Darshani and Mudati are current in our district.

(*ii*) Yes.

(*iii*) They are sent and discounted in the whole of India.

(*iv*) No.

(*v*) Persons executing Darshani Hundis knowing and having reason to believe that they cannot be cashed should be prosecuted.

9. (*i*) Yes.

(*ii*) No.

10. (*i*) Only with endorsement.

(*ii*) Yes.

11. (*i*) No.

(*ii*) Yes.

PART V.

1. (*a*) Deposits, loans, drafts and Hundis.

(*b*) Primary.

(*c*) (*i*) Trade and industries.

(*ii*) About 70 per cent in trade.

(*d*) (*i*) A greater portion ;

(*ii*) Both as loan and deposits and Mudati Hundis, deposits from general public and loans from Banks and bankers.

(*iii*) Generally 6 per cent.

(*iv*) Not much.

(*e*) It depends upon the deposits, ordinarily it is 6 per cent.

(*f*) Reply to (*e*) does not include bad debts.

(*g*) (*i*) Moveable and immoveable property, Government securities, grain, cotton, sugar, piece-goods, ornaments, etc.

(*ii*) At market value.

(*iii*) About 70 per cent.

(*iv*) The ratio between secured and unsecured loan half and half.

(*h*) It depends upon the financial position of the borrower.

(*i*) It is generally in trade transactions that cash credits are allowed.

(*j*) (*i*) Only in exceptional cases.

(*ii*) Trade, industry and family expenses.

(*k*) About 75 per cent.

(*l*) Yes.

(*i*) It depends upon the objects for which loan is needed ;

(*ii*) Dullness of market.

(*m*) (*i*) About 10 per cent.

(*ii*) About 50 per cent.

(*n*) (*i*) 10 per cent.

(*ii*) If the financial position of the client is satisfactory the loan is renewed otherwise through courts.

(*iii*) When all other means are exhausted.

(*o*) (*i*) There is not much difficulty in getting a decree, but execution proceedings are generally lengthy which is due to the incapacity and corruption of the process agency.

(*ii*) (1) 1 principal and $\frac{1}{4}$ interest.

(2) Full with expenses.

(3) Almost the whole amount is recovered through the court.

(4) At least 3 years.

(5) About 20 per cent if the litigation stops in the lower court, but if the case goes to appellate courts the expenses may rise upto 50 per cent.

(*q*) (*i*) About 30 per cent.

(*ii*) If security is available there is no difficulty. The Banks should accept security in the shape of immoveable property.

(*s*) The whole of it.

3. (*i*) Yes.

(*ii*) The unstability and failure of some of the banks.

(*iii*) Yes.

4. No.

5. No.

7. (*i*) Under the present system the directors of limited banks do not realise their responsibility to the full extent.

(*ii*) The limited banks should be governed by some special enactment and not by the Indian Companies Act, whereby the responsibility of the directors should increase.

8. No.

9. (*i*) There is no such connection at present, but it is both possible and desirable.

(*ii*) Method No. 3.

(*vi*) (*i*) Yes.

(*ii*) Direct.

PART VI.

1. No, the sudden failure of some of the banks has shaken the public faith.

2. (*i*) Not at present.

(*ii*) (*a*) The rate of interest should be increased to 6 per cent.

(*b*) From 5 years to 3 years.

3. (*i*) Yes.

(*iii*) Educated persons in service.

(*iv*) The rate of interest should be increased to $4\frac{1}{2}$ per cent.

4. (*i*) No.

8. (*i*) They invest it somewhere.

(*ii*) With indigenous bankers and post office savings banks.

(*iii*) Yes.

(*iv*) For occasional and accidental expenditure.

9. (*i*) Yes.

(*ii*) One hundred rupees.

10. (*i*) They waste it in useless expenses such as untimely marriages and purchase of luxuries.

(*ii*) No.

11. (*i*) Yes.

(*ii*) Unstability of banks.

12. (*i*) The educated and business men.

(*ii*) Yes, because payments by cheques is safe and convenient.

13. (*i*) Yes.

(*ii*) Yes.

14. The Government also should accept cheques in payments of its dues.

Oral evidence of Lala Shanan Behari Lal, Banker of Simla.

He stated that he was the proprietor of a firm of bankers in Simla. His firm has been doing this business for about 100 years. He himself has been in it for about fifteen years. The firm has no branches anywhere else. He does not take deposits to any great extent but in this respect there has been no change in the working of the firm. He gives loans and discounts hundis but does not do any other business except banking. Their work is confined to Simla. In previous years they did some business with the surrounding hill states but found difficulty in making recoveries and so gave that up. There are only three or four other firms of this kind in Simla. There has not been any decrease in the number of such firms but the amount of business has decreased. The reason for this is that it is difficult to realise money from people. They lend mostly on the security of house property and shops but now there are no buyers and this form of security is not very good. House rents in Simla are certainly the same as they were before but since about two years the financial position of the owners has become bad and in consequence there are more sellers than buyers of houses in Simla. Another reason is that money has become scarce and people cannot afford to buy these houses. People living outside Simla have some bungalows but not very many shops. Even Delhi and Lucknow people have few shops. As shops used to be the usual security in Simla for taking loans this business has contracted. Prices of houses and property has gone down since the failure of the Alliance Bank and they have also come down after the war when they had swollen to a large extent.

The only form of business left now is advancing to shop-keepers and business men. Recoveries are fairly good. The rates of interest charged are 8 or 9 per cent. About fifteen or twenty years ago the rate used to be higher, *viz.*, about 12 per cent. The reason for the reduction is that now advances are made to men of good credit only and these people refuse to pay more. In old days business used to be mostly with the timber merchants but this has died out now as the small firms have failed. The bigger firms that still carry on the business deal with the Imperial Bank of India.

Witness's firm has business connections with the Lloyds Bank who lend money on Government securities only.

The firm gives out hundis on Delhi, Bombay and Calcutta. They sell them at three annas per cent. Hundis come in only during October and November which is the potato season in Simla. Businessmen in Simla send their money through firms like witness's and also through the banks. Merchants dealing with England have dealings only with banks. Some importers getting goods from England sometimes borrow money from him to pay the banks. During October and November hundi work is fairly good. About 80 per cent of the hundis pass through the banks and 20 per cent. through the local bankers.

The potato business is financed almost exclusively by the indigenous bankers. Money is given on pronotes and the rate of interest charged is 9 per cent.

In reply to Rai Sahib Kishan Lal witness said that less money is now invested by his firm as recoveries from firms is getting more and more difficult owing to their business also becoming bad. The failure of the Alliance Bank affected the shop-keepers adversely. He did not deal with zemindars round about Simla as they were not in Government territory.

In reply to the Chairman witness said that the figures given in his note referred to his firm only. The profit may be said to be about 6 per cent, but did not include bad debts which, however, are not many. When he suggested that an Act should be passed by the Government relating to the indigenous banks he meant to say that at present the public have no confidence in the banks and an Act should be passed making the Directors of such banks responsible for the working of the banks to a greater degree than at present so that the people may have more faith in them. He had not thought out exactly what conditions should be imposed on the directors. Since the failure of banks in 1915 the public have lost faith in banks and in the smaller places banking has not been successful. The directors have a lot of other activities and do not pay much attention to the business of the banks but if their responsibility is increased the faith of the public will also increase. In short he was of opinion that the directors of banks should be brought under law in order to increase the faith of the public in them, and only sound banks should be allowed to carry on business.

(Witness withdrew.)

Oral evidence of Bankers and Sahukars, Jullundur.

A deputation consisting of the following sahukars of the Jullundur district waited on the Punjab Banking Enquiry Committee, in Jullundur :—

Rai Sahib Bishan Das, Pensioner, Sub-Registrar, Banga.
Lala Mela Ram, President, Municipal Committee, Noormahal, tahsil Phillaur.
Misr Mul Raj, Secretary, Municipal Committee, Nakodar.
Chaudhri Khairati Ram, Honorary Magistrate, Jullundur.
Lala Ishar Das, Sohni, Banker, Jullundur City.
Lala Kishan Dayal, Banker, Jullundur City.
Khan Usman Khan, Jullundur.
Lala Labhu Ram, Noormahal.

They stated that in Jullundur most bankers now work on their own capital. Only four or five are left who deal in hundis. In Nakodar no such bankers are left. About ten or twenty years ago such bankers were fairly common, but the opening of the joint stock banks had affected their business very badly. There are at present five banks in Jullundur of which the Punjab National Bank was the oldest.

Rural money-lending practically died out with the coming into force of the Land Alienation Act. In the last four or five years several village sahukars have begun to do business in the city. Urban rates of interest range from eight or twelve annas to Rs. two ; the common rate is Re. one. Ten or fifteen years ago they ranged from one to two rupees. Village sahukars do not take land on *mustajari* as they do not find it paying.

They stated that very little money is recovered out of court after a decree had been given. They put the amount at 5 per cent. Chaudhri Khairati Ram, however, put it at 10 per cent. For the unpaid balance a new agreement is taken, but this is simply to extend the period and the amount actually recovered in this way is negligible.

Taking a period of years both the city and village money-lender may be said to earn about six per cent net. Chaudhri Khairati Ram, however, disagreed again and said that the rural money-lender earned as much as 12 per cent. He did such business in the Kangra Valley and spoke from personal experience. On the other hand, Misr Mul Raj said that as village money-lenders find recoveries very difficult, they cannot earn more than 6 per cent. Lala Mul Raj agreed with him. They said that village sahukars with a capital of Rs. 10,000 to Rs. 15,000 did not earn more than 6 to 7½ per cent.

Khan Usman Khan said that his business was both in the town and in the village. His village rates ran from 6 to 12 per cent and slightly less in the town. His family had been doing this business for the last three generations. Rates have not changed much during this time. There were many Muhammadans who were doing this business and taking interest. They were not confined to any particular caste

of community, but Rajputs, Jullahas, Arains, Jats, Pathans, &c., were doing this work. The rates of interest charged by them were lower than those charged by the sahukars. Their rates range from 6 to 18 per cent. The usual charge is 6 per cent. In the case of small amounts which are not paid they do not sue a man, but take a fresh agreement. They take land in mortgage. He has only once recently had to take possession of land from a debtor. Recovery is difficult in villages and even Muhammadan money-lenders are now migrating to the town. The difficulty of non-recoveries faced them in the previous years also, but now in addition they have to pay a tax. On mortgages with possession their charges come to about eight annas per cent. Produce is taken in payment.

Khan Usman Khan, who is a Pathan, explained that originally these Pathan money-lenders were traders and were turned out by the Amir of Afghanistan from Kabul. They settled down on the Frontier, but the Waziris began to loot them and so they came to India. Here they were troubled by the Sikhs and Maharaja Ranjit Singh confiscated all their property. When the English came their property in the towns was restored to them, but not in the villages as their claims could not be clearly established. Now they have no other work left to do.

In reply to Rao Pohap Singh witnesses stated that accounts were closed at the end of every three years when the agreement expires. Receipts are given for money paid back by debtors in about 50 per cent cases.

In reply to Rai Sahib Kishan Lal, they stated that since the banks started operations, hundis have gone out of the market. Even *mudati* hundis are not used now as there is a stamp duty of $1\frac{1}{2}$ per cent on them. If this duty is abolished, they will revive again. Pro-notes are now used in place of these, but not to a great extent. The rates for deposits used to be four to six annas and for lending twelve to fourteen annas, but now no deposits are taken. Banking has altogether stopped.

(Witnesses withdrew).

Lala Nihal Chand Aggarwal, Banker, Ferozepore City.

PART I.

1. (*i*) For internal remittances only such person or persons, firms, bankers and banks who are in touch with trade and enjoy credit have the facilities. Ordinary people are not sure to get cash when and where wanted by them. The facilities available are :—

(*a*) Trading firms which have got branches or agencies at different places generally according to their own requirements of sending for or remitting money to such stations, cash the Darshani Hundis or issue the same when calleds upon, but not always.

(*b*) Banks and Bankers,

(*ii*) There is no defect in the above systems.

2. (*i*) Negotiable instruments, *e.g.*, cheques and Darshani Hundis payable on presentation very much facilitate the trade. The exporters of goods instead of waiting for the money from the person supplied to can have the money at once by getting their bills or hundis cashed and thereby use the same capital in trade without being its locked up till sent by the person supplied to. The person supplied to also is not required to lock up his capital beforehand. He in this way can pay the price of the goods on their arrival instead of sending money beforehand. In short, these instruments in a way afford temporary accommodation to the traders and keep the capital in use instead of its remaining locked up. They also increase the volume of the trade.

(*ii*) Yes.

3. I am not in favour of creating by law a type of instrument which once drawn payable to bearer shall always remain so. Such instruments will in no way be less than currency notes and will, therefore, afford greater and frequent opportunities for thefts even in transit. In the case of Currency Notes at least the Currency offices keep the numbers of the notes issued and in case of loss of Currency notes there are circumstances under which one can have a chance of getting the value of the lost notes. But in the case of such instruments the drawers who cannot be in all cases and always honest nor the drawees, the loss of any such instrument means a permanent loss of its value.

I would suggest that instead of resorting to such legislation, it is desirable that the public should use Government Currency notes which are also instruments payable to bearer. The restrictions placed upon their transit through Post Office under uninsured covers be removed and the strictness of the Rules in force for the claims about lost Notes be lessened.

Indian hundis are already like crossed cheques. The payment of such hundis is not made to each and every person who presents them, but to a respectable local firm at the station where the drawee of the hundi resides or carries on his business.

4. *Supply Bills.*—(*i*) Majority of the public does not know even what these bills are. Only big bankers or banks avail of them. The issuing of these bills by the treasuries, and as to what amount, and at what rate, is not published for public information. My experience is that the treasurers and treasury clerks generally afford facilities to big dealers only, and that in the hope of some consideration. Even banks, at time, are refused on one pretence or the other. Therefore, in my opinion, these bills at present do not help the trade in its true sense.

(*iii*) In order to increase the utility of these supply bills, it is desirable that the treasuries be authorised in future to issue them payable at more stations than before. Further the rate charged for them be bit lowered in order to tempt the public to resort to this mode of internal remittances.

At every headquarter of a district and at every trading and important town in that district where there is a sub-treasury, a committee of 3 leading traders or bankers be called annually to fix up the stations and the limits for those stations for the issue of supply bills by the treasury or the sub-treasury according to the estimated trade and likelihood of the station to be traded with. In this way, I think, these supply bills will surely facilitate the internal remittance.

5. By the opening of the branches of the Imperial Bank of India at almost all the headquarters of the districts in Punjab, the Government Treasuries have been transferred to it and so the currency maintained at every district. The said Imperial Bank of India is also doing the same business of exchange as other banks and bankers do, and, therefore, cannot be supposed to give the same facilities to the pubic in obtaining currency notes as an independent currency would do. It is natural that, when interests clash, facilities be denied on one pretext or the other. I have heard such complaints. Supplying currency notes out of the local currency under the charge of the Imperial Bank be not left to the sweet will of the agent thereof, but the treasury officers be deputed in this behalf to be approached by the public for the purpose. They should be enjoined to grant every such application. The application so granted must be met within office hours by the bank. Whenever the Treasury Officer may refuse any application he should assign reason therefor if not on the application at least in a register kept for the purpose for inspection by the Currency Officer of the Province.

6. (*i*) Should be reduced to half anna per cent.

(*ii*) Reduction is recommended only in the case of such bills which are payable not more than one year after sight or date.

(*iii*) Two, three, four and six months generally and other periods up to 11 months in very rare cases.

(*iv*) Not common. Never used in my knowledge.

(*v*) I don't think so.

7. Margin in trade in the present India is very low. Banking facilities are not available everywhere. Surely a reduction in money-order charges and consequently on V.-P, Ps. will enlarge the sphere of trade and facilitate internal remittance. This reduction on the one hand will afford facility, on the other will increase the revenue of the Government through that source.

Hitherto this money-order system is used by illiterate and poor people who also grumble at the heavy charges. In the case of reduction, this system stands the chance of being used at a large scale by the trade also.

I am not in favour of using the Post Offices for collecting bills and cheques. It would mean Government coming in competition with the banks which are still, in their infancy in this country. Besides, in my opinion, the Post Offices charges for the same cannot be less, as compared to those by the banks and bankers.

8. Only ordinary class of Darshani and Muddati Hundi is used. These hundis are held by merchants and commission agents only. A considerable diminution has occurred in Hundi business. This diminution is due to the trade, previously in the hand of the Indians, being taken away by bigger capitalists and thereby closing of the business of many, and disappearance of the credit of others.

In my opinion there is no chance of its revival until the trade in India both import and export is regulated for the benefit of Indians and the exploitation of Indian trade by other countries and bigger foreign capitalists is stopped. As to suggestions for better protection or benefit of persons handling hundis I would like that the Insolvency Act be amended. It has been observed that firms, when on the verge of failure, issue Darshani Hundis for enormous amounts on outstations and get them cashed in the market. Generally and naturally the persons so cashing their hundis consider the risk no risk because the case is only for a day or two. In insolvency the amounts so secured by the insolvent firm have no preference over other debts. While these amounts are not intentional advances by the persons concerned. Such bad experiences by the public have lowered the sanctity and security of handling hundis. I think where under the Insolvency Act the insolvent is given protection, it should be provided that such debts would be considered as carrying preference over others and also that in case such debts will amount to more than a certain proportion, to be fixed under the Act, to the total amount of the insolvent's debts, the said insolvent will be liable to be sent to jail and will not be entitled to discharge.

9. Yes. On the security of Railway receipts.

No difficuty is experienced in the above.

10. Railway receipts change hands on being endorsed.

(*ii*) Yes.

11. Bijaks and Sattas are negotiable in this town. Surely it would be an advantage if these are made so under law.

PART II.

1. (*i*) Generally all the crops are brought to the markets by the producers. In very rare cases, say 1 per cent only middlemen buy the crops in the fields. These are brought to the nearest market on carts invariably.

(*ii*) No.

2. For the last few years Kothas of grains are used as security for obtaining credit. It may be to the extent of 30 per cent.

3. The American system of licensed warehouses is not feasible in India.

4. The Imperial Bank of India and other joint stock banks only allow credit to the grain dealers on the security of grain Kothas and help at the time of marketing in the internal remittances. Beyond this nothing is done by them. Co-operative banks play no part whatsoever and so the professional money-lenders (as their profession is practically the same) squeeze out a higher rate of interest. Of course grain merchants, with the help of financial organisations and banks by way of raising credit, play an important part in securing the highest possible prices for the agriculturists.

These grain merchants store grain in larger quantities with a view to make profit out of it in case the price may go up and therefore reasonable prices are maintained. Without them, the big export offices having branches and agencies in every market stand the chance of buying the crop at very low rates. The produce in India is many times more than its needs. The agriculturists cannot retain the crop and must discharge it.

Practically there are no credit facilities for marketing the various crops in such a way that the producer may get the highest price.

PART III.

1. In Punjab there is no firm doing direct import and export business, at least to my knowledge. Only foreign firms do this business and these firms, for purposes of financing, do not depend upon local banks, &c.

3. In my opinion, over and above the causes mentioned as (*a*) and (*b*) there are other chief causes for which the grower of produce does not get the full value :—

(1) Unscientific means for growing and thereby costing him much.

(2) His inability to retain the produce for selling it at opportune time when higher prices rule.

(3) That other countries, which in times gone by, depended mostly for supplies upon India, in order to make themselves self-sufficient began to grow there the very Indian produce at a lesser cost. Hence less demand and low prices.

(4) Want of aid and facilities from the Government to improve growing in India and making it less costly.

Oral evidence of Lala Nihal Chand, Banker, Ferozepore.

Chairman.—You are a banker at Ferozepore ?—Yes.

Are you carrying on banking now ?—Yes.

Anywhere else as well ?—Only at Ferozepore.

How long has your family being doing this business?—I have been doing this business for the last ten years.

Did you start it or is it a family business ?—I started it.

Are there any other indigenous bankers in Ferozepore ?—Yes there are a few.

How many ?—About four or five.

Persons who take deposits from the public, discount hundis» etc. ?—Yes four or five.

Is this banking business on the decline or is it increasing ?—It is on the decline.

What is that due to ?—Slackness of business all round.

Do you think that when business increases your type of banking will revive ?—No, it is not possible.

Why is that ?—Because other banking facilities are coming into the the field that are more regulated.

So that it is due to competition with other joint stock banks ?—Also for the reason that there are co-operative societies.

Do co-operative societies affect your business ?—Yes.

Do you make advances to zemindars ?—No.

Then how do co-operative societies compete with you ?—Co-operative societes do come into competition with us in the matter of deposits. The capital which previously used to come to us first and through us to the traders has now altogether stopped because co-operative societies offer higher rates on deposits.

What rates do your indigenous banks offer in Ferozepore ?—Six per cent or so.

For what period ?—There is no fixed period, but generally the period is fixed in each individual case. Generally it is six months.

So generally speaking you offer six per cent for six months deposit ?—Yes.

Do co-operative societies in Ferozepore offer more than that ? They offer the same rate but the security is acknowledged as better than in our case.

You mean that the public is more disposed to place their money with co-operative societies than with you although the rates are the same ?—In our case it is only an individual with whom they deal ; in the other it is a Government managed institution and people trust it more.

Since when have you begun to feel this competition?—For the last three or four years. These co-operative societies are in existence for four or five years—since after the war, and now they are in full swing.

Do you find that the competition is greater from co-operative societies than from joint stock banks ?—This is my opinion.

Do you make advances to other money-lenders ?—Yes to money-lenders also.

At what rate do you advance ?—My rates vary from nine to ten per cent.

Are they never more than ten per cent. ?—No.

What security do you take ?—In most cases personal.

What form does the personal security take ? one or two sureties ? In very rare cases. In most cases no security is taken. When securities are needed advances are very rarely given.

What type of person are you chiefly financing ? The money-lender or the trader ?—The traders. Money-lenders to a small extent only. They come to us in very rare cases when they find their capital is small.

Do you often have losses ?—Yes.

Have you had any loss in the last five years ?—I have suffered loss during the last year, never before that.

So one may say that the type of business is a very sound one?—It is safe but under extraordinary circusmatnces it becomes unsafe as is the case now-a-days because credit is falling and the value of property is going down and down and naturally we are affected by it.

Is that making you more careful in your advances?—Yes.

Has it led to any change in your methods ?—Yes.

Such as ?—About fixing the limit up to which I can advance because for the last few years I find that persons holding property worth a lakh of rupees are now only worth Rs. 25,000. We cannot say whether this rate of diminishing credit will continue or not and are anxious to safeguard ourselves.

In fixing your limits what are you mainly guided by ? By a man's capital or by his character or by a mixture of the two ?—Everything ; his character also.

Is that an important factor ?—It is a most important factor in the case of traders.

Even more important than material resources ?—Yes. He may be a man of property but if his character is not right that person is not considered to be a safe debtor.

Are the methods you follow generally the methods followed by other bankers in Ferozepore ?—Yes.

Are they all complaining of the same difficulty ?—Yes.

Do you see any remedy for them ?—The matter of credit cannot be remedied as it depends upon one's personal character.

Do you get any advances from joint stock banks or from the Imperial Bank ?—We have got accounts with them, otherwise no other help is given by them. They find us safe up to our credit.

On what security do they advance to you ?—On personal security.

Do you get the facilities that you feel you have a right to expect?—Yes. In the case of joint stock banks we get them but in the case of the Imperial Bank there are many difficulties.

What are they ?—In the case of joint stock banks we can get on personal security but in the case of the Imperial Bank they want the signatures of securities and those too of a party that are sound and approved.

In fact they want a surety ?—Yes.

But in your dealings with joint stock banks you get money on your signature ?—They authorise advances on pro-notes. But in the Imperial Bank even if the manager is sure that a borrower is safe he cannot advance unless an other man is procured.

Can you get all the facilities you need from the joint stock banks without recourse to the Imperial Bank ?—In particular cases we can say that we get all the facilities; but joint stock banks have got limited capital and they cannot give facilities to everybody. Honest and secure persons can claim to get all facilities but not everybody. And if everybody is equally safe then there is a limit with the bank because its capital is limited.

You are a firm of some standing. Do you find that you yourself can get all the facilities you need ?—Yes I can get.

Are firms of standing handicapped in any way in the matter of credit facilities ?—Yes in the case of firms of standing and credit there is no difficulty.

Then the arrangements are satisfactory so far as firms of standing are concerned ?—So far in the case of those whose integrity and credit is above suspicion. But for the last year or two even in the case of such persons facilities are not forthcoming as they did before. If a man advances money to other debtors and their position is becoming worse day by day it would affect his credit in the public. Others may not know what losses I am undergoing and what I have suffered, but they will know that my debtor's security is diminishing and it will affect my credit also. So the banks are feeling rather shy in these days in giving facilities to each and everybody unless they are sure that the person is quite safe.

What you mean then is that just as you have to be more cautious in making advances to your clients, the banks have to be more cautious in advancing to you ?—There is no remedy for this ? There can be no remedy.—Under the present circumstances all the joint stock banks are

required by the public to pay a higher rate on their deposits. This feature is coming in for the last few years and Government rate is increasing so people naturally feel shy in going to the banks because they prefer to go to the Governmont institution. So the banks are paying a high rate of interest but trade is not paying so much. We cannot pay the joint stock banks higher rate of interest and those persons who are in a better position and can command credit do not pay a high rate of interest to the joint stock banks so that the joint stock banks are also feeling this difficulty and they cannot advance money to the public.

Business is then handicapped by too dear money ?—Yes.

What were your rates when you started business ten years ago ?—They varied from four to six per cent.

And what are they at present ?—Last year they were six per cent.

What is the highest you pay ?—Up to 7½ per cent.

And when did you have to put them up ?—Say six or seven years ago. Seven years before there were circumstances in the market when money was so cheap that people could not invest even at three per cent.

That is not the case now. In no case does the rate go lower than six per cent.

When you started business how many indigenous banks were there in Ferozepore ?—About the same number as now.

Rai Sahib Lala Kishan Lal.—Is there no decrease ?—The business is decreasing but the number is not decreasing. If a man was dealing in five lakhs five years ago his work has decreased to two lakhs but he is still doing that business.

Chairman.—What proportion of the total business of Ferozepore do you suppose passes through joint stock banks ?—I think the greater portion of the business passes through them. I would put it at 75 per cent.

And what was it ten years ago when you started business ?—People were feeling shy of the joint stock banks then.

What would be the figure ?—At that time money being cheap people hesitated to deal with banks. Ten years ago persons who were dealing with banks were not considered safe in the market because only those persons would openly borrow whose credit was unsafe, otherwise persons would borrow privately or through brokers.

A witness before us yesterday said that thirty years ago it was easier to remit money when there were less joint stock banks. Is that so ?—Yes.

Is that due to the fact that thirty years ago the indigenous banking system was much more widely spread ?—Yes.

Then joint stock banks have to some extent displaced the indigenous bankers, but have not altogether replaced them.—Yes.

On the whole, having regard to the fact that in all probability, the joint stock banks will continue to spread, do you think that it is a change for the good and that the inconvenience is likely to be temporary ?—It is a change for the good. If the number of joint stock banks is increasing and they open branches everywhere and only this course is left to the public for trading purposes, it would be a good thing.

Could you give us any idea as to the extent to which your own deposits have declined in the last ten years ?—In those days deposits were coming in voluntarily but in these days it is very difficult to secure them.

Could you say to what extent deposits in Ferozepore have declined ?—More than half.

You say that you do not advance against security, why is that ?—If anybody offers security I will accept it, but I would prefer not to take any.

The business then depends upon mutual confidence and trust ?—Yes.

Do you think that this element of mutual trust and confidence is decreasing in business ?—Very much. Nobody can trust anybody. These things have come in during the last six or seven years.

Have you any knowledge of money-lending ?—No. I have not practised it myself but I know it.

Could you give us any idea of what a rural money-lender makes by way of net profit taking a period of five or ten years ? What would his percentage be ?—Ultimate results cannot be higher than fifteen per cent.

Would you say it was probably as high as fifteen per cent. ?—Yes I think so. It is fifteen per cent.

What would be the corresponding percentage in the case of an urban money-lender ?—Average about nine per cent.

His charges would probably vary between eight and twelve per cent. ?—Rates would be eight to twelve per cent., but twelve per cent. in rare cases.

Would the common rates be eight or nine ?—Nine.

What would be the common rate in the case of the rural money-lender ?—Say 15 to 25 per cent.

Have you any experience of the agriculturist money-lender ?—They advance money in a very small quantity to their own tenants. They are not any important factor. If they have any surplus money they buy land.

What is the state of feeling between money-lenders and zemindars in Ferozepore ? Is it satisfactory ?—Yes.

Are relations pleasant and friendly ?—Yes.

You suggest in your statement that the restrictions placed upon the transit of notes through the Post Office and insured covers should

be removed. Do you think that many people would like to send notes uninsured ?—Yes.

Would they be prepared to take the risk of loss ?—Business men would take that risk.

Are they inconvenienced by the present restriction ?—Yes. But I have suggested that the restrictions placed by Government for the recovery of lost currency notes be also altered. Under the present rule they sometimes have to wait a long time or even not get them at all.

Have you ever had occasion to apply for payment of lost notes ?—No. But certain people have approached me and I find that they have difficulty.

You say in connection with supply bills that the treasurers and treasury clerks generally afford facilities to big dealers only. Is that your personal experience or is that what people have told you ?—My personal experience.

Have you ever had an application refused ?—Not since I have started my private banking. I do not do out-station business. I have no personal experience, but in past years as manager of a joint stock bank I had occasion to apply for and was refused many times.

In what bank were you working before setting up a private bank ?—I was in the Punjab National Bank and later in the Peoples Bank.

Then this complaint you make of supply bills is more than ten years ago ?—Yes.

You speak of the difficulty in obtaining currency notes from the Imperial Bank. Is that a difficulty you have experienced yourself ?—As a Director of the Punjab National Bank I was told by the Manager.

But you have never had a request for currency notes refused ?—My requirements are very limited.

You say that the diminution in hundi business is due to the trade previously in the hands of Indians being taken away by the bigger capitalists. Of whom are you thinking when you speak of ' bigger capitalists ' ?—What I mean is that in times gone by all these big exporters of crops had their offices only in important towns and used the Indian firms as their agents, *e.g.*, Ralli Brothers had their offices in Karachi or Lahore, but in dealing with towns in the Ferozepore District they had to buy things from the firms situated there, but now finding that they have to pay for that business they have opened their agencies and all the business is going to them. In those days what would happen was that if I was representing a particular export firm, they used to issue my drafts on Ralli Brothers, on Karachi, Calcutta or other station because I had to pay my claim in those places and people who needed money would gladly take my drafts.

Is this not done by some firms now?—In rare cases. Because they find it cheaper to do business through their own agents than through other agents.

In that case one can hardly blame them for doing so?—Quite so.

You are in favour of railway receipts being made negotiable instruments?—Yes.

What precaution would you take in that event?—When making delivery the railway should satisfy itself that they are making delivery to a responsible firm or person.

Would not a person advancing money against railway receipts have to make sure that the goods stated in the railway receipt were of a certain value?—The commodity is mentioned and he can calculate easily that the market rate is so much and can advance against that security.

Would it not be possible for a person to enter the commodity as wheat when it was barley or gram?—Cases like that do occur and may occur. But when the railway authorities have accepted a thing and given a receipt I think the liability falls on them.

You would make the railway responsible that the contents were properly entered in the receipt?—Yes.

If the railway refused to accept that responsibility, would there be any advantage in making the railway receipt negotiable?—There is no harm in making railway receipts negotiable. In that case the person who advances the money on the railway receipt would have to satisfy himself that the thing is as stated in the receipt.

You are apparently not in favour of the American system of licensed warehouses. Why do you think such a system would not be feasible?—In advanced countries it would be feasible but not in India. In the first instance the retaining power of the Indian agriculturists is at a minimum because they have to borrow to spend upon the produce and for their own expenses and require money which they must get in the market.

But if the cultivator were given an advance of 75 per cent. of the value of the crop would he not then be able to store it?—I do not think in the very beginning he would prefer it because the agriculturist feels very shy of paying interest. Nobody would advance on less then, say, nine per cent. Also they will never trust their grain in other hands or the warehouses although they are licensed and under the control of Government. He will feel shy lest his grain is mixed up with inferior grain. It will be very difficult to convince him that it is a safe thing for him.

Lala Harkishan Lal.—In warehouses there would be this additional advantage or disadvantage that they will have to be centralised. You could not have warehouses in every village. They will have to be in central places and would that not militate against the

present practice which is to store as near or sell as near their place as possible ?—They will have to build warehouses in those very near places.

But that would be too many ?—Yes.

And that also is a reason why warehouses would not succeed ?—Yes. My reason is that agriculturists bring crops in their carts which they can use only for eight or ten miles. It would be very difficult and expensive to bring it longer distances.

You said something about the deposit rates. Do all banks and sahukars pay the same rate of interest on deposits ?—No. The rates differ.

From what to what ?—Imperial Bank pays up to 4½ per cent., the joint stock banks pay up to six per cent in certain cases, the co-operative banks have been paying up to 6½ to seven per cent and sahukars pay a little more or less. In those days when trade is low they get deposits at a low rate. In the case of banks the difficulty arises only because banks take money for fixed periods while we indigenous bankers take that deposit due on demand and so we get at a lower rate of interest.

What is the reason that a man accepts a lower rate of interest from a joint stock bank than from a sahukar ?—It depends upon the security offered in the sense what they are worth and the degree of confidence he places.

You say that the confidence in these joint stock banks has been increasing ?—Yes the confidence is increasing.

Have you any scheme by which the confidence in the indigenous banks should come back ?—No.

Do you not think it is possible ?—It depends upon the personal credit of the person who is setting up that show.

If it is only honesty then the remedy would be that the sahukar becomes more honest.—And also the security he commands.

There is an idea that the indigenous banker should not be left to die and some means must be found to enable him to continue to exist and be useful as in the past by linking him with the joint stock bank and the joint stock banks with the Imperial Bank and so on so that the joint stock banks freely discount or rediscount the hundis of sahukars and so increase their resources. Do you think that would be a success ?—Yes.

What limitations or conditions would you fix with regard to hundis being discounted or rediscounted? Would you have licensed sahukars or restrictions in the way of public balance sheets ?—I would suggest that the way in which indigenous sahukars at present work would not succeed. The joint stock banks with whom they deal should insist on the balance sheets and audited accounts. This would help to restore the confidence in the indigenous banker.

What other conditions would you lay down ?—Only this much.

But have you considered this ? By their constitution the joint stock banks cannot appear everywhere but must be confined to big towns. How would you finance the needs of people where the joint stock banks cannot go ?—The joint stock banks should engage guarantee brokers.

Should they be forced if they do not want to do it ?—If they cannot take up the whole business of sahukars how can you keep the sahukars in places where he is declining. After all in the Punjab, which has more branches than any part of India, I do not think that even one-third of the towns of over 10,000 people have got joint stock banks.

How are the other towns living and doing their business ?—There the business has not increased.

But still they buy, mortgage, buy produce or go to England and so on and how is that done when there are no joint stock banks and the sahukar is dying ?—To meet their requirements they go to the nearest station and use agents or persons living there.

Is that your experience ?—Yes.

In the Peoples Bank at Lahore we do not get many applications from Chunian or Sharakpur. And the Punjab National Bank does not receive any applications either ?—My experience in Ferozepore has been that people have been applying from mandis.

Even up to a town of 5,000 or 10,000 inhabitants ?—In very rare cases.

Then how do they manage their affairs ?—There may be sahukars. But they do not extend their business to that extent where they would need borrowed capital.

You say they have sahukars ?—Yes.

Are you positive about that ?—Yes. In small towns they manage themselves.

But what I want to know is, is there no lending agency in a small town for people like blacksmiths, carpenters, etc. ?—In every such small town there are sahukars although of little rank whose business is only to lend money to the agriculturists and non-agriculturists. They advance money to these people.

The question I am leading to is this. Would the total amount be larger in the case of these people who lend money in the small towns than all the banks in the better towns of the Punjab put together ? What is your idea ?—I think that if figures are taken it will be found that that sort of business is far greater.

Since the banks have come into existence, has the rate of interest on loans increased or decreased ?—Increased.

What is the reason, when there is more money in these banks ?—My impression is this that by the existence of the banks the trade of

the country has increased and therefore there is more demand and for that reason the money is not so ample as it used to be.

Would you kindly tell us if the saving habit of the people taken class by class (the Government servant, the lawyer, the zemindar, the trader and *raises*) has increased or decreased within the last fifteen or twenty years ?—It has decreased.

Now they save less ?—Yes.

Why ?—I think the expenses have increased.

Since when ?—They are on the increase for the past fifteen years.

The saving habit has also been decreasing for the past fifteen years ?—Yes.

And is that another reason why money is not copious ?—Yes the people by the advancement of education and in the matter of living are spending more.

Are they spending more on ornaments now ?—No, less.

Are you sure ?—Yes. Leaving aside particular communities who are rich.

Where brass and beads used to be considered as good ornaments silver came in and where silver used to be good ornament gold has come in. In that case more must be spent on ornaments.—There is a tendency towards this.

And what is the explanation for not more being spent on jewellery ? People at the time of marriage spend more on ornaments ?—Yes ; a lot of money is locked up like this.

Have you ever thought how that money may be drawn out for the good of the country ?—No.

Have you thought out any means by which to increase the habit of saving among the people ? Because they ought to live within their means and save something for a rainy day and to invest it ?—No, I have not thought over the matter.

Chaudhri Sultan Ahmad.—You complained that there was a difficulty about getting currency notes. Does this relate to higher denominations or lower denominations ?—Of Rs. 100 and over. Smaller notes in smaller quantities do not matter much because they can be changed easily.

In your note you have said that practically no credit facilities exist for marketing the crops in such a way that the produce may get the highest possible price. What did you have in your mind when you said this ?—I meant that when the agriculturists bring the crop for sale they have to sell it and the persons who buy it buy it for profits' sake and catch hold of the produce as best as they can. The zemindar's needs cannot be met otherwise than by sale of crops.

Is there a paucity of purchasers ?—Leaving aside the question of exporting firms, the number is decreasing. There was a mania

of storing grain in times gone by but now they have neither the capacity nor do they do it. In those days there was much fluctuation in the rate but now the grain market is regulated by the abundance of produce in other countries and there is no sure chance of rise or fall.

So that the prices have fallen not because there are no purchasers but because demand has decreased owing to foreign imports. People are not really making profit out of zemindars ?—The zemindar is getting all he could under the present circumstances now but is very sensitive. He knows that if he stores his grain the foreign countries would bring in grain and profit by it.

Khan Bahadur Chaudhri Sultan Ahmad.—You have said above that they are not storing it for profits ; then why do they store ?—People who are doing this business from the last decade, they must do it. Whether gain or loss, they have to do it, because they have got nothing else to do.

Lala Harkishan Lal.—Have you any means to suggest how the zemindars should get better prices ?—I had some talk with the agriculturists on the point whether they could store their produce instead of bringing it immediately to the middleman and make profit on it. They said that they could not afford to do it. So if credit facilities be allowed to the producers in one form or another, they stand a chance of getting higher prices than what they get now.

You have been connected with some of ginning factories ; you know that prices of most of the articles are now fixed not by bargaining, but by telegrams from the foreign countries ?—The prices of the Indian produce are regulated by the foreign markets.

How does the zemindar suffer then, if the prices are fixed by the foreign market and the zemindar knows what ought to be the price in a particular place and the price which ought to be paid to him in India ?—The thing is this that at the time when the produce comes in, there is abundance of grain, and if this grain is discharged slowly whether in India or outside, the supply will not increase the demand, and when the supply and demand remain in equal proportions, he stands some chance of getting better prices. In the present circumstances the produce passes from the agriculturist to the foreign countries or to the middleman.

You mean to say that he does not get the price that he ought to get on the basis of foreign market rate ?—Yes.

Would it not be right if means were found by which his knowledge increased that the market price of a particular place ought to be so much ?—That would help him ; I have already suggested that there must be some facility for the agriculturist to retain that profit.

One thing is that he should be well posted, and the other that he should have wherewithal ?—Yes.

Rai Sahib Kishan Lal.—Who is making profits, the middleman, the producers or the foreign traders ?—None is making profits. The market rate is everywhere the same. It is due to the market rate. No body is to be blamed. No body makes money out of that. It is not that some body makes the agriculturist to suffer, but the circumstances are such that he has to suffer unless he is better provided.

Rao Pohap Singh.—You said that you commenced this work some ten years ago and out of those ten years you had losses only last year and in the nine years you had no losses. If you don't mind, will you kindly let us know on what account was that loss ?—It was due to unexpected fall in the prices and the defective nature of the security.

You could not realise some of your debts ?—Yes.

What was the percentage of your loss to your actual working capital ?—I suffered a loss to the extent of twenty per cent of the capital due in that year from different borrowers.

You adavance money to traders and money-lenders also ?—In very rare cases to money-lenders.

What rates of interest did you charge from your borrowers some six years before.—The rate was something between eight and ten per cent. There has been no change, it is about the same rate now. There is a rise in the rate of interest charged to borrowers generally, but in particular cases it ranges between 8—12 per cent., while in other cases we do charge lesser rates. The average is the same.

When this Hundi business was flourishing what was the rate of discount on demand drafts ?—That rate varied very much in those days.

What was the rate ?—At times it was at premium and at times it was Re. 0-8-0 per cent. That rate varied from Re. 0-2-0 premium to Re. 0-8-0 discount.

Rao Pohap Singh.—What are the rates now ?—They normally remain the same ; Re. 0-1-0 per cent. premium or half anna discount. In certain days it went up to Re. 0-12-0 per cent. and about the minimum I cannot say, but now it does not go lower than Re. 0-1-6 if it is premium and Re. 0-1-0 if it is discount. The question was then that there were no joint stock banks in those days.

(Witness withdrew.)

LALA BEHARI LAL, CARE OF MESSRS. KHARATI RAM-DURGA DASS, PAPARMANDI, LAHORE.

Lala Behari Lal, care of Messrs. Kharati Ram-Durga Dass, Papar Mandi, Lahore.

PART I.

1. (*i*) and (*ii*). The facilities, available at present to the public, including Banks and Bankers, are as under :—

(*a*) Remittances by universal Government Currency notes, Ordinary and Telegraphic Money-Orders and Cash.

(*b*) Remittance Transfer Receipts and Telegraphic Transfers obtainable from the Accountant-General.

(*c*) Bank Bills as well as Telegraphic and Internal Bank Transfers.

(*d*) Private Darshani and Muddati Hundis.

The first-named method is the cheapest of all and is generally resorted to. In most cases notes are cut into halves and sent out separately under registered covers, insured for a nominal sum ; seconds being posted on receipt of acknowledgment of the first halves. This, however, entails a risk of the loss in case the covers go astray in the post. In case the State were to lower the rates, now being charged on Demand Supply Bills and Telegraphic Transfers, the public would resort more to the use of such transfers and thereby save themselves the risk of the loss of the notes and interest on the money in transit. The other methods such as money-orders are more or less dearer comparatively and they are used mostly in cases of small transfers and where there are no other facilities obtainable for remittances. Specie remittances are sent out only when coins particularly are asked for payment of agricultural products.

2. (*i*) and (*ii*). In the internal trade of the Province cheques payable to Bearer or Order and Darshani Hundies play a fairly good part and are really very useful to the trade.

Debentures are not in use in this Province. Muddati Hundies are also not used so freely. The use of Bills of Lading is confined only to Ports. Railway Receipts are, however, attached to Sight and Muddati Hundies, to be delivered up against payment or acceptance of Bills, as arranged. If Stamp duty is reduced on Muddati Hundies as well as Debentures it will be a great convenience to the public who will make a greater use of these instruments, cheques and Demand Hundies, being already exempt from Stamp duty.

3. (*i*) *to* (*iii*). If there were an enactment to this effect that cheques drawn payable to bearer, are to be treated as such irrespective of endorsements thereon or in other words the holders of the same were to be treated as the sole owners without any legal implications of endorsements they are sure to prove of great use to the trading community

who would make use of them more extensively. Legislation designed to secure this end should also apply to vernacular hundis. Darshni Hundis are, as a matter of fact, drawn out. "Shah Beopari Jog" and as such they do not require any further protection. The present mode of Hundie drawing is quite satisfactory for the existing needs of the trading community. Crossing of cheques, no doubt, adds to the security of the drawer but as such cheques are not cashable except when presented through another Bank they carry a certain amount of trouble of obtaining payment to those holders who have got no accounts with Banks. Hundis are not crossed and no legislation seems to be desirable to necessitate presentation of crossed Hundis through Banks for encashment as it would, if resorted to, only create difficulties in their free handling.

4. *(i) to (iv). Supply Bills* are not availed of so freely for internal remittances by the trading community, they are generally taken by Banks or Bankers for their internal remittances. Instead of these, Bank drafts and T. T. are made use of as they are more readily obtainable and on cheaper terms. To popularise Supply Bills it would be necessary that they are made available for all sums at and on all Treasuries and to all people and at all times at par or at a nominal rate of premium.

5. *Currency Notes.*—It is not so very easy to obtain notes of the desired denominations, especially large ones at the Banks, including the Imperial Bank of India and Treasuries. If the State were to undertake the encashment and issue of notes of all denominations up to a reasonable amount at all Treasuries and the Offices of the Imperial Bank of India, holding Treasury chests, the difficulties now ruling will be obviated and it will further add to the popularity of paper money if notes of the denominations of five hundred and one thousand are also made universal.

6. *Bills of Exchange.—(i) to (v).*—Duty on bills of exchange payable otherwise than on demand may be reduced with advantage by 50 per cent., such reduction will be more than balanced by the increased use of such bills. Bills drawn at more than 12 months after date or sight are more or less in the shape of Bonds and as they are not in much use the duty on same may also be reduced. There is a common practice to raise funds on Demand Pronotes on the borrower giving to the lender an undertaking for the due payment of such bills after a certain period for which interest is paid in advance, thus saving to himself the duty which would otherwise require to be paid. Bills of Exchange or Hundis are drawn for different periods, generally ranging from 30 to 280 days for accommodation purposes. If Hundis or Bills of Exchange are classed separately from Bonds the duty on the latter is not likely to be affected.

7. *Post Office.*—There is only one way by which there could be any improvement in the existing system for handling internal remittances, *i.e.*, by bringing their rates of commission in line with those obtainable

at banks for a similar class of business. The money order commission of 1 per cent is a heavy charge and a great drawback in their popularity. At present money-orders are purchased only for small amounts and for places where there are no banks. If the rate is cut down to quarter per cent with a minimum of 2 annas up to Rs. 50 and similar rates were offered for collecting cheques and bills on all out-stations the postal agency is sure to be very greatly appreciated by the public and there will be a quite reasonable return to them on this class of business. This will not only increase the number of money orders but will also act a great incentive to the V. P. orders system and further help the trade as well.

8. Hundis drawn on out-stations pass from hand to hand with endorsements and those drawn locally payable at usance are negotiated only in that particular area. In certain cases accommodation Hundis are drawn and sent out to other stations where they are discounted and re-discounted through local agencies. Owing to the trade depression the failure of banks and individual business firms in the Punjab the credit has been sadly impaired of late years, resulting in the general diminution of Hundi business. This will, however, improve by itself with the revival of trade. The reduction in the stamp duty, if made, will also help to improve the quantity of Hundi business. The other factor for diminution of Hundi business is that the money lent on this security is absolutely unsecured debt ; people are more cautious and are not so keen about advancing money on Hundis except on tangible security such as house property, jewellery, &c.

9 *and* 10. *Railway Receipts.*—Advances are made by Banks to approved customers on the security of Railway Receipts to a reasonable extent say 50 per cent. of the invoice value of the relative goods. If they are made negotiable under the Act it will greatly facilitate their transfer from hand to hand and increase their utility more freely.

11. *Bijak and Sattas.*—Beechaks of commodities are negotiated in the Punjab. Sattas are purely speculative contracts and their negotiability is not desirable.

PART II.

1. (*i*) *and* (*ii*). Crops, brought into the market, are sold according to weight and local rates, prevailing on the day through Artis on cash payment and there is no difference in the sale of crops meant for domestic or trade purposes.

2. *Storage* of the produce nearly one-fourth is stored in Kothas, bank godowns, &c., on which money is raised from banks.

3. *Licensed Warehouses* (*i and ii*).—The system of licensed warehouses such as is prevailing in the United States of America, if introduced

in India is not likely to succeed as the people here who are accustomed to the present system of storing in Kothas under their own lock and key will resent all innovations in this respect.

4. *Credit Facilities* (*i*) *and* (*ii*).—So far is known no credit facilities worth consideration for marketing of crops are provided in this district by the Imperial Bank of India, Joint Stock Banks, Co-operative Banks or professional money-lenders. Grain merchants and commission agents, as a rule, make advances against consignments taken over in their custody which are subsequently brought into the market and disposed of through them. To finance themselves the merchants and agents would seek the assistance of indigenous banks and bankers by hypothecating the goods thus stored or on their personal security.

5. (*i*) *and* (*ii*). There is apparently no co-ordination among the various credit agencies all of whom lend money independently upto their own lending capacity.

6. Oversea trade is financed by the Exchange Banks to the fullest extent possible against Letter of Credit, issued by the importers abroad through their respective banks. This is, however, not the case with the indigenous banks for internal trade and the local trade, therefore, suffers in consequence in the matter of finance. Moreover, the exporters in some cases have their own shroffs to finance the purchases, made in mandis. These shroffs are directed to make payments immediately on the spot and reimburse themselves later on. The exporters pay back to the shroffs by their bills on their offices in Karachi, Bombay or Calcutta with a certain percentage of exchange and interest on the total amount of business put through them throughout the season.

PART III.

1. (*i*) *to* (*iii*). No interest is taken in the crops by banks or exporting firms until the commodities are actually brought into the market for sale, at those places the exporters' agents pick up the goods and make payments and then arrange for the despatch thereof to the ports for shipping purposes. Meantime, if necessary, advances can be had from banks against Railway receipts or documents of similar character.

(*b*) (*i*) and (*ii*). Import trade is financed mostly by the Exchange Banks while the goods are brought to the distributing centres and there taken over by the indenters and consumers. Financing of the goods from the distributing centres to the consumers' place is done by merchants.

2. (*i*) to (*iii*). Interest, small commission and incidental expenses for clearing are charged by banks for bringing the goods into the market; no serious difficulties have been experienced in this method so far.

3. (A) and (B). If markets are properly controlled and the prices are kept under proper check and credit facilities are given to the growers better prices could be had. The growers are bound to dispose of their goods immediately in order to pay the Government revenue and if at the time the exporters will not touch the goods the growers will have to accept any prices that are offered to them and suffer loss which would otherwise be avoided if they had means of financial help to retain their goods until better prices were obtainable. Speculative deals should be discouraged as far as possible and the State should disallow such transactions.

4. (*i*) and (*ii*). Charges incidental to export and import are all recovered from the consignees at the time of delivery of the goods. Interest is charged by banks at 7½ per cent to 9 per cent. while other local agencies work out from 9 per cent to 12 per cent at ; the rates are generally regulated according to the class and volume of business, and the credit and the respectability of the borrower.

PART V.—SECTION I.

1. (*a*) Indigenous banks do business of money lending, discounting of bills, receiving deposits, purchase and sale of demand bills payable in India and abroad, collection of bills storage of valuables in safe custody and Insurance.

(*b*) Banking primary.

(*c*) (*i*) Trade and Industry.

(*d*) (*i*) The whole of the working capital of a bank is directly or indirectly borrowed and it is difficult to describe and distinguish how much of the capital has been borrowed and invested for each class of business they are transacting. (*ii*) Mainly deposits and also money, borrowed from other banks on the security of Government paper, etc. : held by the bank against reserve fund. (*iii*) 2½ to 6 per cent per annum. (*iv*) No charges excepting brokerage in some cases.

(*f*) (*i*) and (*ii*) All expenses such as establishment, interest on deposits, stationery, postage, brokerage, Law charges, house rent, repairs, Travelling Allowance bills, advertisement, remitting charges. Telephone and Telegrams charges, general and other incidental expenses and bad debts are deducted from gross profit for the purpose of calculating net profit.

(*g*) Negotiable securities, house property, valuables, documents of title to property, Insurance policies and goods constitute secured loans. (*ii*) Moveable property according to the market valuation

and its interest return, immovable property according to the rent received and its market value. (*iii*) 50 per cent., (*iv*) 4 to 1 approximately.

(*h*) Secured loans are more desirable in the interest of the institution and for the safety of the return of the capital.

(*i*) Cash credits are allowed to men of repute against stock-in-trade or their personal status up to the extent of the arranged limits.

(*j*) Clients are required to produce sureties where desirable and they are asked to state the purpose for which loan is required.

(*k*) Cannot say.

(*l*) Yes, ordinarily, loans are given for fixed periods, which are determined by borrowers according to their requirements, and paying capacity. If the money is not repaid within the stipulated period and the debtor is considered to be in healthy condition financially loans are renewed if so requested.

(*m*) (*i*) and (*ii*) Majority of applications for loans are refused on account of inadequate security. Generally, banks lend money to the extent of their spare funds, but sometimes when lucrative investments are offered they borrow money locally on the security of Government Securities held by them and take advantage by paying less rates and charging higher rates to their customers, the money so borrowed being repaid immediately when funds permit.

(*n*) (*i*) to (*iii*) A very small percentage of clients repay their loans punctually without being pressed to do so. If payment is not made on due dates, letters of demand are issued pressing all the parties concerned for immediate settlement and if payment is not forthcoming and the accounts are going to be time-barred or the borrowers are found to be in financial difficulties in any way or they are dead or any of the securities materially depreciates in value by adverse market fluctuations, absorbing the margin maintained, legal proceedings are instituted for recovery of the amount outstanding.

(*o*) (*i*) There is no end of difficulties in recovering debts in courts of Law, and claims are rarely collected without great expense and worries. It takes a long time to obtain a decree and then execute it but inspite of all this, claims are seldom recovered and debts are often written off ultimately as irrecoverable.

(*p*) Repayment of loans is not made in grain in this district.

(*q*) The Imperial Bank of India makes advances only on security of Government securities, no special facilities worth consideration are extended by them to Indigenous Banks when in need of funds. On the other hand their rates and terms are often harder than those offered by other Exchange Banks ; strictly speaking that bank cannot be looked upon as a Bankers' Bank. In fact *an individual* can have accommodation from the Imperial Bank of India on better terms than those obtainable by any indigenous bank. To improve their

present dealings with the Indigenous Banks it should be made binding on the Imperial Bank that they are not to insist upon advances being given as loans only ; over-drafts should be allowed freely when money is wanted as a temporary measure and interest charged for the actual period.

(*r*) Promissory Notes, Hundi papers, Mortgage Bonds, Letter of Lien and deposit receipts are used for the purpose of lending and borrowing money.

(*s*) The information given above applies also to the Indigenous Banks in this district.

3. (*i*) to (*iii*) Since the banking crisis some years back the public confidence in the Indigenous Banking has been lessened and most of these banks still continue to be in difficulties financially for various reasons, namely, unscrupulous selection of investments, mismanagement, lack of businessmen on the Board of Directorate with any trade knowledge and experience, also Directors own interest in some cases in matters of loans, staff, etc., and keen competition with foreign Banks. Further, it is most dangerous for any institution, especially banking, to have men on the Directorate permanently and it would be a step forward if the Companies Act is amended so as to make it compulsory for the Directors to retire from the Board by rotation after every three years and not to offer themselves for re-election. This will help in bringing new idea and new life to the Board and improve the administration of the institution generally.

4. *Rate of Interest* would depend on the supply of the capital in the market and the demand thereof. The rates are not likely to reduce at present as the State is raising funds in the form of Treasury Bills in India and Indian sterling loan in England at much higher rates and causing the scarcity of capital in the market here. The State should have a Government Bank in India, which should be organised such as to offer better facilities to all concerned on more liberal terms than those obtainable from the Imperial Bank of India.

5. The State Bank, if established, or the Imperial Bank while holding the Government treasury should not, under any circumstances enter into competition with the Indigenous Banks.

8. *Idle Money.*—At certain times of the year money remains idle in the hands of the banks the extent of which cannot be estimated. It is generally sent out at such times to ports and to other trade centres where it is wanted. If small Industries are started some portion of that money could be employed with advantage here and help to reduce the chronic unemployment now prevailing in this district.

9. Yes, in the matter of finance the markets at Amritsar, Delhi, Karachi, Calcutta and Bombay are connected with Lahore. The establishment of a central Reserve Bank with offices at the chief centres would be most desirable rather essential and it would be a

boon to all Indigenous Banks, provided, it is not to enter into competition with any one, and is run on in a patriotic spirit, and, provided, no one bank or class of people has a monopoly of access to it for monetary help or management or any community given more rights or facilities than it has actual, financial interest in and needs same.

PART VI.

1. The present Banking resources in this district are adequate.

2. *Cash Certificates.*—These are not so very popular in this district, probably due to the fact that the people do not know much about them. Their popularity could be increased by publication in the local Newspapers of the terms and the interest they bear. If the rate of interest thereon is increased a bit it will further add to their popularity. The rate of interest allowed on Post Office Savings Bank accounts is very low, as compared with Local Banks. If it is increased by say 1 per ce nt people will take advantage of the Post Office Savings Bank for their investments to a greater extent. At present only small investors make use of it. The interest allowed on Treasury bills and Cash certificates is more favourable than what banks can afford to pay on deposits and in this unhealthy competition it is the banks who lose deposits from the general public

5. Provision may be made for the purchase of Government securities through the Imperial Bank and all Post Offices free of charge, which may induce small investors for buying Government securities.

6. Securities may be purchased through banks on payment in advance of a certain percentage of the cost the rest being recovered on completion of the transaction. Similarly Government securities may be sold through banks at a small charge of commission and in cidental expenses. If so desired the banks would be willing to advance money to their regular constituents partly in anticipation of the transaction being put through.

7 and 8. There is no particular class of people in this district who are in the habit of saving money or keeping account of their income and expenditure. In this district middle-class people are, almost all, living from hand-to-mouth and can hardly make any saving; what is saved by them is swallowed up by expenses on marriages, sickness, house property and their *Safaid Poshi.*

9. None.

10. In prosperous years the saving, if any, made by the agriculturists, is used in adjusting their debts, incurred in bad years and the purchase of articles of necessity, marriages and sickness, etc.

Big zemindars make use of their surplus, if any, in acquiring further land, building properties or in such other ways as they think best.

12 and 13. Ordinarily. Educated and businessmen make use of the cheques to any appreciable extent and this habit has been increasing day by day because it saves the risk of handling money and there is no stamp duty on such instruments.

14. I do not think it is feasible to make payments to employees for their wages by cheques nor is it safe enough to recommend acceptance of cheques in payment of Government dues. Cheques can only be paid by banks when the balance at credit of the party's account admits of it.

15. In banks, special precaution is taken for safeguarding signatures on cheques in vernacular other than English. Persons who know vernacular only are required to sign cheques in the presence of one of the bank's official who identifies the signature by affixing his initial under the phrase "Signature admitted." The cheque book is then handed over to the party with instructions to keep it carefully. This procedure is no doubt defective and not without danger in the event of the cheque book being stolen and made use of by any fraudulent person but there is no remedy for it, because otherwise cheques with vernacular scripts would not be acceptable freely. It is the lookout and the interest of the bank to see that the employees dealing with the public are conversant with all the important scripts of the district.

16. The Imperial bank of India with its various branches opened in recent years, has not been able to give facilities of and significance to the general public and there has been no good result under any of the five accounts mentioned except that it has entered into competition with the Indigenous Banks in the matter of small advances against jewellery, etc., and issuing of drafts at low rates, thus cutting down business of Indigenous Banks.

Oral evidence of Lala Behari Lal, Banker, of Lahore.

Chairman.—Are you a banker?—I used to be in different banks as Manager and Accountant for many years.

In what banks?—In the Punjab Banking Company for 26 years, in the Alliance Bank for seven years and in the Punjab National Bank for seven years. I left it in January last.

What were you then?—Manager of the Calcutta Branch of the Punjab National Bank.

Have you ever done banking on your own account?—No.

Has your experience with joint stock banks brought you into close contact with indigenous banking?—I came into contact with banking firms and with dealers and merchants and shroffs because they kept accounts with the banks.

Will you refer to question 3? What are your exact recommendations in regard to cheques? Are you in favour of the legislation contemplated which will make cheques once payable to bearer always payable to bearer?—Yes. I am in favour of that.

Would you then not allow the holder of a cheque to make it payable to order?—No it should always remain payable to bearer.

Why?—Because that will facilitate the handling of cheques. Anybody who presents a cheque can take payment.

Do you mean that that will relieve the banks of responsibility?—Yes.

But from the point of view of the general public do you recommend this?—Yes. Because with regard to endorsements there is a certain amount of trouble felt by the general public; and they would like to have hundis payable to bearer. If a hundi is signed by the holder on the back anybody who presented it can take payment provided the drawee is satisfied that there is no fraud in it, and that the payment is being made to the proper person.

Returning to cheques, would you deprive the holder of a cheque of what has been called his elementary right of protecting himself against loss of property by theft?—That is his own lookout. If he loses it he suffers a loss as he would if he lost a currency note.

You advocate this in order to make cheques more negotiable. Would that be an advantage to business?—Yes.

In regard to hundis could you explain exactly what the position is?—Supposing A draws a local hundi on B in favour of C. After

signing it C hands it over to his assistant D to take it to B's firm and ask for payment. Payment will be made without question because B will have received intimation from A that a hundi has been drawn in his favour. In such a case must a hundi be presented by an approved banker ?—No, not necessarily.

If the hundi bears the superscription " Shah Beopari Jog " must it then be presented through a banker ?—It is not insisted on by the drawee provided he is satisfied that the payment has not been stopped by the drawer and that payment is being made to a known person.

What then is the object of writing " Shah Beopari Jog "?—That is the wording of the hundi. But they will never insist on the thing being presented through a banker.

Are these words then in actual practice meaningless ?—These words have been used from time immemorial.

Lala Harkishan Lal.—There is one difference. The money must be paid to a known person. The words " Shah Beopari Jog " must be interpreted as meaning a known person.

Chairman.—But supposing D was not known ?—They will ask him to get C to come and take the money.

Then in your view these words " Shah Beopari Jog " have no practical application ?—No, it makes no difference whether they are written or not.

Lala Harkishan Lal.—Excepting that when you write these words you endorse the hundi to a third person, but when you do not write these words then you do not endorse it to a third person. I have seen hundis endorsed in both ways some discharged by payee and payment drawn on that, some hundis endorsed by payees in favour of a third person, and the last holder of it takes payment without the hundi being presented through a bank. But the hundi on which these words are written " pay to so and so " cannot be endorsed. According to the Negotiable Instruments Act if a hundi is drawn without the words " or order " and it is discharged by the payee it is enough, but it cannot be endorsed to another person. Native hundis are written without the words " or bearer " or " or order."

Rai Sahib Kishan Lal.—There are two words " Shah " and " Beopari " or " banker " and " businessman ?"—It is only a formal thing and is never insisted on.

Chairman.—In the case of hundis then, they are not cashed unless the holder is known to the drawee?—Every banker should satisfy himself before making payment ; that is the practice. If he does not take care he loses his money if a fraud has been practised.

In the case of a bearer cheque it is cashed even if the holder is not known ?—Yes.

There is that difference then ?—Yes.

Then hundis are really never on the same footing as bearer cheques ?—They are safer than the bearer cheques because they must be endorsed by the drawee, whereas cheques drawn payable to bearer even if they are not signed by the payee will be paid.

What legal responsibility attaches to the payee in the case of a hundi that does not bear the words "Shah Beopari Jog" ?—There is no responsibility of the payee or the drawee unless payment has been stopped previously by the drawer.

Then why are these hundis not treated as bearer cheques if no responsibility attaches to the drawee ?—They are as a matter of fact treated more or less payable to bearer after they have been discharged by the payee.

Would you be in favour of legislation so as to put hundis on the same footing as bearer cheques ?—Yes.

You say that there is a common practice to raise funds on demand pro-notes on the borrower giving to the lender an undertaking for the due payment of such bills after a certain period for which interest is paid in advance. Is that due to the stamp duty on hundis ?—Yes because in that way they can save the stamp duty.

Is the practice in your opinion objectionable ?—Yes.

What is the objection ?—If stamp duty is removed people will use the proper form for making out hundis.

What is your objection to this form apart from the question of evasion or avoidance of stamp duty ?—Supposing a man wants to raise funds for six months, if he writes out a hundi payable after six months he will have to pay a heavier stamp duty than what he is required, if he gives a demand pro-note and pays the interest for six months in advance, the lender is satisfied in both the cases. If hundis are also exempted from the stamp duty they will use the proper document.

I understand that there is an advantage in the practice you have described so far as the stamp duty is concerned, but what is the objection to the practice so far as business is concerned ?—My point is that it is dishonesty.

You regard the present practice as a dishonest attempt to avoid payment of stamp duty and therefore condemn it ?—Yes.

Chaudhri Sultan Ahmad.—There is also this point that if the creditor will not wait till the time fixed he can sue the debtor at any time ?—But the borrower takes a receipt from the lender for the money he pays as interest in advance so he cannot take legal action.

But the total amount can be recovered ?—But when he has got a receipt to show that he has paid the interest for the money, when the creditor sues him the borrower can produce it in court and the court

cannot compel him to pay the amount though it may charge him some penalty.

Chairman.—But apart from the ethical question of honesty, is the borrower prejudiced in borrowing on a pro-note instead of on a hundi ?—There is no disadvantage to him but to the Government.

Is there any disadvantage to the lender ?—No.

In question 8 you say that in certain cases accommodation hundis are drawn and sent out to other stations. What other stations ?—For instance, Delhi, Amritsar, Gujranwala, etc.

Are they still sent to Shikarpur in Sindh ?—They are sent there too when goods are imported from that place.

But is it uncommon for hundis drawn in the Punjab for business done within it to be rediscounted outside the Punjab ?—In some cases shroffs take hundis from this place to their bankers outside the Punjab and have them discounted according to their arrangements with their bankers and when people buy them their own bankers realise the money.

Is it common or uncommon ?—It is uncommon.

Can you say whether money raised within the Punjab is used at all to rediscount bills drawn oustside the Punjab ?—No.

Lala Harkishan Lal.—If the Calcutta Branch of the Punjab National Bank rediscounts hundis by its Punjab money there it would be so ?—If there is any surplus money in the Punjab they would send money to the port branches, and in that way Punjab money is sent down to the ports.

Chairman.—Is that habitually done ?—At some time when there is surplus money in the Punjab.

Do you know at all to what extent money is taken from the Punjab to finance trade and business outside the Punjab ?—It is difficult to estimate that because it depends on the surplus available. If money cannot be used in the Punjab it is sent out.

Are there special times of the year when this is done ?—Yes, during the cotton and grain seasons it is wanted in the Punjab, but on othe occasions it is not wanted.

Are large sums then removed from the Punjab for external finance ? —To some extent but not very large amounts.

Where does that money go ?—To the port branches. Calcutta, Bombay and Karachi.

Do you mean that there is a continuous flow of money except during the grain and cotton seasons ?—No. Occasionally.

Can you give us any idea of the amount of money that is remitted by the joint stock banks in Calcutta to the Punjab ?—It is remitted freely because people get their goods from America and Japan through Calcutta, and for this purpose money has to be remitted from this part to that part.

I am thinking of the taxi drivers who are said to remit considerable amounts to the Punjab ?—No, they do not send much because living is very dear there.

You say that credit has been sadly impaired of late years, resulting in a general diminution of the hundi business. Do you regard that as a temporary phase ?—Yes. After the banking crisis some credit was impaired.

In what year was that ?—1913.

But has not the Punjab recovered from that ?—Not fully yet.

Do you think that credit is strengthening in the Punjab or is it weakening ?—It is better now than it used to be before.

You say that the security for hundi business is entirely personal ?—If the hundi is not paid of course the lender will have to sue the borrower for the repayment of debt.

Do you mean that the security for hundis is almost always personal ?—Yes.

Has personal security declined in value ?—Yes.

But you have just said that in the Punjab generally security is improving ?—It is improving slowly, but people are rather sensitive and they feel that if money is advanced on hundis without tangible security it might not come back and prefer to lend out on some security.

What has undermined the trust in personal security ? Does that also go back to the banking crisis ?—Yes the banking crisis is the reason.

Has not that type of security recovered ?—No. Personal security is not regarded as good security, because there have been so many failures of firms that people do not look on personal security as good.

And that you definitely attribute to the banking crisis of 1913 ?—Yes, that is the main cause of it.

Coming to railway receipts, would you be in favour of the abolition of the system under which goods can be obtained from the railway under an indemnity bond if the railway receipt is not available ?—Yes. I am in favour of that, because there have been cases where people have taken goods by giving indemnity bonds to the railway whereas the bills remained with the banks and so a fraud was committed.

About marketing, have you any experience of the storage of produce ?—I have no personal experience.

In regard to question No. 5 you say that in some cases exporters have their own shroffs to finance purchases made in the mandis. Is that common or is it exceptional ?—It is exceptional. The big exporters resort to that arrangement, not the ordinary people.

Is it a new system ?—Such arrangements can be made. For example Volkart Bros. have got shroffs of their own. They send them instructions that they have made a purchase and direct them to make

payment and they do so. Afterwards they submit their bills to Volkart Bros. and receive cheques from them on their office in Bombay and Karachi in payment with a certain amount of exchange.

Do many other firms do that ?—Only the big firms.

Do most of the big firms do it ?—Yes.

You mention various forms of security, negotiable securities, house property, valuables, etc. Is house property as popular a security as it used to be ?—It is considered to be a good security.

Have you any recent experience of dealings in house property in Lahore ?—Not personal ; but in banks we used to have such dealings.

Some witnesses have stated that it is less attractive to banks than it used to be owing to the difficulty of realising it ?—But they consider house property as tangible security which can be attached.

But is it a popular form of security in the banks ?—Among the Indian banks, but not among the European banks.

In connection with the Imperial Bank you say that overdraft should be allowed freely when money is wanted as a temporary measure. Is there usually difficulty in obtaining overdrafts ?—They do not allow overdrafts to banks and insist on interest being charged for at least three days. There is no reason for this when money is used for only one day.

Is that the only difficulty ?—Yes, that is the difficulty.

Are these remarks of yours in regard to indigenous banks intended to apply to Indian joint stock banks or to what we call indigenous banks ?—To the indigenous joint stock banks.

Not to the others ?—No.

Lala Harkishan Lal.—In Calcuuta there is a kind of transaction between banks known as " call money," does that not exist in Lahore ? —No.

Would you kindly explain what call money is ?—That is money lent out to banks to-day, and if it is wanted back to-morrow it will be repaid.

In Lahore the form is overdarft for three days against Government security ?—Yes.

Is there no other easy form of raising money temporarily by a bank from either the Imperial Bank or any other bank ?—There is no such arrangement in Lahore.

You say that credit has deteriorated since the crisis of 1913. Would you kindly tell me how much was really involved in the 1913 crisis ?—I do not remember exactly.

If I told you it was round-about three crores would I be exaggerating or minimising the amount ?—It was not so large an amount.

According to your information ?—Yes.

Do you know that now in the joint stock banks in Lahore compared with the deposits of those days there is a difference of ten crores to the

good ?—I doubt it. There must be less deposits than there used* to be.

Then you do not know it.

Chairman.—Do you know the figures ?—No.

Lala Harkishan Lal.—It was not the people that failed but the banks that closed down, therefore the credit of the banks ought to suffer rather than the credit of the people or the trade ?—But later on some firms in Amritsar and other places also failed.

Then the reason for the failure of credit must be the failures of firms in Amritsar and other places and owing to their not being so solid as they used to be and not the failures of the banks ?—This is right.

You said something about pro-notes. Is not one of the reasons why pro-notes are not quite so popular that they do not circulate while hundis circulated ?—Yes that is one of the reasons.

If I lend money on pro-notes I cannot sell it while I could have sold a hundi ?—It depends on the respectability of the man writing the hundi.

But respectability being the same the hundi has a better chance of circulation than a pro-note ?—Yes.

You insist that documents once payable to bearer should always remain payable to bearer, and that there should be more bearer documents. Is not the reason in your mind to reduce the responsibility of the managers of banks ?—As a matter of fact cheques should not be paid so long as the manager is not satisfied as to the person to whom he is making payment.

Compared with the Punjab are not more funds invested in hundis in Calcutta ?—In Calcutta money is invested on hundis both by banks and by shroffs.

There is more scope there then ?—Yes.

Would you tell me whether it is not because hundis are not so very easily obtainable as in Calcutta and Bombay nor to that extent that banks have to fall upon house property as secuirty in the Punjab ?—Banks are always anxious to invest their surplus funds, and if they cannot get a good hundi they must advance on property or on some other investment.

Yes, because in Lahore there is a very little investment by way of hundis and other negotiable instruments and also because there is very little produce business here as there is no mandi, the only choice left to the banks is house property ?—Yes, that is so in Lahore.

Chaudhri Niamat Ullah.—You have said that cheques and currency notes if lost are equally bad. Are Rs. 500 and Rs. 1,000 notes not endorsed ?—I have suggested that notes of Rs. 500 and Rs. 1,000 if made universal should be signed. In fact all notes over Rs. 100 should be signed.

*For actual figures see statement 3 (page 327) of the Report.

Therefore should not cheques of over one hundred be made " on order "?—The difficulty would be in the case of illiterate persons. They are not known in the bank and will be asked to produce somebody to identify them and will lose a whole day in getting such a man.

But it is a valuable thing?—It is the lookout of the drawer or payee, and if he loses it he must suffer.

You have said that currency notes are to be had with difficulty. Have you experienced this difficulty yourself?—Yes, in Amritsar as Manager of the Alliance Bank once we had hard cash and could not send it to Lahore and wanted notes of the denomination of Rs. 10,000 from the treasury and they gave us notes of lesser denomination. They said that they were not supposed to give notes, and that we should go to the Currency Office at Lahore.

You referred to the banking crisis of 1913. Are not the losses suffered by business men mostly due to their indulging in *satta bazi* and is it not this that has affected their credit?—Yes I have said that *satta bazi* should be stopped by law.

In reply to question 3 of Part III you say " if growers had means of financial help to retain their goods until better prices were obtainable." What kind of financial help should be given?—It is for Government to give them help when they need money to pay the land revenue and have to sell even if there are no buyers. They would benefit if Government arranges to keep their produce and sell at better prices.

Do you mean that Government should give money or postpone the payment of revenue?—Or Government can advance money against produce.

You mean that warehouses should be provided and advances made against them?—Yes. I have said so. Warehouses were started in Layallpur, but were not a success and people did not use them.

Of the amount lent out what per cent is realised in court?—After taking out expenses very little is realised ordinarily. Even after decree is granted realisation is very difficult. The banks have ultimately to write off the amount.

Could you make any suggeston in regard to this?—Yes. Government should make a rule of the kind in force for co-operative societies where the Registrar has the power.

But the Registrar can only give a decree not realise the money?—Realisation is very difficult.

Chairman.—What facilities would you give?—It is difficult to say. In the old days the Sikhs had a different method. A man complained to Maharaja Sher Singh that his debtor had not paid him. Both the debtor and creditor were sent for. The debtor said that he had spent the money on the marriage of his daughter. So the bridegroom's people to whom the money had been paid were sent for and made to pay the money to the original creditor. For the Government to give a decree and leave the man to realise is of no help. It must be the duty of Government to see that a decree is enforced.

Khan Bahadur Chaudhri Niamatullah.—How would you employ the money that you say is lying idle ?—In match factories, glass factories, paper factories and cloth factories and other similar industries.

You say in your note that the present banking resources in this district are adequate. Are you speaking of the cities or villages ? —I am speaking of towns only.

Do you know what interest is paid if the Post Office Cash Certificates are converted into cash within the first twelve months ?—For the first year they don't pay anything.

If nothing is paid for the first year, then how far are you correct in saying that the rates of interest on Post Office Cash Certificates compare favourably with the bank rates ; at present the rate of interest allowed on cash certificates is $5\frac{1}{4}$ per cent ; while if you deposit your money in any co-operative bank or a joint stock bank, what would you get there ?—Five and-a-half per cent or six per cent ; but the Imperial Bank pays very little.

Do you feel difficulty in recognizing the cheques signed in vernacular ?—Yes ; there are very few people who know more than the two most common languages, English and Urdu. *Landas* are different in different parts of the country ; for instance, there are Shikarpuri *Landas*, Multani *Landas*, Peshawari *Landas*, Lahori *Landas* and Sindhi *Landas*. I referred to cheques written in *Landas* and not in Urdu or English in my note.

Which is the important script of this district ?—*Landas*.

Chairman.—Are cheques signed in vernacular accepted by all the three banks in which you have served ?—Yes.

Rai Sahib Kishan Lal.—What do you suggest should be the fee on money-orders ?—It should be in line with the joint stock banks, *i.e.*, Re. 0-4-0 per cent. Every bank charges Re, 0-4-0 and people would not mind if the Post Office charges Re. 0-4-0 per cent.

What interest do you suggest should be paid on the savings bank account by the Post Office ?—It should be at least four per cent. It is already paying three per cent, and it should be one per cent more. In that case I think more money will come to the Post Office.

I think there is a limit that one man cannot draw more than Rs. 100 in a week. Do you think this limit should also be extended ? —There should be a limit, because without a limit it will be rather difficult for the Post Office to keep a large sum of money in its chest.

Then you suggest that the rate of interest should be increased, but not the limit of withdrawals ?—The withdrawals' limit should also be increased up to, say, Rs. 500 a week.

Chairman.—As you know, the Government is anxious to encourage the use of cheques. Do you think it will discourage people from

using cheques if a bearer cheque could not be converted into an order cheque ?—It will rather encourage people to make use of cheques.

Take an ordinary person who has or might have a current account with a bank, don't you think it possible that he would feel that a cheque was not a very secure form of document if he had no means of protecting himself ?—I don't think so.

One or two witnesses have suggested that the Imperial Bank sometimes discriminates unfavourably against the joint stock banks in its dealings with the public. Have you ever found that it gives the public more favourable terms than to the joint stock banks ?—The help which is expected from the Imperial Bank is not obtainable at all times. Supposing an indigenous banker is in need of funds, the Imperial Bank will not help him at the time, and if the help is not forthcoming at the proper time, the man will be in difficulty. Truly speaking, there is no real help coming from the Imperial Bank.

Have you any personal experience of that ?—I had personal experience in Calcutta. I was in need of money, and I could not get any help from the Imperial Bank in time.

During the last five years ?—Yes.

To what extent does the Imperial Bank give more favourable rates to the joint stock banks than to the general public ?—Sometimes they charge even less than the rate published in the papers to the indigenous bankers, but when advancing money to the joint stock banks, they stick to the published rates.

Then in your view if there is any discrimination, it is against the joint stock banks ?—Yes.

Do the joint stock banks get no facilities from the Imperial Bank ? —Very little.

What do they actually get ?—Government papers are deposited with the Imperial Bank and held there. When money is wanted by the joint stock banks, they can have it for at least three days when there is no other help.

Would the position of joint stock banks in this country be weaker or stronger if there were no Imperial Bank ?—It would be stronger, because the money which is now invested in the Imperial Bank will go to the indigenous bankers and joint stock banks.

Would their position not be weaker in any respect ?—I don't think so.

Rai Sahib Kishan Lal.—Do you think that there should be one bank which should always be prepared to help the indigenous bankers as well as the joint stock banks ?—It will rather be a boon, provided it does not enter into competition with the indigenous bankers. Then it will be a great help to trade, industries and bankers.

Do you think that such a bank will be more useful than the Imperial Bank ?—Provided it does not enter into competition with the other

banks or bankers. At present the Imperial Bank is competing with the other banks ; it is making advances for small amounts against jewellery ; that is not their business. They are big people ; they should do big business.

Chairman.—Would remittance not be more difficult if the Imperial Bank did not exist ?—No ; the other banks will take up this business. There should be one big bank which may be called the bankers' bank.

You would like to see some kind of central bank dealing only as a bankers' bank and not dealing with anyone else ? Yes.

I understand that the Imperial Bank will not discount a hundi unless it bears three signatures. Is it a case that a joint stock bank's signatures cannot be one of the three ?—It depends entirely upon the respectability of the borrower. If the bank is satisfied with one or two signatures, it will advance the loan, but the Imperial Bank will insist on three signatures.

Can one of the three signatures be the signature of a joint stock bank, or do they insist upon always having three signatures other than the signatures of a joint stock bank ?—That is my view.

(Witness withdrew.)

Lala Faqir Chand, Aggarwal, Banker and Merchant, Amritsar.

PART I.

1. The internal remittances are usually made here in the following ways :—

(1) By Darshni Hundies,

(2) By demand drafts of the banks,

(3) By cheques,

(4) By money orders through post offices,

(5) By means of currency notes.

No. (1) is useful only in big commercial centres where local big trademen have got their branches. This mode of remittance is becoming unpopular for the following reasons :—

(1) For the remittance of big amounts people do not trust local trademen.

(2) Darshni Hundis for big amounts are not always available.

(3) The remittance charges are very high.

2. Demand drafts of the banks are also not free from difficulties for the following reasons :—

(1) Generally the branches of the banks are not in all commercial and trading centres. For example if one requires money at Nawashahar in Jullundur District grain market or at Hardwar timber market there is no help through this method.

(2) The procedure of the bank for demanding some body for identification is awful and it makes sometimes impossible to secure money.

(3) Where there is branch of a single bank, its remittance charges are very high.

3. This is the worst mode of remitting money. For if I have got my account with the Imperial Bank of India, Amritsar and I issue cheque to some body in Delhi. The Imperial Bank or any other Bank in Delhi will only pay it when the same is realised from the Imperial Bank in Amritsar.

4. *Postal money orders.*—This is a very convenient way of remitting money but for its exorbitant charges.

5. *Currency notes.*—This is a very economical way of remitting money if the currency notes of the required denominations are available. But generally they are not.

So from the above it is clear that there is no easy, right and economic way of remitting money.

In my opinion if the following improvement in the Post Office remittances be made it can prove very useful :—

(1) Demand drafts may be issued by the post offices payable to the bearer.

(2) That the charges of the post offices be fixed as below—

1 per cent up to Rs. 100.

$\frac{1}{2}$ per cent up to Rs. 500.

$\frac{1}{4}$ per cent up to Rs. 1,000.

$\frac{1}{8}$ per cent up to Rs. 5,000.

$\frac{1}{16}$ per cent up to Rs. beyond this amount.

(3) That the branches of the currency offices be opened at principal business centres to facilitate the traders to obtain currency notes of required denomination.

(4) That the remittance charges of all banks should be fixed also.

2. (*ii*) No.

3. (*i*) Yes.

(*ii*) No Hundis should be made payable to bearer.

5. Yes, it is rather sometimes impossible to secure currency notes of the required denomination. To facilitate it branches of currency offices be opened in big towns and commercial centres.

6. (*iii*) In this district the bills of exchange are drawn for the following different periods :—

1, 3, 4, 5, 6, 7, 8, and 9 months in the case of Muddti Hundies, 30 to 60 days in the case of the price of goods.

(*iv*) No. Not in any district.

(*v*) No.

7. It is already answered.

8. There are three different classes of Hundis :—Darshni payable at sight. (2) Mudati, payable on a fixed time and purza, *i.e.*, Hundis with endorsements.

(*ii*) Hundis generally are held here by merchants.

(*iii*) Darshni Hundis are generally discounted outside.

9. (*i*) No.

(*ii*) Railway receipt, etc. should be made negotiable.

10. (*i*) No.

(*ii*) Yes.

11. (*i*) Yes.

(*ii*) Yes.

PART III.

2. (*iii*) Exchange business may be entrusted to the Imperial Bank of India. Loans against goods imported through the same bank be granted on easy terms.

PART V.

1. (*a*) Import business and Banking business.

(*b*) Banking is primary.

(*c*) (*i*) Trade is largely financed.

(*ii*) About ten lakhs in all.

(*d*) (*i*) About eight lakhs.

(*ii*) In the form of hundis from merchants and capitalists.

(*iii*) Re. 0-6-6 per cent per mensem.

(*iv*) Apart from stamp duty 1 pice per cent is charged as brokerage, *Lavali* being extra.

(*g*) *House property, pledge of ornaments* generally—

(*ii*) Generally immoveable.

(*iv*) The ratio which secured loans bear to unsecured is 1 to 100. This is due to the fact that realization of secured debt is very difficult and full of disputes.

(*h*) When the possession of the property is given the rent of the property comes to the rate of interest agreed.

(*i*) Cash credits are allowed only to merchants and traders, in the form of Hundis, pronotes and receipts, etc.

(*j*) (*i*) No.

(*ii*) For the purchase of goods, (2) To meet liabilities or making payment of debts elsewhere, etc.

(*l*) Yes.

(*i*) The date of maturity is fixed in the months when the money market is usually tight and for short period, *viz.*, 4 to 6 months.

(*n*) (*i*) ninety per cent.

(*ii*) Pressure is put for the payment of the money. Sometimes payment is accepted in kind, *i.e.*, by receiving goods, even at the sacrifice of interest. The loan is also renewed where security of property is possible.

(*iii*) When all these things fail judicial proceedings are taken.

(*o*) (*i*) It is very difficult to execute a decree in the law courts.

(*ii*) If warrants of arrest are taken against a judgment debtor it is almost impossible in certain cases to arrest him without police help which is not allowed.

3. If the attachment of house property is procured, then the execution is delayed by frivolous objection and declaratory suits.

(*ii*) (1) I give below two concrete cases :—

	Rs.	A.	P.
(*a*) Principal	1,200	0	0
Interest	76	5	0

Received out of the court in about two years Rs. 800. Suit filed for the sum of Rs. 446-5-0, decreed for the whole amount payable by instalment of Rs. 15 each recovered Rs. 30 till now.

	Rs.	A.	P.
(*b*) Principal	1,600	0	0

decreed for the whole amount with future interest, nothing recovered till now.

(5) In (*a*) the court expenses amounted to about Rs. 50 and in (*b*) about a thousand rupees.

(*r*) Samples can be supplied if required later on.

(3) (1) No.

(4) The rate of interest is already too low.

(6) The ways of recovery through the courts should be improved. Attachments before judgments should be frequently given. Police aid should be often given when so needed.

9. (*i*) No.

(*a*) Yes.

(*b*) Yes.

(*ii*) Nos. 1 and 3.

(*iii*) The new joint stock company cannot swallow up the indigenous bankers because local bankers being more acquainted with the position of a man will allow loan to a person without security to whom the joint stock will not do so. Borrowers will prefer local bankers to a bank. From the local bankers they can borrow money at any time, while it takes time with bank to make arrangement. The joint stock company will grant loan for higher amounts against securities while indigenous banker will go on as usual even for smaller amounts.

(2) This they will gain by and by.

(3) If the position of the bank is sound it must inspire confidence.

(4) This will prove all the more useful. The indigenous banking will go on as usual while big capitalists will find good opportunity in getting safe investments for part of their money.

(*vi*) (*i*) Yes.

(*ii*) Directly.

PART VI.

1. Yes.

2. (*i*) No.

(*ii*) Yes.

3. No.

(*iii*) Only men in service with small savings.

4. No. I don't agree. The terms of issue are so unfavourable that there cannot be any competition.

Oral evidence of Lala Faqir Chand, Banker and Importer of Amritsar.

Chairman.—You are a banker ?—Banker and importer.

Are you living in Amritsar ?—Yes, sir.

How long have you been a banker ?—This is my hereditary profession. My father has carried it on for 35 years and I have been in it for ten years now.

For how many generations has your family been doing this business ?—My father and grandfather were both doing this business.

Can you say at all what percentage of the business of Amritsar passes through the joint stock banks and the Imperial Bank and what percentage passes through the indigenous agencies ?—So far as the local banking business is concerned, no help is given by the Imperial Bank who finances only against Government securities and very rarely against property or goods or jewellery, except when the interest is low or when it does not require money.

What percentage of the total business passes through the Imperial Bank and the joint stock banks ?—I think it is about 60 per cent so far that banking is concerned that passes through the exchange banks and the joint stock banks.

And 40 per cent through indigenous agencies ?—Yes.

Is the banks' share in the business increasing ?—Yes, sir.

If you had been asked that question ten years ago what would you have said ?—Twenty years ago I would have said that the indigenous business is increasing, but now the joint stock business is increasing.

What about percentages ?—I think it would have been about 80 per cent local business.

And ten years ago ?—It would be about 40 per cent through joint stock and exchange banks and 60 per cent through indigenous business men.

How many banks are there in Amritsar like yours ?—About half a dozen.

How many were there ten years ago. The number had been the same (there might have been 8 or 9); but, so far as the scale of business is concerned, it has decreased very considerably ?—Yes, sir.

What is that due to ?—All our money goes to the joint stock banks and other banks as their rate of interest is higher for deposits.

Rate for lending or borrowing ?—For borrowing. For depositing the rate of the Chartered Bank is seven annas.

What are your rates for taking deposits ?—We pay six annas.

For what period ?—Not less than six months.

Do most of them deposit for six months ?—That is the usual time

Does that apply to the other banks ?—The limits are fixed—three months, six months and nine months in the case of hundis.

Do the other banks also pay six annas ?—From six to seven annas; that is, bankers of my position.

Ten years ago what was your bank paying for deposits for six months ?—Last year we were paying about eight annas, four years ago it was more as at that time our market was prosperous. Nowadays there is no money and no business. Last year there was a crisis, and several firms failed.

Is there less money than there was before ?—Yes.

And is there less demand ?—Those who offer higher interest do not get any money from us as we do not trust them. To those whom we offer money we do at a lower rate of interest.

Do you mean that the opportunity of lending on good security is less than it was ten years ago ?—Yes.

At the same time is the money offered for deposit less also ?—Yes.

Is it because money is going to the joint stock banks ?—Yes, and to Government securities and treasury bills and Government loans.

Lala Harkishan Lal.—What are the reasons ?—Government is offering nine annas, while we pay only six annas. Another reason is that joint stock banks borrow at seven annas and lend to Government at nine annas.

As you pay only six annas and Government loans are paying nine annas people go to them and this is the cause of the failure of your business ?—Yes.

Chairman.—How long has Government being paying nine annas ?—From the last six months when they started these treasury bills.

Then is it only since then that you have experienced difficulty ?—Mostly.

Before that there was not much difficulty ?—No; there was the difficulty of the rate of interest, but not of tightness of money which is now being invested in Government securities. Out of twelve only six will go to indigenous bankers and the others will go to joint stock banks or for Government securities.

Do you mean that people have been taking their money to the joint stock banks and the Imperial Bank for some time past ?—Yes; the joint stock banks and Government loans.

You say that your difficulties were entirely due to the rate of interest ?—From last year our difficulty has been increased because of the rate of interest; before that, the difficulty was drawing of money by Government loans.

In fact for some time Government has been paying more for the money than you have been willing to pay for yours. Is that what you mean ?—Yes, sir.

Has your business been affected by the fact that people are more inclined to deposit their money with joint stock banks and the Imperial Bank?—Not only that, but we ourselves now pay to Government and the joint stock banks, instead of lending money. We are depositing our money there.

Why do you not invest your money in business ?—That cannot pay. Nobody will come to us to deposit money.

Twenty years ago you had no difficulty in investing your money in business ?—No, sir.

What are your difficulties now ?—Now, owing to withdrawals of money from the market, we have no confidence in local traders, while, after getting nine annas from Government, we think our money is safe.

Why have you less confidence in traders than before ?—Because the money in the hands of the local traders has been withdrawn now and deposited with joint stock banks.

Lala Harkishan Lal.—Since the war the first trouble that came in Amritsar was to take up the contracts people had made in England ? —Yes.

Was this in 1920-21 ?—Yes.

The Amritsar people had to take up contracts on which they lost heavily ?—Yes.

What was the reason of their losing ?—That was through the exchange.

Then after that the contracts that the piece-goods people had been making with Lancashire had to be kept, although they believed that by the time the goods came the profits were gone ?—Yes.

How long has that been going on ?—That is going on till now. I can give a recent example.

Chairman.—Since when is that ?—From the end of the great war.

Lala Harkishan Lal.—The third reason is that the Amritsar people have been speculating in several kinds of goods ?—Yes, sir.

And then people have been very fond of going to the insolvency courts ?—That is the usual practice nowadays.

Chairman.—When the exchange fell, were not a number of contracts with English merchants repudiated in Amritsar ?—Very few.

A certain number were ?—Very few.

Some were repudiated ?—Some were.

Am I right in thinking that that did something to shake the confidence in the business integrity of a section of the Amritsar market ?—With reference to Lancashire people it has been shaken to a great extent.

And has that affected your business. You do not feel the same confidence that you did before ?—It has had no effect on our business.

But you are hampered by want of confidence ?—Yes.

Lala Harkishan Lal.—Has the exchange rate of 1*s.* 6*d.* affected the trade to some extent as regards imports ?—You mean the change from 1*s.* 4*d.* to 1*s.* 6*d.* ?—I think so far as imports are concerned it has helped the trade.

Chairman.—Has it facilitated trade ?—So far as import business is concerned.

Lala Harkishan Lal.—Another cause is that before the war most of the goods for the Central, Western and Northern Punjab were passed through Amritsar, but now some of it goes outside ?—Yes; the business of Amritsar is decreasing.

Then *raisis* and sahukars who used to bring their money from other parts of the world to deposit in Amritsar have lost confidence now and do not do so ?—Yes, sir.

Chairman.—Ten years ago was a great deal of money coming into Amritsar from outside in deposits ?—Yes, sir.

From what sources ?—Amritsar was a big commercial centre at that time.

Was money coming from Lahore for investment ?—I do not think so.

Was it coming from any other big town ?—Yes, sir. It was coming from Quetta, Kabul, etc. Kabulis used to come here and deposit their money with their agents, and that remained in deposit till the season came round for them to come back to India.

Have you any idea of the amount that would be deposited by the Kabulis ?—No, sir.

Can you give any idea of the amount of money that was coming ?—No.

Was it coming from Delhi, Ludhiana, Jullundur ?—Not from Delhi, which is another commercial centre.

Is less money coming now than ten years ago ?—Yes.

Could you say how much less ?—Considerably less.

And what effect has that had on money rates. Have your rates increased in the last ten years for lending ?—Our rates have decreased.

What were you charging ten years ago on good security ?—Only three years ago we were charging ten annas. Now we do not charge more than seven annas.

On the same kind of security ?—From the same man holding the same position.

Lala Harkishan Lal.—Talking of imports, they are now conducted here on the basis that, when the bills come, people retire them and the goods are deposited with the exchange banks on which there is a customary interest of 6 per cent. ?—More than that ; they are charging 7 per cent.

Since when are they charging 7 per cent. ?—For more than a year.

But before that it was customary generally to charge 6 per cent. ?—Yes.

As the exchange banks have a tremendous amount of money, imported goods could be easily deposited with them at 6 per cent., while you and I could not advance on a higher rate of interest ?—Yes, sir. I can give another example. Take the case of a particular man who was depositing Rs. 40,000 every year with me. Now, finding that we are paying six annas and the Chartered Bank is paying seven annas, he has gone and put all the money into the Chartered Bank.

Chairman.—Are co-operative societies affecting your deposits ? No ; not even 1 per cent.

Lala Harkishan Lal.—Taking exports now. Have they decreased ? —I have very little idea of exports. I do not deal in exports.

Chairman.—What are your hundi rates ?—The average rate of interest is 7 annas for hundis only.

What is the maximum rate for hundis ?—Ten annas.

What is your minimum rate ?—Five and a half annas.

And for advances against goods ?—Against piece-goods we charge eight to nine annas.

What about wheat and sugar ?—I have never dealt in those commodities.

What else do you do ?—Other sundries.

What do you mean by sundries ?—All kinds of cutlery, wool, laces, etc.

What are your rates for those ?—Eight to nine annas.

Do the goods remain under your control ?—The goods remain with me and against them I advance money.

No money is advanced without the security of goods ?—No.

Lala Harkishan Lal.—The third form is that of the clean loan, *viz.*, if a man comes for money accommodation ?—No ; the third is against house property. If I advance to 100 men, I will advance to only two men on this security. The reason is that, without going to the court, money loaned against property cannot be realized.

Chairman.—It is a difficult form of security ?—Rather an impossible kind. You can rely only on 5 per cent cases.

Is it very difficult to get a clean title ?—Yes.

Lala Harkishan Lal.—What is the rate of interest against property ? —Not less than 9 per cent.

Chairman.—What is the maximum ?—Twelve per cent.

Lala Harkishan Lal.—Against personal security ?—Hardly 1 per cent business is transacted.

What would you charge ?—Say about ten annas.

Chairman.—Very little of your business is done on those lines ?—Yes.

Do you advance against agricultural land ?—No.

Do you deal with zemindars at all ?—Sometimes we lend them money against security of jewellery.

What would your rate on jewellery be ?—Twelve per cent.

Which of these forms of security do you regard as the most satisfactory ?—Movable goods.

Lala Harkishan Lal.—Do sahukars insure against fire also ?—Banks do. Others in very rare cases.

Chairman.—Which of these types of business is increasing with indigenous banks ?—The hundi business is increasing.

What is the net rate of profit that an indigenous banker may expect to make after allowing for his expenses and possible bad debts over a long period of years ?—They have been paying very little for five or ten years because the market has been bad. Before that they had been having good profits.

What would you call good profits ?—In previous years because the market was secure and they used to charge eleven or twelve annas and were paying hardly eight annas there was a net profit of three annas per hundi. Now, the market being insecure, they are not getting more than one anna, and thus the profit has gone down, and they are losing heavily.

Lala Harkishan Lal.—During the war they made four or five annas, but after the war they generally lost ?

Chairman.—Can you say how much the ordinary village money-lender is making on the amount of capital he has invested ?—The general rate of interest varies from two to three rupees. But now most of the profits are going because they cannot realize money, and the courts do not help. So the average rate of interest will not be more than twelve or fourteen annas.

Why are recoveries worse in the villages ?—Because money-lenders are alone, while the villagers have made groups, and there is no help from the courts. The sahukars are afraid and are coming to the cities, and money is going to the banks.

Do you know of many such cases ?—There are several in Amritsar.

Lala Harkishan Lal.—And from small towns also ?—Quite so. There is a small village near Moga from which four out of six have come to Amritsar.

Could you kindly tell us whether the imports have declined during the last four or five years, and, if so, on what lines ?—The imports of woollen goods have increased.

Cotton goods ?—They have decreased.

Other goods like machines, stationery, etc. ?—There is no decrease in them.

Are there any other goods imported into Amritsar ?—Imports of iron have decreased because it is now supplied by the Tata mills.

By the Tata iron mills ?—Yes, sir.

By what name do you call business in India ?—We call it local business.

I wish to know whether the local business has increased, and in what direction ?—Cotton piece-goods are supplied by Ahmedabad, Delhi, etc.

In any other direction ?—Matches and paper are now supplied in India. Dhariwal and Cawnpore mills supply woollen goods in great quantity.

How are they financed by the bankers and traders ?—These cotton firms have their agents in Amritsar and commission centres. They give on security and make cash deposits. Then they send the goods on a consignment basis. As soon as the goods are sold, they pay them the money.

So that the manufacturer finances up to the time the sale is made against a lump security ?—Yes.

No interest is charged ?—No, sir.

Now about hardware ?—Tatas also take security, but do not supply goods on consignment. They only take security for the payment of the fulfilment of a contract. Then they send through banks.

So that these are also financed by the manufacturers up to the point of their reaching Amritsar ?—Yes, sir.

Then come matches and grain ?—I don't know about them.

Are there any other imports besides those that you have mentioned ?—There are groceries. We import almonds from Spain and sarsaparilla from Jamaica.

How are they financed ?—In the same way as piece-goods. On groceries we have to pay in London. We open letters of credit here, what are called confirmed credit, from London to this place. It is being financed by us.

Is there any difference between the financing of piece-goods from Italy and England and Japan ?—In the case of Germany and England, it is different. They supply on thirty days' sight, and payment is being made in Amritsar. In the case of Japan and Italy, we open confirmed credits. In the case of Italy, the money is paid through London, while, in the case of Japan, it is paid through the Chartered Bank to Japan.

What percentage do you deposit here ?—One-tenth.

Then 9/10ths is paid by the bank ?—Yes; the recovery is made after thirty and sixty days' sight. Then, in the case of goods purchased, say, from Ahmedabad, if I am the agent here, I pay my principal and sell the goods to local dealers.

So the local banker finances it ?—Yes, sir.

So the manufacturer finances up to the point of delivery in Amritsar ?—Yes ; I am talking of wholesale.

When goods have come here and are sold in Gujranwala, how are they paid for ?—The goods are taken from here and are drawn by means of hundis, etc., after the period fixed.

Does the Central Bank give money on Ahmedabad and Bombay ? —Yes.

Does it lend like other banks ? do they also keep goods from Ahmedabad and Bombay ?—Yes ; the Imperial Bank is not doing it. The Punjab National Bank does it occasionally.

What about the Allahabad Bank ?—They also do.

Do they not do it on Ahmedabad and Bombay goods ?—Wherever they have got branches they do it. Ninty-nine per cent of the foreign business is handled by the Chartered Bank and the National Bank of India, Ltd.

Chairman.—Who finances the retail dealers ?—Cash payments are made by them.

Do you generally get cash ?—Always for retail goods.

Is that the common practice ?—Yes; wholesale goods are generally sold on credit and retailed on a cash basis.

And where does the retail dealer find the money ?—They get the goods from the wholesale dealers on credit.

How much credit is he allowed ?—There is no interest for fifteen days.

Generally speaking, what is the credit period ?—Generally one month.

Does the ordinary retail merchant expect to turn over his purchases in a month ?—Yes ; it is a circle ; he takes from me and sells to the other person.

Then the retail merchant is working on credit?—Yes ; the whole business is carried on like this.

The wholesaler is financed by banks ?—Yes.

So the ordinary money-lender plays a very little part in the business ?—Yes.

Then the business is very largely financed by the joint stock banks ? —Yes, and the exchange banks.

And very little by the indigenous bankers ?—Yes.

And not at all by the money-lender ?—Yes.

What about the village shopkeeper who comes to replenish his stock?—Is he also allowed one or two months' credit ?—No ; they have to pay cash. They get their money from money-lenders. I have been doing that. The village shopkeepers have accounts with me ; and, when they want goods, they take money from me and pay to the city shopkeepers.

Do you advance to village money-lenders who do not make a deposit with you ?—No.

So they withdraw their depsoits with you ?—Yes.

Lala Kishan Lal.—What is the name of your firm ?—Bubly Hurry & Co.

Have you a shop in Katra ?—We have an office, not a branch.

Have you not got a piece-goods shop in Katra ?—No.

Since when have you been dealing in Amritsar ?—Forty years.

Do you know the names of any old firms in Amritsar ?—Yes ; Sant Ram-Chela Ram, Nagin Chand-Shiv Saha, Vir Bhan-Bansi Lal, Hardyal-Ram Gopal, Sant Ram-Sundar Das, etc.

What is the state of hundi business at present ?—This is slacking every day. Both mudati and darshani.

Is there no business now ?—It has gone mostly to banks. But there is still a little left in places where the banks have no branches.

What is the rate of commission on hundis ?—I do not know. I only do hundi business so far as advances are concerned.

Chairman.—You say that currency notes of the required denomination are generally not available. Is that the case in Amritsar ?—Yes ; they are never available. The Imperial Bank never listens to any local business-man here.

Have you tried yourself ?—Several times.

When did you try last ?—About six months back.

How often have you tried in the last year ?—I tried twice.

Were you unsuccessful both times ?—I secured them after waiting an hour or so and going from one place to another.

Notes can be secured, but not conveniently ?—If I have an acquaintance in the bank. They do not pay any heed to Indian business-men.

You say that no hundis should be made payable to bearer. Why do you think that ?—If the hundi is lost, I cannot get back the money conveniently.

What does *purza* mean ?—Hundis with endorsements.

Is that a common type ?—Yes.

Which is the commonest of the three types of hundis ?—The *purza.*

(Witness withdrew.)

Mr. Dwarka Das, Kapur, of Messrs. Diwan Chand and Sons, Bankers and Shawl Merchants, Amritsar.

PART I.

1. (*i*) At present money is remitted either through Banks, bankers or post office in the following ways :—

Through Banks.—Either by a draft or telegraphic transfer where the bank is represented.

Through bankers.—By Hundis on their own branch or their correspondents or by issuing cheques on their bankers.

Through Post Office.—By Government Currency Notes under insured covers or by ordinary postal or telegrpahic money orders.

(*ii*) A serious defect is the following :—

Remittance by draft.—Endorsement in vernaculars are not accepted by the banks unless they are confirmed by some other bank. The bank must accept vernacular endorsements and they should have qualified members on their staff well versed in vernaculars.

2. (*i*) A very important and useful part is played by negotiable instruments in the internal trade of the province.

(*ii*) A reduction or total remission of duty would result in the encouragement of trade particularly in mudati hundis.

3. (*i*) I am greatly in favour of creating by law a type of instrument which once drawn payable to bearer must always remain payable to bearer.

(*ii*) Yes. This should cover both cheques and other forms of negotiable instruments as hundis.

(*iii*) Hundis should not be crossed as it would create trouble and delay in immediate payment in case of darshni hundis.

4. (*i*) Supply bills play a negligible part in the internal remittance because in every important centre of the trade there is a bank and they help largely in the internal remittance.

(*ii*) Yes. The treasuries are generally at a distance from the trading centre and in official formalities nearly a whole day is lost.

(*iii*) If supply bills are made available as easily as bank drafts can be had their utility can be increased.

(*iv*) Yes. I would recommend.

5. At present there is great difficulty in obtaining currency notes of the denomination desired. The Imperial Bank and the treasuries should keep a good supply of notes of various denominations

particularly of Hundred Rupee notes especially in trading cities and give them in exchange to the public on demand.

6. (*i*) Duty on Bills of Exchange should be abolished altogether.

(*ii*) There should be a distinction between the Bills of Exchange payable not more than one year after date or sight and those payable more than one year after date or sight.

(*iii*) The usual practice is that Bills of Exchange are payable at sight or 30, 60 or 90 days after date or sight. These are drawn for trade purposes and for the facility of those on whom these are drawn.

(*iv*) The Bills of Exchange payable at more than one year after date or sight are not common. They are drawn in very rare cases for the special facility of the trade.

(*v*) The abolition or reduction of duty on Bills of Exchange will affect the duty on bonds as in that case the public will be inclined to the Bills of Exchange.

7. If the post office undertakes to collect bills or cheques and reduce their commission on money orders it will help internal remittance. The commission should of course be as low as possible, say a uniform rate of 2 annas per cent up to one thousand, 1½ anna per cent up to five thousand and one anna per cent for sums above five thousand. The commission on money orders should be reduced to half of what it is at present.

8. (*i*) The hundis current in the trade are mudati and darshani. The mudati hundis are from one to six months after date. The mudati hundis are for purposes of financing the trade and darshani hundis are for purposes of remittance.

(*ii*) The hundis are held by middlemen and merchants. These ordinarily pass through two or three hands.

(*iii*) The hundis of our area are generally discounted in our area and very seldom elsewhere.

(*iv*) There has been diminution of hundi business during the last 25 or 30 years and is due to (*a*) extension of banking facilities, (*b*) there is hardly any necessity of reviving it.

(*v*) In the case of a prospective bankrupt or actual act of insolvency the holder of a mudati hundi should have the right under the law to demand payment before due date less the amount of interest for the unexpired period.

9. (*i*) It is possible to borrow money on the security of Railway Receipts provided the owners are reliable people.

(*ii*) The difficulty is experienced as sometimes the Railway Receipts are found to be forged ones. Moreover, the endorsements

on Railway receipts are not sometimes recognized. The endorsee's authority should be recognized by the Railway Administration which they at present refuse to do.

10. (*i*) Railway receipts in our business change hands with endorsement.

(*ii*) If the Railway receipts are made negotiable, it will facilitate business, but there must be ample safeguards against fraud.

11. (*i*) The Bijaks and Sattas are negotiable in our town by custom and not by law.

(*ii*) It would be an advantage if these are made negotiable by law.

PART II.

1. (*i*) The principal crops of my district are brought to the market in the following manner :—

The agriculturists sell their produce whatever that may be to the village sahukars or to Ghamyars (Donkey people) who bring the same into the market either in bullock carts or loaded on donkeys where the commission agents sell them to the wholesale merchants or to retail dealers.

(*ii*) The retail dealers sell to the consumers and the wholesale merchants store in the godowns and ultimately sell to the retail dealers or to Export houses. This is particularly the case with wheat, gram, oil-seeds and cotton.

2. The grain is not stored in the banks owned godowns, but only stored in kothas and a large number of them is used in obtaining credits. The amount advanced by the bank or bankers depends upon the position of the party. It may be from 70 to 85 per cent.

3. (*i*) & (*ii*). The system of Licensed Warehouses as existing in United States of America is not feasible in India for the following reasons. The traders are generally uneducated and ignorant of English language and hence will not be able to strictly comply with or abide by the rules and regulations. Secondly, the quantity to be stored will be small and storage and other incidental charges will be prohibitive.

4. (*i*) The banks, money lenders and others advance money to the grain dealers on the security of grain stored in kothas, but Imperial Bank does not advance.

(*ii*) The existing credit facilities are quite sufficient.

5. (*i*) There is no co-ordination among the various credit agencies. On the contrary, they are jealous of each other.

6. There is this difference in the matter of credit facilities between internal and overseas trade that banks readily advance money against overseas trade and not so readily against internal trade,

owing to greater confidence in foreign bills than in Indian traders' beechaks (invoices). Moreover, the foreign goods have the advantage of being packed in cases or bales and hence are easily handled and partial delivery of same can be taken. Foreign banks as well as the Imperial Bank do not readily advance money on India mill make cloth which is a great handicap to the industry. The banks should not show such a lack of sympathy and should treat all trades alike. More on oral evidence.

PART III.

2. (*i*) The foreign piece-goods for the Amritsar market are shipped to Karachi Port and the relative shipping documents (draft with invoice, Bills of Lading and Insurance Policies) are sent by the shipper to a local Exchange Bank for collection. The importing firms have generally loan arrangements with some local bank who clear the goods from the port on behalf of the Importer and have them forwarded to Amritsar, on receiving a margin of 30 to 40 per cent from them and store the goods in their godowns. The interest on the money advanced by the bank is charged at the current bank rate with a minimum of 7 per cent and godown rent per package is annas four per week or a part of a week. The Importers sell the goods to the wholesale piece-goods merchants on cash or credit basis. The wholesale merchants sell on credit basis to the commission agents in Amritsar who buy in account of muffusal dealers to whom they give credit. Thus the bank the importer, the wholesale merchants, and the commission agent have all to finance the piece-goods in their turn.

The bank rate of interest should be uniform at 6 per cent and godown rent should not be more than 2 annas per package per week or a part of a week as a higher rate of interest and godown rent is a handicap to business.

Lala Radha Kishen, Banker and Gaurantee Broker of the Chartered Bank of India, etc., Amritsar, and Mr. G. R. Sethi, Notary Public, Hall Gate, Amritsar.

PART I.

1. (*a*) No facilities are given to the public for internal remittances except in the case of approved parties, whose number is very small. Generally remittances are cashed after collection and at a higher rate of commission. Not long ago the Imperial Bank used to cash cheques and drafts on its other branches at par. But from the last three months it has withdrawn that facility and it is now charging ¼ per cent commission with a minimum of 8 annas each even on small amounts.

(*b*) The system as at present is very defective and is by no means as inducement to the small remitter. In America every choque is cashed at par and the same system should be introduced in this country, if it is desired to make the banking system more popular and more beneficial. Apart from that bankers seem to find considerable difficulty in accepting endorsements in characters other than English. This is a great hardship to a vast majority of businessmen, who do not know English. For this purpose branches of the Imperial Bank should have one or two men with knowledge of the local language. As for instance a man knowing Landas in the Bombay branch or other ports will be a boon to the Amritsar public buying from the local Imperial Bank drafts for those places. Great difficulty is experienced in obtaining payment for a crossed cheque, which is not cashed without going through a current account.

2. (*i*) Cheques and hundies are frequently used in the Internal trade of the province. Debentures are not very much in use. If at all they are rare in this province.

(*ii*) Certainly it will be of great advantage, particularly for Usance Hundis, because a man can only finance his business by raising funds locally on the strength of hundis and the stamp duty is a hindrance for money raised for shorter periods. In our opinion the stamp duty should not be higher than 1/32nd per cent.

3. (*i*) Certainly yes.

(*ii*) Yes it may.

(*iii*) It will be much better.

4. Supply bills facilitate trade to a very great extent. But unfortunately their use is not commonly known and they are available with considerable difficulty, because local treasuries are not quite easy of approach and the men entrusted with the working of the treasury are not very sympathetic to the public in this respect. Their prolonged methods of red-tap-ism weary the businessman. This difficulty is greater still in many of the out of-the-way places, some of which happen to be important mandis. Attempts should be made

to popularize these bills. Same conditions should be made to govern them as are in vogue for the demand bills with the Imperial Bank of India.

(*iv*) Yes.

5. Many a time considerable difficulty is experienced in obtaining currency notes of the denominations desired, particularly in places, where a branch of the Imperial Bank does not exist. Sometimes currency notes are rejected by the Imperial Bank of India on frivolous grounds, such as when two parts of a note are differently separated. The Bank would not cash till a reference is made to the Currency Office, which causes unusual delay and very often hinders the purpose of a trade. In this respect we suggest that every branch of the Imperial Bank should have a clerk of the Currency Office, who could help in expediting matters. All banks should be authorised to exchange notes.

6. The duty should be the same as on Usance Hundis.

(*iii*) Three to six months is the usual period.

(*iv*) They are not common. The duty of 8 annas per cent is very high.

(*v*) One cannot say, but the Bills of Exchange will be more popular.

7. That will be very desirable and facilities should exist in smaller offices as well.

8. (*a* Shah Beopori Jog Hundis, which mean that any respectable holder known or established in the locality draws the amount with his endorsements only regardless of the Hundi being payable to parties other than himself.

(*b*) Demand and Usance Hundis.

(*ii*) Merchants and Commission agents use them freely.

(*iii*) They are discounted in important centres of trade. Bankers pass them on to approved parties and with two endorsements, which are very often difficult to obtain.

(*iv*) Yes, considerably.

(*a*) Due to lack of confidence in the borrower.

(*b*) By granting facilities. The Imperial Bank should be able to discount Hundis bearing one name only.

(*v*) If civil litigation in this respect could be simplified that will be a great protection to the persons handling Hundis. The Negotiable Instruments Act may authorise Notaries Public to give a final certificate after protesting, which should secure a decree from the civil courts without any detailed procedure. The excuse of *Bila Badal* should not be encouraged by the courts. In England such functions are performed by the Notaries Public. This could save lot

of worry to the litigant. People holding Hundis are very often afraid of entering into litigation and this naturally retards the progress of the Hundi business.

9. (*i*) It is possible to borrow money in some cases on the security of a Railway receipt. Invoices unless they are accompanied by Railway receipt do not form any security.

(*ii*) Yes. The consignee cannot use the Railway receipt. The consignee should be considered an owner after the Railway receipt is made out in some other's name or delivered to or endorsed in favour of the consignee.

10. Banks do not accept them without endorsements. Nor do they grant any loans unless the Railway receipt is made out in their name as senders.

(*ii*) Yes. Ownership of senders should go.

11. (*i*) Yes, they are.

(*ii*) Custom there is and it will be better if they were made negotiable by law.

PART II.

1. (*i*) They are brought to our market by Railways, bullock carts, camels and donkeys.

(*ii*) There is not much difference.

2. Grain is used as a security only in such cases, where Kothas are taken on lease by the banks, insured and locked by the bank. Then too banks advance about 75 per cent of the market value. Bank godowns are not used at all.

3. It will be very useful if warehouses were provided for storing grains. Private enterprise is hardly possible, and there is hardly any chance of a success on a purely co-operative effort. If Government took the initiative and provided warehouses on nominal rents, the agriculturist could be immensely benefited. Without Government assistance the success of the scheme is doubtful.

4. Imperial Bank gives facilities to approved parties under special circumstances, which cannot be created by everybody. The Bank desires its own Chowkidar, whose allowance does not suit the borrower in view of the small amount of the loan required. Before the arrival of the crops no advance is made. The Bank grants no facilities to anyone, except the approved parties. Organisations such as exist in America should be started here and financed by the Imperial Bank to take up marketing of goods. In Japan the Co-operative Banks help the Silk industry likewise.

5. We do not think there is any co-ordination. There is scope for improving it.

6. For overseas trade a man can get advances from the foreign exchange Banks at low rates and only for a period till those goods are shipped. For internal trade one has to pay storage charges, insurance, Chowkidar fees, shortage, drying and packing.

PART IV.

1. All the industries mentioned in this question exist in our district as also in the city more or less on smaller scale. Except in the case of mills where finances have been obtained from the banks by way of overdraft against security of their stocks in trade and in warehouse, other industries command very poor credit. If the Imperial Bank or the Government agrees or undertakes to finance these smaller industries on trust receipts from the actual producer or manufacturer, on a nominal rate of interest, there is every likelihood of these industries thriving.

2. Cottage industries are financed by the parties themselves or by raising funds by mortgaging their ancestral or other property, where they have to pay higher rates of interest varying from 12 to 18 per cent besides the stamp duty or mortgages and registration charges.

(*ii*) Middlemen act as mere brokers in procuring funds or goods on credit, while the large dealers supply raw material in return of heavy compensation.

3. We are not directly in touch with any such organisation, since very few seem to exist in the city. They seem to labour under the same difficulties as are mentioned above. Co-operative Banks and Societies if started under the supervision of the Government to finance and assist such artisans, will be of great use and bring a better return for the labour.

1. We know of one or two cases in which the procedure of inquiry was so lengthy that the position of the industrialist had become worse and he could not make any use of the advance because of the higher rate of interest and the passing away of the time. If proper operation of the Act is desired, Government should adopt means similar to those existing in the Exchange Banks, where Guarantee Brokers of means are employed to stand as surety for the amount advanced in such cases, whereby the industrialist could benefit considerably.

PART VI.

Apart from our joint memorandum, I want to bring some other points to the notice of the Banking Inquiry Committee relating to some questions in this portion.

2.—Postal Cash Certificates do not seem to be popular now as they were before when the rate of interest was higher. If it is desired to encourage thrift, attractive rates should be offered to the

small investors. At present the rate works out less than 6 per cent. In my opinion it should not be less than 6 in any case. Moreover, the payment of no interest if such certificates are cashed in the first year forms a great handicap.

3. Post Office Savings Banks do not afford any facility to the investing public. The rate of 3 per cent is too low. I should suggest a minimum of 4½ per cent. In my opinion these accounts are not very popular among house servants and menials or workers too. The account should yield at least 5½ or 6 per cent interest in the case of those who become regular contributors, just as members of the Co-operative Thrift Societies. In the latter case, an investor has to be a member of an organisation, while the Postal Savings Account should afford these facilities to individuals as well.

Though it will be beside the point, yet I do not mind conveying a suggestion that if possible, Post Office Insurance should be thrown open to members of the Public as well. At present Government servants alone can avail of it.

15. Vernacular scripts in banking will be very useful and will make the banking system more popular among the general traders not knowing English.

16. I do not think if the Imperial Bank has in any way encouraged the investment habit, because of the extremely low rates of interest. Their interest on Saving Accounts is very meagre and even interest on fixed deposit is ridiculous. As personally experienced by me the Imperial Bank does not seem to work on commercial lines. Those employed in the service of the Bank think themselves to be officials rather than public servants. Unusual delays are vexatious to the ordinary trader. Promptness and courtesy are essential qualities in a successful banking and here the Imperial Bank has been found wanting. Indianisation of the Superior service in the bank will in my opinion help matters considerably.

General.

From my private inquiries I am convinced that the Negotiable Instrumeents Act needs immediate amendment or I should say the rules relating to the working of the Notaries Public. With the exception of the Exchange Banks, others do not seem to make any use of the Notary Public. If a certificate from a Notary Public could help the bankers in avoiding litigation, many people will be inclined to have recourse to the procedure. Moreover, the stamp duty on Notarial documents should be reduced to 8 annas each. The present stamp duty of Rs. 2 is too high. In Madras it is Re. 1 only. The loss on this account could be made good by the increased business. Notaries Public should also be authorised to register legal and commercial documents. That will be a boon to the public.

PART III.

1. (*a*) (*i*) Advances are usually made against stocks and warehouses. From the village to the mandi the produce is financed by the village money-lender.

(*ii*) Leading import firms or commission agents render financial assistance from the mandi to the exporting port. They in their turn borrow the money from the banks. Evidently no facilities exist for financing the export trade. Only prominent firms receive assistance from the banks.

(*b*) Bills for the place of negotiation relating to export from the foreign countries receive advances from the exchange banks. In some cases letters of credit are opened by the importing houses through the exchange banks in favour of the shippers and manufacturers to facilitate the negotiation of bills. In England, America and in fact in all foreign countries letters of credit are allowed to the importers of those places, whereas this facility does not exist for the importers of this country. This should be undertaken by the Imperial Bank. Exchange banks allow trust receipt facilities in approved cases. Arhtias or Commission agents do it from the mandis to the consumer.

2. It is generally done by the exchange banks as the relative bills are drawn at 30 to 60 days' sight, within which period the goods arrive at the port and are cleared by the exchange banks and reach Delhi or Amritsar under the directions of the importer, who gives acceptance to the bill. Money is not easily obtainable. In our opinion letters of credit should be allowed to the importers by the Imperial Bank of India.

3. We cannot give any facts and figures, but the statement is correct. If warehouses are established, as suggested before, and prices are controlled by co-operative organisations, the grower of produce will be greatly benefited.

4. These charges are paid by the importer. In the case of import, these charges are financed by means of a margin on bills deposited with the same bank on which they are drawn. The benefit of exchange goes to the bank. In the case of export, interest and brokerage are included in the exchange rate at which their bills are drawn on the bankers of the foreign importers or the importers themselves. Insurance is covered sometimes by the importer, and sometimes by the exporter of this country. Rates of interest vary subject to the fluctuation of the bank rate. In export the Bank of England rate is charged, while Indian importers have to pay according to the Imperial Bank rate.

PART V.

1. (*a*) There are different kinds of hundis, usance hundis, buying and selling demand hundis on the ports, endorsed hundis

in order to finance at a lower rate of interest ; cash credits to approved parties or short-term hundis or short-term loans. Advances are made against property, mortgages by underwriting the outstandings due for payment after some period fixed according to the custom of the trade, and on produce intended for warehousing.

(*b*) In such cases, where goods are bought and sold, after two months banking becomes secondary ; in some cases, when different rates of interest are charged, the difference in rates counts for profit. At times the profit is shared by the lender and the borrower.

(*c*) Yes. According to the requirements and credit of the borrowing party and according to the capacity of the lending party.

(*d*) Rates of interest vary from 7½ to 15 per cent. Stamp duty charged in case of hundis, mortgages, bonds, pro-notes, agreements and contracts. Brokerage and discount are charged to the sellers of stocks given as security. In the case of loans against stocks, hundis, mortgages, etc., it is paid by the borrower. Brokerage varies from ½ to 1½ per cent., and discount from 1½ to 3 per cent. Stamp duty is as per the Stamp Act.

(*e*) It is difficult to give exact figures, but roughly it has come to about 9 per cent.

(*f*) It all depends upon the condition of the trade and the financial position of the borrower. Charges also vary to a very great extent.

(*g*) Goods remain in the possession of the lender, while other charges, such as godown rent, insurance, etc., are to be paid by the borrower.

(*i*) Mortgages with or without possession as the case may be. Endorsements are also taken as security, as also trust receipts, in which case goods remain with the borrower and interest accrues to the lender.

(*ii*) Both.

(*iii*) Not more than 80 per cent.

(*iv*) The present trend of the trade is in favour of secured loans and the ratio is 70 per cent to 30 per cent.

(*h*) According to the financial position of the borrower, or if a loan is required in case of goods.

(*i*) Cash credits are allowed against mortgages, or on approved sureties or guarantees.

(*j*) (*i*) In most cases clients are required to produce sureties, or where a borrower is considered a weak party, and (*ii*) Trade purposes,

factories, against unrealisable debts, marriages, personal requirements or property making.

(*k*) 50 per cent., or may be more.

(*l*) In case of hundis and mortgages periods are always fixed.

(*i*) To cover different seasons of trade ; (*ii*) where the goods are not disposed of during the season.

(*m*) Mostly. It is difficult to give figures.

(*n*) (*i*) Hardly 25 per cent.; (*ii*) renewals or litigation. Sometimes force is also used to recover loans, and in rural areas crime is very often committed in the matter of loans ; and (*iii*) when it becomes impossible to recover loans by peaceful means, or where the security is deteriorating.

(o) Litigation is not only lengthy, but vexatious too. In many cases it is expensive and ruinous. The general impression is that it is difficult to realise debts through the civil courts. A number of specific cases can be cited, but the list is quite long.

(*p*) (*i*) The disputes result in criminal acts, and there is very little difference ; and (*ii*) 75 per cent of the rural banking.

(*q*) Trade in the cities is generally financed by the banks or the export of grains from the mandis. Although the Imperial Bank is trying to assist trade by making advances, yet the whole system needs revision. It is not easy to obtain loans from the Imperial Bank of India. Credit facilities should be introduced. Different forms of hundis and documents are used.

3. Many banking firms have failed on account of expensive, vexatious and dilatory legal proceedings. In fact, the average indigenous banker feels that the civil law goes in favour of the debtor, rather than the creditor. It is very desirable to revive this form of banking, with suitable safeguards both for the borrower and the lender.

4. Yes we think so. Joint stock companies, co-operative credit societies and organisations for the sale of produce could help to a very great extent.

5. In the cities there is no prejudice, though in rural areas prejudice is due to communal feeling. They are useful to small industries and petty trades.

6. It is very necessary to simplify legal proceedings both in the interest of the lender and the borrower.

7. Introduction of better systems of accountancy, even in the vernaculars of the country ; and improve the methods of litigation.

8. Yes ; during periods of slack trade money remains idle. The money is deposited in the post office savings bank, or in other banks for short terms. This money could be more usefully employed on remunerative rates of interest if warehouses were started, or municipal schemes of town improvements or rural uplift work on adequate securities of local bodies were initiated.

9. (*ii*) The establishment of some joint-stock bank would be very useful. In fact, branches of the Imperial Bank should be opened in tehsil headquarters under the guarantee of good men.

Such a scheme will be able to attract enough business. The establishment of a reserve bank is also very desirable. Indigenous banks should be linked up with a Reserve bank as the conditions permit.

Oral evidence of Mr. Radha Kishan, Banker and Guarantee-broker of the Chartered Bank of India, Australia, and China, and Mr. Sethi, Notary Public, Amritsar.

Chairman.—Mr. Radha Kishan, are you a banker and guarantee-broker of the Chartered Bank ?—Yes, Sir.

How long have you been doing that business ?—Since 1919.

Has your family been doing banking for some generations ?—My grandfather was doing this business.

And you, Mr. Sethi, are the Notary Public here ?—Yes.

Do you do any other business ?—I am a journalist here. I am also President of the Hall Bazaar Thrift Society and a shareholder of the Co-operative Bank.

Mr. Radha Kishan, you speak of difficulties in obtaining currency notes. Have you had any personal experience of that ?—Yes, Sir.

When was the last occasion ?—I think I experience the difficulty almost once a week or every day. We have to exchange notes of small denomination through the Imperial Bank which takes a long time.

Do you do this business personally ?—My assistants go there.

How long do you normally take to exchange the notes ?—Sometimes two hours : sometimes three hours.

Is it not due largely to the fact that the number of notes that you present for exchange is very large ?— I am speaking of the difficulties experienced by the public.

First of all I want your personal experience ?—My personal experience relates to the Imperial Bank. That takes about two hours to get.

So far as your personal experience goes, you find that it takes an hour or two to get a large number of small notes, say, worth Rs. 10,000 exchanged for big notes ?—That takes an hour at least.

Does your personal experience go beyond that ?—I know these difficulties, because I have learnt about them from my assistants who go to the bank for purposes of exchange.

Have you personal experience of any other bank ?—No. I am speaking of the difficulties of the public. They have to wait longer than the banks.

Is this hearsay ?—I have enquired from my own assistants and then people have also told us like that.

Lala Harkishan Lal.—Has the Imperial Bank ever told your assistant to come the next day ?—If it is 2-45 P.M. . .

Otherwise if a man goes at 11 or 12 he never returns ?—No.

Does the Imperial Bank go on taking notes after 3 P.M. ?—No.

They stop payment at 3 P.M. ?—Yes, Sir. Generally they don't exchange at 2 P.M.

Rai Sahib Kishan Lal.—You send your men to the currency or to the bank?—To the Imperial Bank. (Mr. Sethi said):—I give you a concrete example. One of my cinema friends, sends cash to the bank to get notes and that amount generally does not exceed a few hundred rupees. One day I was sitting with that friend of mine, when the man returned after three hours saying that there was such a great rush of work that he could not get the currency notes. The man was sent to the Imperial Bank.

Chairman.—Is that the only complaint that you have heard ?—Yes.

In how many years ?—About six months ago.

Lala Harkishan Lal.—A local bank sends silver to our Delhi branch and sometimes it takes three days to count for one man. What is to be done ?—If there is any difficulty in testing a particular note, then they have to forward it to Lahore to the currency office to get it tested properly, and then they cash it.

You are not asking that the currency office should be shifted from Lahore to Amritsar ?—If they had a currency clerk here, that would facilitate matters.

Chairman.—Is there a currency chest here ?—Yes.

You say that invoices unless accompanied by railway receipts don't form a security. Is the contrary true that a railway receipt without an invoice is not accepted as security ?—Unless accompanied by an invoice it does not form security at all.

Lala Harkishan Lal.—Does it form security if accompanied by invoice ?—It does.

Chairman.—In connection with marketing you say that there is no co-ordination among the various credit agencies, and that there is scope for improving it. How would you improve it ?—We have mentioned that in answer to Question 4.

Your remedy is Government warehouses ?—Yes, Sir.

Have you any experience of their working elsewhere ?—We have no personal experience, but we have read about such warehouses being in existence in America.

In regard to your answer to Question 4 relating to small industries can you give us particulars of the cases that you refer to, in which you say the procedure was so lengthy that the position of the industrialist had become worse ?—I can quote the case of Kotu Mal's factory. He applied for a loan to the Industries Department and that Department

took about a fairly long time to establish whether it was a fit case to advance any money, and in the meantime he was practically ruined.

What amount did he apply for ?—He applied for more than Rs. 50,000.

For what purpose ?—For rice and flour mills.

Lala Harkishan Lal.—His industries were not small industries and the Act did not apply. The Government may have given him a special concession, but the Act does not apply to such big industries.

Chairman.—When was it ?—This happened about four years ago.

What reply did he get ?—I don't think he is in a position to obtain any loan now ; his position became very shaky after that.

Do you know of any other case ?—Not at the moment.

I now come to your note, the one sent on the 1st of March about indigenous finance. You say that the rates of interest vary from 7½ per cent to 15 per cent. Are these urban rates ?—Yes.

According to what they vary ?—On mortgages amongst the local lenders the rates vary from 10 to 15 per cent.

And for advances against piecegoods ?—They are generally stored in the banks' godowns.

What are the rates on house property ?—Between 10 and 15 per cent.

What about shops ?—If the shops yield a substantial amount of rent and are mortgaged with possession, the rate of interest would be much less.

Are shops frequently mortgaged with possession ?—In some cases they are.

Is it frequent or unusual ?—If a man is in urgent need of money, he might mortgage the shops with possession.

What would be the rate in the case of shops mortgaged with possession ?—Not less than 9 per cent with the local lenders ; with the banks it may be 7—8 per cent.

And without possession ?—If the man is known for his stability, he might get the loan at a lower rate of interest. It all depends upon his credit and ability to repay.

And for advances against piecegoods ?—That business is mostly done by the banks ; hardly one or two local bankers do this business. In certain cases their rates are lower than the bank rate.

Against ornaments ?—Against ornaments the rate of interest ranges between 6 per cent and 12 per cent.

In the same connection you speak of 9 per cent as being the net return upon the total capital employed in urban money-lending. Is that your view ?—That is the usual return.

After allowing for all expenses and possible bad debts ?—Yes, Sir.

Can you say what the corresponding figure would be for rural money-lending ?—I don't know that.

You say that hardly 25 per cent repay their loans in full ?—That is my experience.

Urban clients or rural ?—Urban.

You say that many banking firms have failed on account of expensive, vexatious and dilatory legal proceedings. How many cases do you know of ?—I think more than a dozen.

They have failed simply on account of dilatory proceedings of courts ?—They could not recover their debts in time ; on the other hand the creditors pressed them for their dues and the result was that they failed.

Can you mention their names ?—I don't think it is advisable for me to name them. I can send their names in writing if you so desire.

In how many years have all these firms failed ?—During the last ten years.

Were there no other reasons to account for their failure ?—When they could not recover their debts in time, they had to borrow money for business needs and they had to pay heavy rates of interest and at the same time they had to spend large sums on litigation.

Were you personally connected with any of those firms ?—No, Sir.

Are you speaking from hearsay ?—I am speaking from personal knowledge.

Presumably your information is hearsay ?—I think my experience is not hearsay, because I know these firms ; I know their condition and I have been amongst them.

Had you any business dealings with them ?—Yes, Sir.

With how many of these firms ?—At least three.

Would you say that there was no other cause of the failure of these three firms ?—It must be one of the reasons ; if they could recover in time, they might perhaps have been saved.

Do you do banking business now ?—Yes.

How many others are there in Amritsar who do banking business ?—I think there are many who do banking in one form or another.

Can you give us the approximate number of those who are primarily bankers ?—I don't think we can give you any exact idea.

Lala Harkishan Lal.—You have said that the American Act regarding warehouses is a very good Act. Do you think Amritsar is one of those places where an arrangement of that kind can be usefully applied ?—We think so.

Have you any knowledge of Lahore ?—I have no personal knowledge of that place.

Do you know any other town in the Punjab which is suitable for that purpose ?—I think Lyallpur is a suitable place.

In Lyallpur we have been informed that the experiment has failed there and it has done no good. That is the Lyallpur experience, and still you think that it would suit the Indian village life ?—I think if they are properly educated on that point ; though it would take time to educate people on those lines.

Other people have told us that it would not be suitable because it requires a good deal of money to fulfil all the conditions ?—Provided it is not made too expensive.

Then of course it is not suited ?—Personally I think it would suit. You have to take into consideration the local difficulties.

Rai Sahib Kishan Lal.—Is the number of money-lenders increasing or decreasing ?—There are no signs of decrease.

Formerly the indigenous bankers used to do remittance business by means of Hundis. Is it still going on at the same pace amongst them as ten years before or not ?—The major portion of this business is now done by the joint stock banks.

Do you know any indigenous bankers in Amritsar ?—Yes.

Are they still in the same position as ten or twenty years before ?—Their business is decreasing.

Can you suggest any reasons for that ?—They will explain the reasons themselves.

Khan Bahadur Chaudhri Niamat Ullah.—You say that the crossing of cheques proves troublesome in encashment. If the system of crossing is abolished, would it facilitate matters ?—A crossed cheque must be presented through a bank, and it is generally credited to the current account of the man. If crossed cheques could be cashed right away, I think it would facilitate matters.

Lala Harkishan Lal.—Then there will be no use of crossing the cheques ?—If a man has got a crossed cheque and has not got any account with the bank, he has to approach the bank through some

banker who has got an account with the bank and he has to pay for it in some cases.

How many business men there are in Amritsar who receive crossed cheques and have not got accounts with any bank ?—They are not many.

Khan Bahadur Chaudhri Niamat Ullah.—You say that attempt should be made to popularise the supply bills. Is there any difficulty in getting the supply bills here ?—I am talking of the Punjab generally.

Are the supply bills not obtainable in each and every treasury ?—They are not obtainable in all treasuries, and people who want to remit money to places 100 or 200 miles distant, often send the amounts in cash for want of supply bills easily obtainable at every treasury.

You have suggested that the co-operative banks and societies for artisans, if started under the supervision of Government, would prove useful. Can you make any suggestions as to how the goods prepared by them should be sold ?—There should be societies on the lines of co-operative stores for the sale of goods.

(Witnesses withdrew).

Oral evidence of Indigenous Bankers of Amritsar.

The following indigenous bankers were present :—

(1) Sardar Harnam Shah Singh, Notary Public, Mill-owner, and Municipal Commissioner, of the firm of Sarup Singh-Diyal Singh.

(2) Lala Thakar Das of the firm of Khazana Mal-Thakar Das.

(3) Lala Gokal Chand of the firm of Nagin Chand-Shiv Sahai.

(4) Lala Balkishen of the firm of Balkishen, Mehra.

(5) Sardar Deva Singh of the firm of Ram Mal- Sham Mal.

(6) Lala Tirath Ram, Honorary Magistrate of the firm of Narain Das-Chela Ram.

(7) Rai Bahadur Sain Das, Honorary Magistrate, of the firm of Maya Mal-Sain Das.

(8) Lala Labh Chand, Honorary Magistrate, of the firm of Raja Singh-Sujan Singh.

(9) Lala Har Sahai Mal of the firm of Harsahai Mal-Amar Nath.

(10) Lala Madho Das of the firm of Ramdas-Murli Dhar.

(11) Lala Madan Lal of the firm of Ram Mal-Shamdas.

(12) Lala Khushi Ram of the firm of Prite Shah-Sant Ram.

(13) Lala Kalidas of the firm of Behari Lal-Hukam Chand.

(14) Lala Daulat Ram of the firm of Mehr Mal-Ram Chand.

(15) Lala Har Sahai Mal, son of Lala Gur Sahai Mal.

(16) Lala Damodar Das of the firm of Bilas Mal-Damodar Das.

(17) Lala Sukh Diyal of the firm of Bilu Mal-Sant Ram.

(18) M. Feroze Din, Honorary Magistrate of the firm of Feroze Din and Sons, General Merchants.

(19) Lala Mool Chand of the firm of Madho Mal-Mool Chand.

(20) Lala Panna Lal of the firm of Duni Chand-Kishan Chand.

We all belong to Amritsar. We usually receive deposits and deal in Hundis. All of us have been assessed to income-tax. Ten of us are Khatris, six Aroras and three Banias. There is no Brahmin amongst us. We combine business with banking. Only eight of us live on pure banking. Five of us work both as bankers and commission agents. There are many other firms in the city who do banking. The biggest banker is present here.

The biggest banker does business worth about twenty lakhs, and the smallest about Rs. 20,000. There are two kinds of bankers; those who rediscount Hundis, and those who purchase Hundis direct and advance loans against the stock in trade. The document called receipt cannot be sold, but the one called "purza" is saleable. The receipt is a sort of a pronote. Certain bankers receive deposits, while others have got sufficient working capital. Some of the bankers raise capital by selling Hundis in the market, while others only purchase Hundis and then resell them when the market is favourable. The indigenous banking is decreasing and the money market has become very tight, the reason being that during the War days people earned a lot and invested it either in house property, jewellery or in some other concerns and now on account of general trade depression finance is not available; people have suffered losses on account of a fall in the price of piece goods. Formerly people used to do banking more than business; now the reverse is the case and consequently the bankers' capital is invested more in trade than in banking, the result being that the money market has become very tight and sufficient capital is not available. As compared with the last five or ten years, more cotton goods are imported here, but the prices have decreased considerably.

Only those persons take advantage of the funds of the Imperial Bank who deal in Hundis. The Chartered Bank or the National Bank of India finance the Hundi business to a negligible extent. The Central Bank, Allahabad Bank, Punjab National Bank, Peoples Bank and the Punjab and Sindh Bank don't advance loans on Hundis.

Now outsiders don't keep deposits with the bankers here. All deposits now go to the joint stock banks. Formerly Pathans used to keep their deposits with the bankers here, but now they don't, because they themselves advance loans on interest. It is only the Imperial Bank which finances the Hundi business.

In financing the piece goods trade the joint stock banks come first, next come exchange banks, then the Imperial Bank and last of all the bankers. Ten or fifteen years before the bankers used to finance this trade. The bankers combine all sorts of business with banking. There are very few bankers who have got sufficient capital to meet all the business demands.

The following are the bankers' rates of interest *inter se*:—

	Per cent.
	Rs. A. P.
Phagan and Chet (middle of February to middle of April).	0 6 6
Jeth and Har (middle of May to middle of July) ..	0 7 6 to 0 8 0

In Katak[1] it goes up to Re. 0-10-0 and from Poh[2] it begins to decrease. These rates have always been the same. Only in one year during the War it went up to Re. 0-15-0 per cent.

The rate of interest charged by the joint stock banks to the business men ranges between six and seven per cent ; the smaller banks charge more than eight per cent. The rate of interest varies with the quality of goods. On wheat it is one per cent more than on the piece goods. Indigenous bankers advance loans on the security of wheat at seven per cent. The Chartered Bank in addition to the rate of interest charges insurance fee, and the rent of the godown, and collectively it goes up to eight per cent. The Imperial Bank rate does not affect the market. The standard rate is seven per cent. There has been no substantial increase or decrease in the rate of interest since the establishment of the branch of the Imperial Bank. The godown rent is charged on a monthly basis without any regard to the quantity of the goods. If you keep one bale for one day only, you will have to pay Re. one for that. If you keep goods for 2½ months, the rent would be charged for three months. They count months and not days in the calculation of rent.

In Amritsar the rate of interest on pronotes has never gone above Re. 0-10-0 per cent. per mensem. We don't agree with the rate of Re. one per cent per mensem on pronotes mentioned in the statement supplied to you* regarding the rates of interest on various kinds of securities. The rates of interest in respect of mortgages and jewellery appear to be correct. The Hundi rates are also correctly given therein.

The Imperial Bank should advance loans on Hundis direct without the intervention of approved endorsers or banks. The rate of interest should also be reduced on Hundis. The Imperial Bank should be asked to accept Hundis on one signature only. The Imperial Bank should not charge more than six per cent.

The factory owners generally are financed by the banks. They draw Hundis at Amritsar either on the business men direct or on the importing agents. The importing agents after the receipt of the goods charge interest at the rate of six per cent to the business men for one year and deliver the goods. The banks charge interest at the rate of Rs. 7-8-0 per cent and the firms at six per cent. The goods imported through the firms are cheaper. Ordinarily the firms advance loans on the security of goods. The traders use the capital of the local bankers for three or four months. The interest charged on that is six per cent. The small traders purchase the goods on condition that they would make payment after one month ; they have to pay interest for one month at six per cent per annum. The petty dealers also sell goods. The procedure followed in the case of hardware and sundries is similiar.

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[1] Middle of October to middle of November.

[2] Middle of December to middle of January.

*By Income-tax Officer, Amritsar, see page 264 Report.

Hides and cotton are exported from here to foreign countries. The Chartered Bank and the National Bank finance the export trade. The dealers deliver railway receipts to the Chartered Bank which advances up to seventy or eighty per cent of the price. Generally the banks finance the export trade.

We suggest that the exchange rate should not exceed 1*s.* 4*d.* The present exchange rate is 1*s.* 6*d.* The decrease or increase in the exchange rate produces very adverse effect on the trade.

The realisation of debts through courts is very difficult. The present law is defective. The dishonest men transfer their properties to their kith and kin and subsequently apply for insolvency. We suggest that the system in vogue in Penang should be introduced here, which prescribes that a bankrupt should wear peculiar clothes as a distinguishing mark. Here we find that people prolong the cases for years and years.

Secondly, societies should be established who should advance loans on the mortgage of property at a low rate of interest and the borrowers should also be made a member of such society, so that he may derive benefit from the mortgaged property and may be able to liqui- date his debt by easy means.

Chairman.—You say that the rate of interest charged on loans advanced against wheat is 7 or 7½ per cent. What was the rate of interest before the establishment of the Imperial Bank? It was nine per cent; now it has gone down to 7½ per cent. The decrease in the rate of interest is due to the depression in trade. Even without the intervention of the Imperial Bank the rate would have been seven per cent. The Imperial Bank does not advance loans against wheat. The Imperial Bank rate does not lead the market.

In Amritsar speculation has increased during the last five or ten years?—Is it due to more credit facilities?

There being no business, people indulge in speculation in order to make a living. When the business market is slack, most of the dealers in tea, wheat, etc., do lending business.

Q.—Will speculation decrease if you have easy credit facilities? In that case we shall not indulge in speculation and do some regular business. Undoubtedly speculation has resulted in a loss of confidence. This is one of the reasons of the decrease in business. There are two reasons for the decrease; the first is absence of credit facilities and the second is loss of confidence, but the chief reason is absence of credit facilities. Another factor is that people often have to go to courts for outstandings, where cases drag on for years and years without any recovery. Consequently the traders have suffered great losses and have had to give up their business.

You admit that people have lost their confidence and that there can be no business or trade without confidence; then what scope is there for further credit if there is no confidence?—With more money people would give up speculation and take up regular trade and by and by their confidence will be restored.

Rai Sahib Kishan Lal.—Has the trade in general in Amritsar increased or decreased? It has decreased.

Can you suggest any measures to restore the old conditions in the shape of credit facilities through bankers for the small traders? The bankers should be given more credit facilities who in their turn should finance the small traders. Formerly people used to keep deposits with us, but now all deposits go to the joint stock banks. If the Income-tax Department applied the same rules to the bankers as are applicable to the joint stock banks in the matter of taxation the possibilities are that we may get deposits. As things stand, the Income-tax Department, while going through our account books, come to know of the persons who keep their deposits with us and also tax them. That is the chief reason why people now don't keep deposits with us. Another factor is that there are certain bankers and business men who have got more confidence than capital. and the examination of their accounts by the Income-tax Department results in displaying such firms in their true colours and consequently they lose much of their confidence and cannot do business to such an extent as they desire. Even the account books of bankers who send in audited accounts are examined.

(Witnesses withdraw)

Oral Evidence—of Sahukars, Gurdaspur.

Lala Jagan Nath, Municipal Commissioner and Banker, Pathankot.
Lala Sant Ram, Municipal Commissioner and Banker, Pathankot.
Lala Naranjan Das, Badhal, Member, District Board, and Sahukar, Gurdaspur.
Lala Mulk Raj, Sahukar, Gurdaspur.
Lala Punnu Shah, Sahukar, Doorangla, tahsil Gurdaspur.
Lala Bishambar Das, Sahukar, Dinanagar, tahsil Gurdaspur.
Lala Bihari Lal, Pleader, Baharampur, tahsil Gurdaspur.
Lala Devi Dayal, Sahukar, Doorangla.
Lala Goverdan Das of Baharampur.
Lala Chuni Lal of Baharampur.
Lala Durga Das of Baharampur.
Bawa Kashi Ram, Pleader of Ghorewa, Tahsil Batala, and President of the Sahukara Association.

Of these 5 were Khatris, 2 Aggarwals, and 4 Mahajans. There are Aroras in the district but none appeared before the Committee as it was said that perhaps they did not know of the meeting of the Committee.

The two gentlemen from Pathankot carried on their work mainly in the city, the others in rural areas though they did not confine themselves altogether to one class of business. The rate of interest for urban lending was 12 annas, for rual between 1 and 2 rupees. The usual rate for the latter class of business was 1 pice in the rupee. The average was Re. 1.

Most of the witnesses said that in comparison with conditions 10 years ago, the rate of interest had gone down. Two witnesses, however, stated that the rate had increased in the rural business from Re. 1 or Re. 0-12-0 to Re. 1 or Re. 1-4-0. This increase in the rate of interest they stated was due to tightness of money, difficulty in recovering loans from zemindars owing to the opening of co-operative societies which preach against the Sahukars. They stated that if more money is available the rate will decrease. The Sahukars from Pathankot, however, did not agree with this but said that owing to the opening of banks men do not resort to Sahukars in the same numbers as they used to do and so the rate of interest was decreasing. The business of Sahukars is said to be about one-third of what it was in previous years.

The reason why Sahukars lack money now-a-days is that they are finding it increasingly difficult to make recoveries of loans advanced to zemindars. It takes more than a year for a court to decide a case instituted by them and they lose the interest for this period. The balance of money—about two-thirds—which previously used to be lent to zemindars is now utilized by Sahukars in opening shops, doing Arhat business, building houses in cities, &c. A few deposit it in the banks and live on the interest. If the present circumstances continued the

Sahukara business is in danger of dying out altogether. The only thing open to the Sahukars will be to become traders but even there the conditions are becoming very bad and they are liable to lose their money. Of the three methods in which Sahukars can utilize their money, *viz.*, lending it out, taking to trade and depositing in banks, the third was the safest. Lending is very unsafe as courts are now-a-days lenient towards the debtors and property and land cannot be attached. Trade conditions being so bad there are constant failures and those who lend to traders also stand the risk of losing their money. A few deposit their money in the co-operative banks where they do not have to worry about their money as there is joint liability of members.

The Sahukars from Pathankot said that most of their business was with traders. They lent only to those whose position they considered to be safe or on the security of ornaments or property. It is very uncommon for village Sahukars to borrow their money from the town Sahukars. The other witnesses, however, said that the village Sahukar has no capital of his own and must borrow from others. All finally agreed that only the very small village Sahukars borrow from bigger Sahukars and this is uncommon. The maximum a Sahukar charges from another Sahukar who borrows from him is 12 annas as interest. No Sahukar in Pathankot or Gurdaspur ever borrows from a joint stock bank. When lending against produce they sometimes get their money against Hundis. There may be 3 or 4 Sahukars in Pathankot, 5 or 6 in Gurdaspur, 4 or 5 in Batala who deal in Hundis, but generally it is the shop-keepers who have to send money to outstations who deal in Hundis. Hundis can be easily bought during Mandi days. Money is usually sent from Pathankot to places like Amritsar, Lahore, Karachi, Bombay and is sent by insured covers. Only about $\frac{1}{4}$th of the money is sent out by means of Hundis the balance being remitted either by insured covers or through persons. The same is true of Gurdaspur. As there are not many banks in these towns difficulty is felt both in remitting money to other places and receiving it from those places. Lala Jagan Nath said that he had been carrying on his business in Pathankot for about 22 years. Before him his forefathers used to do the same business. In the days when he started, more Hundis were available and it was easier to remit money to other places. Hundi business is dying out as the traders are failing and trust in them is now getting less and less. If more money is available in the market trade will grow, *e.g.*, in Amritsar, Lahore and other big places there are more banks and trade is increasing. In this district money being scarce, trade is decreasing. More money will not, however, benefit rural money-lenders as there is difficulty of making recovery from debtors. The Land Alienation Act is mainly responsible for this and if it is repealed the difficulty will disappear. The co-operative movement, which started here in 1913, accentuated this difficulty owing to the propaganda against Sahukara carried on by the officers of this department.

Security is sometimes taken for loans but not generally. In cities money is often lent on the security of ornaments but not in the villages as the villagers do not have much jewellery. The rate of interest on loans advanced on the security of ornaments is less than the usual rate—it ranges between 8 and 12 annas. Land is not taken by Sahukars in *mustajari* as it does not pay.

Questioned by Lala Harkishan Lal witnesses said that they do lend to non-zemindars on the security of their land and find no difficulty in making recoveries as in their case the land is liable to be sold if the debts are not paid.

Co-operative societies cannot meet all the requirements of zemindars and during famine members have to resort to bigger zemindars to whom they mortgage their land on very cheap rates. There are many examples of this kind of dealing in the villages in the district The interest charged by zemindars is usually 24 per cent. In addition to this if the loan is not paid the lending zemindar acquires the land at a very low price. Near Bhimbar a man who is now dead acquired land worth about Rs. 25,000 near his own village and about Rs. 15,000 near Gurdaspur. Another zemindar of village Jhuti (a Hindu Jat) also got land worth about Rs. 25,000 in the same way. A Zaildar got land from Khokhars by using the same methods, also one T. S. Zemindars have begun to do Sahukara business since the Land Aleination Act came into operation. The bigger zemindars are now obtaining all the land of the smaller zemindars on mortgage and charging more interest on the loans than was done by the Sahukars. They do their buisness in a bolder manner. This is driving away the smaller zemindars from their profession. The case of a village called Kutha was quoted in support of this statement. These poor men now have to do daily labour to earn their living. Non-zemindars living in villages, *i.e.*, weavers, *telis*, etc., cannot get any money in their homes and are now coming to the towns and working as daily labourers. They cannot borrow from Sahukars as they suffer under the handicap of not being able to buy or sell houses. Some of the smaller zemindars who have been thrown out of employment are employed as labourers by the bigger landlords in their fields.

In the Mandis zemindars are paid cash down for their produce, less Re. 1 as Arhat. They bring the produce to the Mandi on their own carts. The Sahukars who buy the produce send it to the export Mandis (*dasawar*). Wheat which is not taken by the exporting firms is stocked by the zemindars and a quantity of wheat has been lying with the zemindars for the last few years owing to there being no demand, and the fall in prices. The bigger zemindars do not need much money and so do not mind much if the wheat is not sold and prefer to keep it in their godowns than sell it off cheap.

Gur is still produced in large quantities and the produce of it may be said to be increasing. The price, however, is going down and the zemindars do not get as much profit from it as they used to do. This

is also brought to the Mandis. Most of it is consumed in the hills, some is sent to the foreign Mandis and some, of a bad quality, is taken by the brewery.

Hundis are not used in the hills and money is received either in cash or notes and remitted in cash mostly as the hill people are chary of accepting notes. The need for Hundis is felt mostly in the towns, they do not need to be introduced in the hills.

In reply to questions by Chaudhri Niamat Ullah witnesses declared that the big zemindars get their money from the co-operative societies sometimes and lend it out to their poorer brethren and also by getting their land at cheap rates.

They all declared it would be of benefit to them if some arrangement could be made by which the co-operative societies would take on the responsibility for the money lent out by them to zemindars and give them deposit receipts for the amount till it was paid to them. They were willing to accept 14 to 12 annas per rupee in that case. They were willing to let the money remain as a fixed deposit with the society for some years, but wanted to know if they could get advances against such deposits. The Chairman said that depositors in the Central Banks could get advances against their deposits. They declared themselves willing to accept the 5 or 6 per cent. interest which the co-operative society would be able to give them.

Taking a period of about 5 years the Sahukars earned a net profit of about 6 to 7 per cent. these days.

In reply to Lala Kishan Lal witnesses said that the Sahukara work is now dying out. In Gurdaspur and Pathankot there used to be many big Sahukars but about half have left the profession and are taking to trade, etc. Those that are left are mostly engaged in getting back the money already lent out. Even those that have left the work find they have not enough capital to carry on trade.

In reply to questions by the Chairman they said that recoveries of loans are made by them in the form of produce and cattle. Only about 10 per cent. is paid back in cash. Cattle do not fetch full price in the market afterwards. Influential zemindars are not willing to lend them their support in making recoveries of loans advanced to zemindars. The propaganda carried on by bank-wallahs against Sahukars has resulted in villages near Bahrampur refusing to give them the produce of even the land which they acquired before the Land Alienation Act came into operation. They are also finding great difficulty in getting back their loans advanced in cash. During the last 10 or 20 years 6 or 7 village sahukars have left the profession and gone to the town, 10 or 20 have done this in Dinanagar.

(Witnesses withdrew).

Oral evidence of Sahukars, Rawalpindi.

Two sahukars, Lala Thakar Das of Lala Thakar Das and Sons, Rawalpindi Cantonment and Lala Madan Lal of Messrs. Jhanjhi Mal-Ujagar Mal, Rawalpindi Cantonment, appeared before the Punjab Banking Inquiry Committee.

Lala Thakar Das stated that his father had been doing banking business before him. He himself had been doing it for thirty years. He has no branches, but works only in Rawalpindi. In addition, he is also a contractor. Lala Madan Lal stated that his family has been doing this work for the last eighty years in Rawalpindi. He himself has been engaged in the work for 22 years. He does arhat work also. He has work in both the cantonment and the city. Both said that arhat work has gone down very much since the Imperial Bank came to Rawalpindi about five years ago. Before this they used to give hundis on Karachi, etc., but now the Imperial Bank does it at cheaper rates. It does not pay sahukars to take deposits now as they find that they cannot lend them out. Twenty years ago they used to pay eight annas (6 per cent.) on deposits ; now they pay only five annas ($3\frac{3}{4}$ per cent.); but even that does not pay them. Another reason why they do not get any deposits is that the Income-tax Department gets a statement of their depositors from them and charges them income-tax on what they get in return from the sahukars, while post office savings bank deposits are free from income-tax. In the old days they used to take deposits at eight annas and lend at twelve or fourteen annas (9 or $10\frac{1}{2}$ per cent.), but now their lending rates have also been reduced to eight annas. There are also increased difficulties in making recoveries of sums lent out to others. The rate of interest has decreased because the volume of business has decreased. When the Imperial Bank is ready to advance against produce at 6 per cent., people are not willing to come and borrow at higher rates from the sahukars. The decrease in the volume of business and the slump in the market has resulted in people not being able to pay back their loans. Their business is now mostly of advancing against house and landed property. The rate of interest is twelve annas. They give about Rs. 3,000 for property valued at Rs. 5,000. The security is good and they do not generally lose any money in this business. On loans advanced against personal security they sometimes suffer a loss. Advances are made to both retailers and wholesalers against the security of house property and the security of a second party.

In the cantonment now only three banking firms have been left out of about five or six firms which flourished about ten years ago The same is true of the city.

They do very little work in hundis as these have gone out of use, but deal mostly in pro-notes.

By the term "Shah Beopari Jog" on a hundi is meant that the money should be paid to a banker or other responsible person. It

would be dangerous to make hundis into "bearer" instruments as, in case such a hundi is lost, anybody who finds it would be able to get the cash. They did not recommend any change in the present rule. Lala Madan Lal stated that he used to have agencies or correspondents in other important places like Delhi and Amritsar. Nowadays, however, they only remit money by means of currency notes. In the old days, more trust could be placed in persons and they could be trusted with sums of money, but this has disappeared now. In those days they could easily send money through an Amritsar hundi to Fatehjang, and the people there could get the money in Amritsar when anything was bought from there. Amritsar hundis could be used for remittances all over the Punjab, Delhi hundis for remittances to the United Provinces and Bombay ones anywhere in the Bombay Presidency. The rates for such remittances used to be four annas per cent., but now banks can do this cheaper and people also use money orders. Another reason for the dying out of hundis is that the hearts of people are no longer clean and confidence in people is passing away. In the old days the rates for small remittances by hundis used to be six annas and for larger amounts four annas.

The practice of the Imperial Bank to advance money to beoparis against produce has ruined the business of the sahukars altogether. The Imperial Bank now invests its money where before they (the indigenous bankers) used to do, and charge a commission of twelve annas on it. At the same time the bank refuses to advance them money for their business even against their own property, but wants produce as security; but if sahukars begin to take advances in this way, their credit would be lost. It appears that the bank looks on a man with property worth ten lakhs and a man with practically no capital, who comes for an advance against produce, with the same eye. The sahukars are now finding that there are no ways open to them to invest their money.

People cannot be said to be the gainer by the banks doing the business cheaper as, owing to cheaper credit, people have begun to indulge in speculation. In the old days a man worth Rs. 50,000 used to invest only Rs. 40,000 in business and keep the balance as a reserve in case an emergency arose, but now the same man would deal in business worth five lakhs and this has resulted in so many people becoming insolvent.

(Witnesses withdrew.)

Oral evidence of Money-lenders and Commission Agents, Lyallpur.

The following bankers and commission agents were present :—

S. Sundar Singh.
Chaudhri Diyal Mal.
Lala Gopal Das.
Lala Trikha Ram.
S. Hari Singh.
Lala Diwan Chand.
Lala Bhagwan Das.

They stated as follows :—

We are both commission agents and money-lenders. Money-lending is only a side-show ; our main business is commission agency. There are no indigenous bankers here. Now-a-days deposits are kept by people in the Imperial Bank ; next comes the Central Bank and then the Allahabad Bank. The town people mostly deposit their money in the joint stock banks. Darshani Hundis have got a wide circulation here. We receive deposits very rarely. There is not a single indigenous banker living mainly on money-lending.

We advance money to agriculturists in small amounts and charge interest both in cash and in kind. According to the rules of our association we don't charge more than 9 per cent per annum. The rates of interest range between 6 per cent and 9 per cent.

We don't advance loans to zemindars. Most of our money goes to the village money-lender. We charge interest at the rate of 6 to 9 per cent. We don't advance loans for making any interest, but for purposes of earning commission.

We borrow from the banks at the rate of 9 per cent either on personal security or against goods or house property. The rate of interest varies with the seasons. In the busy season it is 9 per cent and in the slack season it is 6 per cent.

We don't lend money for long periods. We advance to the agriculturists for harvest only. The rates of interest vary with the financial condition of the borrower.

It is very seldom that we advance loans on the security of ornaments.

We make advances only to those persons who promise to bring their produce for sale through us. When the harvest is ready, they bring their produce to us for sale, and we charge our commission on the sale as well as realise the debts due to us.

(Witnesses withdrew.)

Oral evidence.

Bankers and Factory-Owners (Multan).

The following were present :—

(1) Seth Paras Ram, Banker and Factory Owner.

(2) Seth Gopal Sahai, Banker and Factory Owner.

(3) Seth Prabhu Dyal, Factory Owner.

(4) Seth Budhu Ram, Commission Agent.

(5) Seth Tulsi Dass of Hira Nand-Tara Chand, Bankers.

(6) Seth Murli Dhar.

(7) Seth Lachhu Ram, *arhati.*

(8) Seth Roshan Dass of Gahru Mall-Lakhu Mall, Bankers and Merchants.

(9) Seth Murli Dhar of Thakar Das-Ganu Mal.

(10) Lala Sukh Dyal of Jit Mal-Lal Chand.

(11) Lala Lachhu Ram of Mehta Khillu Ram-Ladha Ram.

Seth Paras Ram said that he had been receiving deposits and writing hundis for the last sixty years. Seth Gopal Sahai said that he had been in Multan since 1867. There may be ten to fifteen bankers who are doing banking business. Big bankers are only five or six and ordinary bankers may be about twenty. Bankers in Multan receive deposits from general public and do hundi work. Hundi work is not done on a large scale—generally *Darshni* hundis are written. There are three kinds of persons who are doing this business—

(1) Those who draw upon themselves only.

(2) Those who re-discount only.

(3) Those who discount as well as re-discount.

Seth Prabhu Dyal stated that he was only a factory owner and not a banker, but he remained as the Director of several banks for about ten years, *e.g.*, Punjab National Bank, Amritsar Bank, etc. He has been doing the work of cotton ginning factories for the last thirty or 35 years. He is running flour mills, ice factory, electricity, etc., for the last six years. He had never done the work of money-lending, but he was doing the work of export and import. Those persons who only re-discount hundis may be three or four in number. They do not write their own hundis. Those who discount as well as re-discount may be about twenty. The total money of hundis re-discounted may be outstanding at a time from two to two and-a-half lakhs, and the money of hundis discounted may be four to five lakhs. Formerly factory owners used to write hundis, but this practice had been abandoned only two or three years ago. Five years ago they used to raise money on hundis ; then they began to take money on stocks, but now the banks have refused to insure against fire for the last one or two years.

Therefore this practice has not progressed well. A witness stated that the practice of writing hundis had been stopped for foreigners had taken away the money. Shop-keepers have no need now to write hundis and also they do not sell because imports are gradually dropping and the previous stocks are not being sold quickly. There is no export of wheat, but a little of cotton. Ninty-five per cent. of the produce is sold from Multan. Seth Prabhu Dyal was of opinion that by foreigners European firms was meant. These European firms had an advantage in that they receive the news of the different crops all over the world and they speculate on that information, whereas Indian firms speculated on the information supplied by astrologers, and here he gave an instance of a merchant in Gujrat (Khandesh) who had employed an astrologer for about 3—4 months. After three or four months worshipping the astrologer told the merchant that the rate of Baroach (a kind of cotton) will be settled at Rs. 434. So he purchased a considerable quantity of this cotton, but when the actual settlement came it was only Rs. 344. He thus sustained a heavy loss. The astrologer, however, pointed out that the figures he gave were correct, and that he had not guaranteed their order. More than fifty per cent. speculate on the advice of astrologers. The witnesses agreed that if supply bills were given cheaper and freely, it would be an advantage. There is no difficulty in the circulation of currency notes. If considerable sums are sent out, the insurance expenses work out to Re. 0-2-0 to Re. 0-2-6, but the Imperial Bank charges are only five pice or six pice six only. This is the reason why insurance through other banks is not done. Some of the witnesses were of opinion that supply bills will not very much help. Another difficulty in the case of insured parcels was that if half portions of notes were sent out and they were lost, then Government will pay only the value of half the notes, *i.e.*, instead of Rs. 10,000 it will pay Rs. 5,000 to the person who had the half portions of notes.

Seth Gopal Sahai stated that he had money-lending business with the zemindars. He lends money on security up to thousands and without security also. He does money-lending business through pro-notes also. He was of opinion that it will be advantageous if it were arranged that bazar hundi was given to a sahukar and the sahukar's hundi to a bank and then the bank should go to the Imperial Bank, thus satisfying the precaution required by each party provided the rate of discount taken was only Re. 0-8-0 to Re. 0-12-0 and to Re. 0-14-0. It will no doubt help the trade, but it will be advantageous only if the Imperial Bank's rate of interest is less than 7 per cent. It was suggested that the Imperial Bank's interest should be 4 per cent. In the case of deposits from public the sahukars pay six *takkas* without any time limit, *i.e.*, the public could take money at any time. In the case of banks they paid from four to six *takkas* for a fixed time. Imperial Bank gives 3 *takkas*. The money deposited with sahukars at 6 *takkas* interest may be one to one and a-half-lakhs. *Durshni* hundi work is done more through the banks than through the sahukars.

Seth Prabh Dial stated that fifty per cent. of the people when they speculate do so on the advice of the *jotshi*. Compared with three or four years back hundis were getting less and less because money is less now also because banks are drawing the money of those who live in the city. They go to the banks for money, but banks like to be secure and refuse to go beyond the limit of credit. Banks do accept hundis on three signatures, but very hesitatingly and within the limits which are generally fixed low.

Three reasons were given for there being no credit in the market these days—(1) the ratio being at Re. 1-6-0, (2) import duties being too low, and (3) speculation, there being no trade. Low prices ranging at present was also given as another reason. The remedy was stated to be in the hands of Government, who should show more sympathy.

Another member said that the tendency of credit to go down started four or five years ago. The reason was that expenses have gone up, work is getting less and less, some people have gone bankrupt and so people have lost confidence in the traders. About twenty or thirty firms have had to close down their business during the last year, about five or six actually filed petitions of insolvency. Seth Prabh Dial again stated that the remedy for this depression in the money market was that the exchange rate should be fixed at Re. 1-4-0 and import duties put on. If this is done, credit will come of itself. Another witness stated that the system of receivership should be abolished and the courts should look after the interest of creditors more.

With regard to *darshani* hundis that come from outside, it was stated that on drafts the Imperial Bank charges five pice for Karachi and six pice for Bombay on both sides, while in the bazar sometimes they get six pies. Other banks take two pice or $2\frac{1}{2}$ pice only, though the Punjab National Bank also takes 5 pice. The Imperial Bank should reduce its rate according to the bazaar rate. In Multan there is no other bank which charges less than the Imperial Bank, though there are some banks in Lahore and Lyallpur which charge less. The Imperial Bank wants to earn more. As the Imperial Bank has the use of the currency and Government treasury, it should be able to reduce its charges. Supply bills are not available.

The statement of three sahukars *who had dealings with zemindars.*

(1) Lala Chanda Ram.

(2) Lala Shankar Das.

(3) Lala Rup Chand.

All of them were income-tax payers and were residents of Multan, and owned land. They stated that the condition of *sahukars* was bad due to shortage of money in the market. The rules regarding recoveries which are prevalent in other provinces are not in force here. They

have to fight for three years, whereas in other provinces hardly a month is taken. At present the number of suits that they had filed in courts was—

Chanda Ram	..	..	.. 10
Shankar Das	..	..	.. 5 to 6, and
Rup Chand	..	..	.. 10 to 15.

" We have got no power to get the lands sold or the crops or cattle attached. These are the reasons why we cannot realize our money and, therefore, our troubles have increased. It takes longer to get a decree now than before. Another reason is that Government had sold land therefore their money had been invested in purchasing land. The zemindars have gone to the places where their land is situated and thus on account of distance the realization of money had become difficult. Muslims take loans on interest and also lend money on interest. In practice they do not say that they will charge such and such interest, but they only say that after the expiry of a fixed period they will take Rs. 2,100 in place of Rs. 2,000. Lala Shankar Das stated that he had dealings with forty to fifty zemindars who do money-lending business—of them about twenty were Muhammadans. Out of these twenty, fourteen or fifteen charge interest. Lala Rup Chand stated that he had very little dealings with the zemindars. Lala Chanda Ram pointed out another difficulty that in previous days Muhammadans very rarely declared themselves insolvent, but now they freely do it, because their lands cannot be sold. He further stated that actually there is no loss in money-lending business, but due to difficulty in realisation there is no profit. There is nothing in the law which may force them to pay back their debts. Sahukars are leaving their business, because there is no profit. The difficulties in realisation began when the Land Alienation Act came into force. They, however, increased during the past seven or eight years due to the spread of education among the zemindars and their increased acquaintance with the provisions of the Land Alienation Act. No doubt in the courts warrants of arrest are issued within a reasonable time and also it has been ordered that in insolvency, land of zemindars can be sold, but the difficulty is that in actual practice this is not easily done. He stated that he had two cases of insolvency he had not got any body arrested. Shankar Das stated that he had filed two or three applications, but no settlement had been effected, people have absconded. Chanda Ram stated that the custom of allowance (*chhoot*) depended upon the status of the *asami* and the amount of interest accrued. The rate of interest he had been charging ranges from Re. 0-8-0 to Re. 1. I have never charged 1 pice per rupee so far. Lala Shankar Das stated that upto the present he had been charging from Re. 0-10-0 to Re. 1. The reason why these rates are maintained is that they facilitate realisation. Lala Rup Chand stated that he had never charged 1 pice per rupee. Lala Chanda Ram stated that at the time of giving loans he usually enquires for what purpose a loan is asked for and he tries

to scrutinize the object for which loan is wanted. He stated that he gives *jins* at the bazaar rate, sometimes he gives cash as well, but the percentage of *jins* is small, say 25 per cent. The reason is, now-a-days people desire to purchase *jins* themselves because of the spread of education. He has no knowledge whether in rural areas people get *jins* at the market rate. Interest that we charge is Re. 0-10-0, Re. 0-12-0, Re. 0-14-0 and Re. 1. There is a danger to life if higher interest is charged. Cases daily occur in which sahukars are murdered by their clients, because they are unable to pay back the money with high interest. The zemindars pay back their debts in *jins* as well as in cash, generally ninety per cent. in *jins*.

About two indigenous bankers have branches in Bombay and Karachi otherwise no banking firm has any branches outside Multan. About fifteen years ago there were nearly forty or fifty firms of indigenous bankers instead of twenty or so left now. The decrease has been marked during the last five or six years. During the war the number of firms had decreased. The reason for this decrease is (1) *Sindhis* and *Bhabras* came to Multan and started speculation, (2) fall in prices during the last five or six years, (3) Mandis have adversely affected sahukars, (4) cost of living has gone up, and (5) difficulties in making recoveries from zemindars who borrowed to buy land. There is not sufficient money in Multan even for the trade which is left in the market. Some witnesses thought that if money increased, it will result in increased trade, others thought that even if sufficient money is available, trade will not increase. Some thought that heavy octroi had also been a contributory cause for trade depression. Octroi has been in force for the last fifteen or twenty years. Mandis do not charge octroi duty and therefore, have an advantage over Multan. Money is not usually advanced on the produce of land. Money is advanced on jewellery and property. Sahukars do not advance money to finance trade. Shop-keepers borrow money on *hundis* from sahukars on personal security only. On goods imported from foreign countries money is borrowed from joint-stock banks. On goods coming from villages they borrow from *artis*. *Artis* borrow money from the bazaar or the bank. Retail shop-keepers get goods on credit from the wholesale dealers. Wholesale dealers are financed partly from the banks and mostly from the bazaar. For wool when it is exported, the consignor gets the money advanced from the exporting firms like Volkart Brothers : on the security of their own guarantee brokers. In the case of wheat, toria, cotton, &c., either he sells here to export firms and gets cash or consigns to Karachi and the Karachi *arti* advances the money. If it is a contract sale, they pay ninety per cent., if they take delivery, they pay the whole price here.

There is no hoarding in the city, but in the villages the zemindars do hoard some money. This habit is getting less and less because money is getting scarce.

Post Office Cash Certificates are mostly bought by poor clerks from their small savings. The interest allowed on them is too low for the sahukars and *beoparis* to invest their money in them.

The old shops of sahukars (over 100 years old) have or are going out of business.

Foreign firms depend on knowledge of world conditions and people here on what the *jotshi* says for success in their business. There are no limited companies and individual firms cannot afford to get news of world markets. If some firms join together and form limited companies, they could also arrange to get news.

Oral evidence of Zemindars and Co-operators, Bhiwani.

Rai Sahib Thakur Uggar Sen of Bhiwani, Zemindar and Co-operator and Honorary Secretary, Central Co-operative Bank, Bhiwani, led a deputation of about fifty zemindars and co-operators of Bhiwani to give evidence before the Banking Enquiry Committee.

About fifty were present, including twelve who were not co-operators.

Great famine exists for the last three years. People are poor. They have no grain in their granaries. We meet our needs by selling or mortgaging our ornaments. There are no sahukars now. We get very little from banks, we cannot even repay that. Many have left the district. About a lakh and a quarter was distributed as taccavi last year, but none so far this year. Banks also advanced about the same amount. People prefer to borrow from banks than from Government. It is easier to repay banks. But only members of banks can get from banks. Taccavi was not taken by members of banks. Money in banks is not enough for our needs. In villages people have little money.

In 1922 we opened this bank Then people did not like co-operative banks, they thought Government would take their lands. We took eight years to remove that fear. I wanted to advance more than a lakh but fearing greater famine I stopped. People want to repay but circumstances are beyond them. Some villagers have not a penny. There is great need of money but if more is advanced there is little chance of realization. The remedy is taccavi or Government should allow us to lend on long terms. These people are so good that they paid interest inspite of these famine conditions, but I felt it was bad. Some of them paid by selling their cattle, land or ornaments. Cattle have been sold and exported to Allahabad side. There is demand there. Some have sent cattle to their relations for grazing near the Jamna.

In this district on the average once in five years you get a bumper harvest, and if 5 years' loan were due then all the interest would be repaid and part of the capital. The balance will no doubt go on accumulating. The only remedy is canal water.

There is no truth in the statement that zemindars do not intentionally pay, but there may be five per cent. who are like this. Others pay voluntarily. About ten per cent pay without any trouble of their own accord.

If famine funds advance money to co-operative societies without interest that will help to do away with the accumulation of debt on

zemindars. But one year's produce will not help in repaying five years' debt even apart from interest.

These days the sahukar's rate of interest is Re. 1/9. Sahukars have stopped lending for fear of no realization. Mahajans do sometimes lend something. A few agriculturists are money-lenders, but their rates of interest are the same and they settle their claims without going to court. They often take land. When zemindars need money they will first go to zemindars and in the last resort to non-agriculturists.

For three years we have been having bad harvests. When there is good harvest we have an easy time, but there is no saving. These people now feel great difficulty for we cannot advance them more money. They do go to money-lenders, but they do not advance money. Zemindars, Jats, Ahirs, Gujars, do not go away for labour. They want labour near their village. But famine code restricts wages to Re. 0-2-3 a day. But this was fixed many years ago and the rate is not a proper one now. These people are honest and hard working, but must often remain idle. Fifty per cent of them, get only one meal. I found two people in Tarawar dying of hunger. But the difficulty is that they will not borrow or show their difficulty. This tract I call a God-forsaken land. Forty years back—at the time of the great famine—boys were sold for two annas. Cattle and men were destroyed. After that ten famines have occurred but were not so severe, but the people have no conveniences of life. Nature cannot help us and the only remedy is the canal. This has been the condition here for ever.

The Mahajan Marwaris are intelligent people. They trade in Calcutta and Bombay and they are the owners of these big buildings in Bhiwani. When there was no railway, people spent here what they earned outside.

These mahajans are very generous. If we had been at the mercy of the famine code, we should have been lost. These mahajans have given us free fodder. Chaudhri Chaju Ram has given free fodder of 2½ lakhs.

If the canal does not help us, we cannot be helped by nature or wells, they are 60 feet deep and water is saline. Tube-wells were tried in Bhiwani twice. Twenty years back they went down 1,000 feet but without success. I tried in my own place and at 60 feet I reached sweet water but beyond that I was told it will be sour. After three famines our wells get sour.

My age is 72. When I was eight years old, rain here was so great that tanks were filled. But this was occasional. Sixty years ago rain was greater here ; perhaps because there were forests which have now been cut. If facilities are afforded to sahukars for realization and interest is fixed at low rates and they are made to maintain regular accounts, they will help us, but personally I would prefer a co-operative society. A mahajan being a trader, he looks to his own interest, but banks are different. I am an honorary worker.

(Witnesses withdrew).

Oral evidence of Zemindars and Co-operators of Rohtak District.

Money is abundant. We do not want to borrow from sahukars. We are all members of co-operative societies. We used to borrow from sahukars but since the opening of the co-operative societies we have ceased taking loans from them. We all represent some bank or other, and there are only two banks which are represented here by more than one member. In all we represent twenty banks. Three are A class banks, eight B class and the rest C class. We get enough money from these banks. We do not go to sahukars. Good borrowers have no difficulty in borrowing from banks. When a man goes to a sahukar he is thought to be a bad dealer. An ordinary man will get loans from a bank as well as a sahukar. If banks have no money, members go to money-lenders. A bad dealer gets money from zemindars by mortgaging land. Money-lenders do not like taking mortgages on mustajri conditions. Bigger landlords who do want to swallow up small landlords are willing to lend. A zemindar money-lender will lend more money to a bad dealer than a sahukar, as the latter cannot get his land in return for the loan. Zemindars now deposit money in the banks because they do not get it back if they lend to zemindars owing to famine and bad harvests. Benami transactions are very rare. Now fewer zemindars are money-lenders than ten years ago. They get the money they lend from agricultural income, service and other sources. Military men indulge in money-lending. About fifty per cent. of the money-lenders are *ex*-military men. (Many voices challenged this and said it was only ten per cent.). Before the present famine began their number was increasing. The rates of interest a sahukars charges varies from fifteen per cent. to 24 per cent. A zemindar would charge only twelve per cent. A good borrower can even borrow at six per cent. Ordinary rate with bania is 1 pice per rupee per month. A zemindar would charge Re. 1-4-0 per cent per month. Zemindars go to sahukars when they find that they cannot get money from zemindars.

(*A zaildar amongst witnesses*).—Banias give up something when the final settlement is made, and do not sue for three years. Sahukars are leaving the trade because there is difficulty in realisation, owing to famine and the fact that they cannot attach the lands of cultivators. This is very hard on sahukars. Both zemindars and banias are complaining because there is famine. Otherwise both would be happy. It is wrong that sahukars find it difficult to realise money when there is no famine. When a man takes in mortgage with possession he can get six per cent to 7½ per cent as interest. When a zemindar has money and he wants to purchase land, he is prepared to pay a little more. But the amount advanced on the security of land is a matter of mutual arrangement. When possession is given the lender expects to get about six to seven per cent. But not much attention is paid to the return likely to be secured. Zemindars stand to lose if the number of zemindar lenders increases for their lands will be attached by the

bigger and more prosperous zemindar lenders. The best thing is to open co-operative banks. Taccavi was taken by very few people. It was not distributed in any of our villages.

Sardar Bahadur Captain Dalpat Singh.—It was distributed to Jhajhar people.

(*A voice*) : Ordinarily people regard taccavi, and this is an old belief, as charity money and the man who accepts taccavi lowers himself in public opinion.

Another voice : It is not given in time. I applied thrice through post office for construction of well but nobody has made any grant so far.

We prefer loans from co-operative banks to taccavi. If taccavi is distributed through these banks this is the best thing. If the banks' rate is reduced it will help in stopping all transactions with sahukars. We prefer to borrow from co-operative banks even to borrowing from Government. In banks there should be a limit for every borrower and a limit for the bank to lend, but the bank's lending limit should be raised so as to be equal to the total borrowing limit of its members.

It should be limited to his capacity of borrowing otherwise every man would borrow to his utmost and there will be no money left in the bank. The limit is fixed according to what members can pay and if banks were to lend to the utmost of their members' borrowing capacity, the money would not be repaid. These difficulties do not arise where the executive committees lend with due regard to member's actual need and borrowing capacity. We are in favour of a rule that a member of a co-operative society should not be allowed to borrow from a sahukar. Members of A and B class societies should be prohibited from borrowing from sahukars. It will not be helpful in the lower classes of society. No doubt the bigger zemindar money-lenders will swallow up the smaller ones, but the lapse of time will again create small land-owners, when the land possessed by bigger land owners is divided among their sons and heirs. Sahukars from our town have migrated to towns and mandis. Four from my village went over to another mandi for trading. In Sonepat during the last five years many sahukars have come from outside. The number of those zemindars who repay their loans in cash is fifty per cent. During the last thirty years the number of such zemindars has gone up to fifty per cent. Before that ninety per cent of the zemindars repaid their loan in kind. Surplus money is not buried or hoarded by zemindars. They now purchase land therewith. Practice varies with different tahsils. In canal areas they purchase land, in Jhajhar land is not very fertile and people bury cash. In Gohana people are penniless. Even the canal is not making people prosperous because the land is higher than the level of the water and irrigation is expensive. Nor do we get water in time. In barani areas the land is more fertile and the cost of agriculture is less. Gold is not stored or hoarded or buried. All is consumed in making ornaments.

There is no other use of gold. Gold ornaments are not so largely made now because people have less money now. Because people are more educated they do not like ornaments. The number of banks is not enough to meet the demands of the people. People of this ilaqa owe a lot to sahukars. If banks are started in all the villages it will help us more than any law governing the relations of money-lenders and the borrowers. There should be savings banks in villages. Sahukars' money should be utilized in forming small central banks. We know nothing of cash certificates. Zemindars do not know much of them and they are not much prevalent in the rural areas. People have acquired some habit of saving something from their earnings. If co-operation is properly propagated the agriculture of the Province will prosper. At this time there are about two lakhs worth Government paper in the Central bank. There is always enough money in the bank. These Government securities are necessary for making a bank secure. If these securities are not purchased they cannot get loan from Government. These are necessary for creating our credit with the Government. During the last eighteen years 300 co-operative societies have been created. There are 100 villages having A class societies. When we have to sell our produce we send it to the mandis. There our difficulty is that they charge us on many pretexts like dharamada, &c. In weighing they do not pay for any increase over the standard quantity in a sackful while they deduct for any shortage. In Sonepat commission shop we take the produce from the zemindars and pay him 75 per cent of the expected price of the produce even though it is not sold immediately for lack of a suitable customer. Banias also do that but they charge for the rent of the store. Since the opening of commission shop the banias have begun to charge less for their services.

Oral evidence of Zemindars and Co-operators, Jullundur.

The following zemindars and co-operators were present :—

(1) S. Pal Singh of Dhalwal, Tahsil Nikodar.

(2) S. Narindar Singh of Shankar, Tahsil Nikodar.

(3) Sardar Sahib Acchar Singh of Larora, Tahsil Jullundur.

(4) Sardar Sahib Jaimal Singh, Jamsher, Tahsil Jullundur.

(5) Sardar Sahib Gurbachan Singh of Alawalpur, Tahsil Jullundur.

(6) Chaudhri Wali Muhammad of Nakodar, Tahsil Nakodar.

(7) Hafiz Nur Muhammad of Chuhiki, Tahsil Phillour.

We are co-operators and agriculturists and all pay more than Rs. 100 as land revenue. Three of us pay more than Rs. 1,000 as land revenue exclusive of water cesses.

The indebtedness of the agriculturists is increasing, the reasons being the failure of crops, fall in prices and the increase in the personal expenses ; but the main factors are the first two mentioned above. Another factor which has added to their indebtedness is that some of the agriculturists have purchased lands outside the district in Bahawalpur State and Bikaner State by mortgaging their lands.

The rate of interest has gone up. It is not less than Re. one per cent per mensem in any case. The usual rate of interest paid by an average zemindar is Re. 0-0-3 per rupee per month and the highest rate is 2—3 per cent per mensem. The reason why the rate of interest is higher in Amritsar is that there people have taken to Government service and don't cultivate the lands themselves. Moreover, holdings there are larger, while here they are very small. Five or six years ago the rate of interest was Re. 0-6-0 per cent. One could raise Rs. 100 on a kanal of land, but now one has to mortgage two kanals for Rs. 100 only. Here people take lands on the *batai* system and hence the rate of interest is less than what it is in Amritsar District.

Chairman.—What would be the rate of interest on a mortgage without possession ?—Rupee 0-12-0 per cent, but now this system is very little resorted to. If a man has borrowed a large amount and the agriculturist money-lender finds that he cannot recover his debt, he takes possession of the land. Generally possession passes in mortgages. In the case of delivery of possession the mortgagee appropriates the produce. There are two kinds of mortgagees ; those who take small plots of land under mortgage and cultivate them themselves. In such cases, including seed, manure and labour expenses they earn about 10 per cent per annum. In the second case, *i.e.*, mortgagees who don't cultivate themselves, earn about 6—7 per cent per annum.

That is in respect of Jullundur tehsil. In Nakodar tahsil even if the mortgagee cultivates himself, he does not get 6 per cent. If he does not cultivate himself, it goes down to 3 per cent. In order to borrow at a low rate of interest people mortgage their lands with possession.

In Amritsar people don't deliver possession because they consider it derogatory ?—Amritsar is different from Jullundur in this respect. There they deliver possession only when they are heavily in debt. Here people don't advance unsecured loans.

What is the rate of interest on jewellery ?—The zemindars don't mortgage jewellery, because they have not got much and they consider it derogatory to pledge their ornaments. The *kamins* generally pawn their ornaments, but the rate of interest charged from them is very high.

In old days the rate of interest was very low for agriculturists. The general rate of interest was not more than Re. 0-12-0 per cent per mensem. The increase in the rate of interest is due to the insufficiency of capital. Undoubtedly people have brought large sums from Australia and America, but there are only a few villages in which people have brought fortunes from foreign countries, and they have also spent large sums on building houses for themselves or have invested in lands or ornaments or have spent on marriages.

Do the agriculturists require more credit facilities ?—If there is more credit facility, they would be better off. Compared with years ago, they have reformed themselves considerably. Formerly they used to spend more on drink and dancing girls at weddings ; now they don't do that. Another factor is litigation, which has also decreased. The reasons for their reformation are that the co-operative societies have taught the public thrift ; extravagance has taught a lesson to many ; the accumulation of capital by other classes has led people to accumulate money themselves, and last but not least is education. All these factors have helped to improve the agriculturists.

Khan Bahadur Chaudhri Niamat Ullah.—Do the co-operative societies experience any difficulty in recoveries ?—Their difficulties begin with execution proceedings. The courts don't take much notice of their applications for execution on account of their large number. The remedy we suggest is that there should be special officers for the disposal of such applications, and certain selected co-operators should be given powers to execute the decrees. We agree with the suggestion that the bailiffs should be brought under the direct control of the co-operative societies.

In the year 1926-27 from an enquiry made it was found that Rs. 2,30,000 were due to the agriculturist money-lenders from the agriculturists. Is there any increase in this amount ?—Yes, there has been an increase in this kind of debt. The rate of interest charged by the agriculturist money-lender ranges between 1 to 3 per cent. The

general rate of interest is Rs. 1-8-0 per cent per mensem. Undoubtedly the agriculturist money-lender's rates are high, but he does not indulge in the crooked methods adopted by the non-agriculturist money-lender. The agriculturist money-lender's consideration was that it was easy for him to obtain possession of land mortgaged to him.

Some said that the agriculturist money-lender should remain, others that he was more dangerous than an ordinary money-lender.

If agriculturist money-lenders were brought under the operation of the Regulation of Accounts Bill, their number would certainly be reduced, but the credit will also considerably decrease.

S. Pal Singh added :—My personal opinion is that they should be brought within the purview of the Regulation of Accounts Bill. The increase in their number would retard the progress of the co-operative societies.

Chairman.—Are they increasing ?—Yes.

S. Narindar Singh rejoined :—My village (Shankar village) is a prosperous village and there are agriculturist money-lenders there. My personal experience is that the agriculturists have not created any obstacles in the way of the co-operative societies. They are members of the co-operative societies. My bank has got deposits of about one lakh of rupees.

Nur Muhammad of Nur Mahal village said :—In my village Sitaram and Suhela Ram, money-lenders, are now making deposits in the co-operative societies.

S. Acchar Singh added :—The agriculturist money-lenders should be given all possible facilities. After all the loan is secured on the property of the borrower. One who cultivates the land himself derives full benefit, while the one who cultivates through some body else (as in the case of non-agriculturist money-lender) derives only half the benefit. The best credit agency is the co-operative society ; next comes the agriculturist money-lender and then the non-agriculturist money-lender.

Taccavi loans are freely resorted to because they are payable by easy instalments. Of all the agencies available for credit the co-operative society is the best ; next comes taccavi, then the agriculturist money-lender, and last the non-agriculturist money-lender. Co-operative societies should be established in villages without them. We are in favour of the proposal that taccavi loan should be advanced through co-operative societies. We have to incur an expense of Rs. fifteen to Rs. twenty if we take taccavi loans direct. Where consolidation has been effected, wells can be easily sunk. Every agriculturist is trying to get his land consolidated. Without consolidation land improvement is very difficult. Private consolidation costs at least Rs. 100, while if it is done through Government it costs only a few annas.

Jat Sikhs, Jat Hindus, Jat Muhammadans, Arains, Sainis and Awans have got the saving habit.

Chairman.—Do they purchase Post Office Cash Certificates ?—During the war days they did, but now they don't, because they experienced great difficulty in realisation.

The agriculturists require long-term credit for the purchase of land or for the sinking of wells.

Khan Bahadur Chaudhri Sultan Ahmad.—Would you agree if the non-agriculturist money-lenders transfer all the loans payable by the agriculturists to your societies and their debts should remain in deposit with the societies ?—We don't think any society would agree to that.

If the money-lenders are given the same facilities as are enjoyed by the co-operative societies on the condition that they would regulate their accounts, would they not reduce their rate of interest ?—They would not reduce their rates.

People are migrating to Bahawalpur State because they can get lands cheaper there ; moreover the payments are made by easy instalments.

Some people have said that the produce of land has diminished and that this is one of the reasons of the indebtedness of the agriculturists ?—Yes, that also applies to this place. Formerly we put *kuchwan* (a sort of earth) in our lands, which increased the productive capacity of the land ; now we cannot get that. Moreover, formerly people did not cultivate their lands more than once a year ; now with the increase of the population the land is being cultivated more than once and consequently the productive capacity has decreased.

It is well-known that the habit of drinking has decreased.

Money-lenders' business has decreased very much in villages because of the difficulties of recovery and the capital being easily available from the co-operative societies. The village money-lender was both a shop-keeper and lender. Now the agriculturists seldom make purchases from the village shop-keeper ; they go to the markets instead. The money-lender used to charge profits on the articles sold in addition to the interest which he charged on the articles sold on credit. There is very little money-lending now in villages.

(Witnesses withdrew).

Oral evidence of Weavers, Jullundur.

A deputation of weavers all belonging to the Jullundur City waited on the committee. All were members of co-operative societies and were weavers pure and simple. They stated that the population of weavers in the Jullundur district was about 20,000 to 22,000. In the city there would be about 5,000 to 6,000 weavers. They included the *bastis* in the city. They stated that after the war their work had suffered a lot from foreign competition as the foreign cloth was cheaper and they could not compete with it with their slower methods of weaving.

Out of the 5,000 or 6,000 weavers, about 1,000 dealt in silk and the others in cotton. The silk weavers used to produce *daryai*, &c., but now the imported artificial silk products have killed their work. One reason is that they cannot get good thread to work on. Lack of capital stood in the way of their getting good thread. If a co-operative society was to be formed for the purpose of getting good thread, it would only succeed in its object if the rate of interest charged was very low and the period for the repayment of loans was fixed at five or six years as at present they make hardly any profit from their work. One weaver stated that at one time he was doing very well and had some hired workers working under him, but now he is Rs. 8,000 in debt to his society. He had been told by the Industries Department that if weavers started work along fresh lines, they would get Government help so he borrowed money from the society and got two power looms, but so far no help has been forthcoming. He has tried to get more money from the society by mortgaging his two power looms and property, but his request has not been granted so far. They suggested that the co-operative banks should give them more help than at present. Many weavers have had to leave their profession and take to daily labour to earn their living ; those who are still carrying on their work do not earn a living wage. They earn between seven and eight annas a day per family.

Another man said that he owned twelve power looms and weaved both silk and cotton cloth. His factory produced two *thans* of 25 yards per day. He paid his workers six annas per *than* and his savings were four annas per *than*. He also weaves himself. His factory produces all kinds of silk cloth like saris, shirting, suiting, &c. If he prepares attractive designs in silk, his savings would come to Rs. two per day per loom. He has a shop and other means of income in addition to these power looms and is, therefore, doing quite well. He gets orders from all over India and was of the opinion that there is no lack of demand provided the cloth was of a good and attractive design. For this he said capital was very necessary. He himself has borrowed Rs. 1,500 from his co-operative society against his machinery, but can get no more money from them. If a man has a loom of sixty inches, the working expenses on it would come to about Rs. 2,000 per year. Plain looms would not be beneficial to instal as there is no demand for plain

cloth. He declared that demand was great and even if all the weavers were to have looms, there being enough electric power in Jullundur, they would become prosperous. It would, however, be necessary that they get good yarn. Thus there will have to be either two societies or the society must have two distinct functions, *viz.*, the supply of good thread and help in the actual weaving. It would be very essential to see that the weavers got good mechanical help as the machines constantly got out of order. It would also be the work of the department to get them good designs. All the weavers present agreed with these views.

They did not think that there would be much danger of over production as all weavers could not start power looms at once. but would take to it gradually and the demand was quite good for both cotton and silk goods.

In reply to Chaudhri Niamat Ullah they stated that co-operative societies generally made advances in kind, but recoveries were mostly in cash as there is no arrangement for selling the cloth they produce. A co-operative selling shop was started, but after working for four or five months stopped about six months ago. There is another shop belonging to the Said Kabir society which started about two or $2\frac{1}{2}$ years ago, but is not doing much work. The need for such a shop is keenly felt. The Lahore depôt has only Rs. 5,000 at its disposal, which it has to spread over the whole of the Punjab and so cannot do much for the Jullundur weavers. There should be a shop in each district.

They still carry on the old colours and have not learnt anything new along this line.

(Witnesses withdrew.)

Oral evidence of Zemindars and Co-operators, Amritsar.

A deputation of about forty zemindars, including co-operators, waited on the Committee. Of these six were not members of any co-operative society and two were not agriculturists but owned land. There were two from Ajnala tahsil, nineteen from Tarn Taran and the rest were from Amritsar. Three were Muhammadans, two Hindus and the rest were Sikhs. During the sitting ten or twelve more came in.

They said that the rate of interest at which they borrowed money from sahukars was about 24 per cent. During the war it was eighteen per cent. The reason for the increase was bad harvests and scarcity of money, and stoppage of foreign export.

Very few zemindars do money-lending, though during the war there were some who did this. Zemindars can borrow money either without security or by mortgaging their land. It is easier to get money by mortgaging land. Although the Land Alienation Act is in force, the sahukars still obtain possession of land by getting it registered in the name of some zemindar and making him write a pronote for the value of the land. This was said to be common in the district. It started with the Land Alienation Act and has steadily increased. The rate of interest on money obtained on mortgage is less than on money got without security. The two non-agriculturists said it would be Re. 1 on mortgage without possession, the others put the figure at Re. 1-8-0. This rate has also increased. It is, however, less than the rate for unsecured loans. Ornaments are frequently pledged in the villages. As the price of silver has fallen, sahukars advance only half the value of the ornaments pledged. Zemindars prefer unsecured loans as they can be obtained secretly and no disgrace is involved. If a man is known to have mortgaged his property he might find it difficult to arrange for the marriage of his children; so property is only pledged as a last resort. Women too are not willing to part with their jewellery. Land and houses are also given in security, the rate of interest is $15\frac{3}{4}$ per cent. The idea that there is disgrace in mortgaging property is lessening, but not to any great extent. They did not know that the Imperial Bank advanced money against ornaments. The two non-agriculturists said that there is difficulty in recovering unsecured loans.

If more money is made available for zemindars it should be given with great caution, otherwise it will do harm to them. If the money is spent on the improvement of land, it will do good, but for this education and understanding of the right use of money are needed. In villages where the people are more advanced and societies are good, more money would be of great benefit, but in the other villages people might spend it on ornaments or litigation. As a rule people suffer if they get too much money. In this district enough money can be had from Central Banks and co-operative societies for zemindars.

The reason why some who are members of co-operative societies still resort to the sahukars is that they are not educated and do not put the money to good use and so cannot pay back their loans. When the society refuses to advance more money they go to the sahukars. One member said that it was not easy to understand the principles of co-operative credit. There has been a society in his village for about ten years,but even now he cannot say that he has understood the matter in all its aspects. In the beginning people used to think that societies were only meant to advance money to their members as they asked for it. If more people understood these principles there would be fewer C class societies.

Since the last four years the debt of the district has increased. The main reason is bad harvests. Co-operative societies are helping their members by advnacing them money and the Central Bank has advanced Rs. 70,000 to societies for the purpose, but the people are finding it difficult to repay these loans.

During the war the expenses of zemindars increased considerably and have not been much cut down since. In those days some people bought a lot of gold, and now that the price has fallen they have suffered a great loss.

The remedies suggested for relieving the people of their indebtedness were reforming the customs of people, reducing of expenses and the starting of better living societies. In some villages marriage expenses have been considerably cut down. Better living societies when established will have as their object the lowering of general expenses and the reduction of expenditure on liquor and marriages. There are no such registered societies in the district at present, but people have formed such societies of their own accord and are trying to reform themselves. Means should also be devised by which people could augment their income. Now-a-days, a man of average standing spends about Rs. 2,000 on a marriage. The starting of consolidation of holding societies was another way of helping the people. This has been tried in one village, but it is too early to judge of the results. Without consolidation of holdings it is difficult to improve the land or to dig wells, but even under present circumstances more manuring should be done. This is specially necessary in *barani* lands. If holdings are consolidated, people will require money before they can improve the condition of the land, but at present they can only borrow at twelve per cent. Borrowing at this rate is only profitable when the money is used for digging wells, but if used for other purpose like better seed, etc., it does not pay. The Chairman suggested that they could get money on less interest from the Imperial Bank on the security of ornaments, but it was said that very few people had any ornaments left with them. If a man tills his own land he gets a return of only about six per cent so that even if he borrows money at seven or eight per cent it will not pay him. Moreover, a man can only expect to get a return of six per cent provided his land is good, gets canal water, uses good seed and sells

the produce direct to the consumer. At present a man sells grain at Rs. three a maund and has to pay Rs. six a maund when he wants seed.

Some people have bought land in the Nili Bar and in Bahawalpur, but they are mostly people from places like Lyallpur. They had borrowed money at Re. 1-8-0 or Rs. 2. and now find that the land does not pay them and so they have suffered loss. More people have not bought land in the new colonies as they have no money.

In reply to Chaudhri Niamat Ullah witnesses said that about forty per cent of the members of C class societies borrow money which they spend on purposes other than the one for which the loan was taken and they cannot repay the loan. If the Managing Committee use greater supervision these societies would not remain in the C class. There are cases of men who have been unable to meet their liabilities owing to failure of crops or death of cattle, but usually this is due to the money having been put to a wrong use. In the case of A class societies about five per cent. of the members go to sahukars. The sahukars charge a higher rate of interest. People who borrow from sahukars as well as societies first pay the creditor who troubles them most. Usually the societies get their money first. About two per cent of the members are turned out of societies as they do not pay their dues, others leave of their own account.

As people are selling away their ornaments goldsmiths in the villages are finding less and less work to do. During the war women started wearing finer clothes which was more unprofitable than spending money on ornaments. Expenditure on such unprofitable things can only be stopped by propaganda. The Akalis are trying to stop the use of ornaments ; but the main reason why less jewellery is bought is that people have no money to spend on it. It is also true that people now are taking to finer jewellery. If crops are good again and people get more money. expenditure on ornaments will go up again, though perhaps not to the same extent as before for people are now getting better educated.

There is only one central bank in the district. This bank gets more money than the unions. On the question as to whether a Central Bank should be opened in every tahsil, opinion was divided. Some said it will draw more money if the managing committee is good, others that success in such cases depended on co-operation, and if such branches were opened the influential people in the neighbourhood will be anxious to get their relatives appointed to the committee, and this would lead to bad feelings among the people.

When crops are good people spend more money on improving their land, and on litigation, ornaments and liquor.

Taccavi loans are not generally taken as people find them very expensive. Bribery is rife in the district and overhead charges on such loans come to about fifteen per cent. If such loans were given through co-operative societies zemindars will be benefited and recoveries

will be easier. There are still many villages which have not got societies. The staff being insufficient new applications are not being accepted.

The Manager of the Central Bank and a Director, who were also in the deputation, stated that the Central Bank had reduced its rate of interest on deposits as they found they were getting more money than they needed. Now deposits are stationary and they have sufficient for their needs. They felt sure that if they needed more money an increase in their rate of interest would bring it in.

In reply to Chaudhri Sultan Ahmad as to whether the meetings, etc., which were held some years ago regarding reduction of expenditure on marriages had had any effect on the habits of the people, it was stated that now ornaments are not displayed to any great extent. Clothes, however, are still given to the bride as before. The fees charged by pleaders are also less.

In reply to Lala Harkishan Lal witnesses said that the essential items of expenditure on land were digging wells, buying good seed and keeping servants. The price of cotton has not gone down, but wheat has become cheaper. Toria is getting dearer. Labour is getting more expensive, manure is costing more and land is getting less fertile. Bone manure is not available and is not used, a few people have started using soda nitrate but their number is small. Ordinarily people cannot afford it. One man said that it was also not beneficial. Zemindars do not make out a budget of their expenses, but always work on borrowed capital. As expenses increase more money is borrowed, as no provision is made for an increase in expenditure for the ensuing year. As a matter of fact they cannot afford to make a budget. People are so poor that they are even starving their cattle, this has resulted in higher mortality among cattle. Poverty leads to poverty. These troubles have increased during the last eight or nine years.

Goldsmiths have not had work for the last four years, and now there are neither ornaments nor goldsmiths in villages. The remedies they can suggest to alleviate the condition of the people is the spread of education, a reduction in the rate of interest, consolidation of holdings, and the opening of better living societies which should reform old customs and teach a more economical way of living.

Zemindars have to pay their debts as soon as they have sold off their grain. They do not sell when they can get the best price for the produce but when they need money. Some use more intelligent methods, but their number is few. The number of those who have any money to deposit after paying the land revenue and the sahukar is negligible. The bigger zemindars sometimes deposit surplus money in banks or spend it on motors or in buying more land. The other witnesses did not agree with the above statement of the non-agriculturist witnesses, but said that the motors referred to were really lorries which ran on hire. The opinion expressed by the two non-agriculturist witnesses that zemindars were now getting lazy was emphatically denied by the

others who declared that people worked as hard as they ever did. The non-agriculturists maintained, however, that since the last ten years people were getting more educated and did not like to till themselves, but engaged servants who did not take the same trouble with the result that the produce was getting less. The others said that those who tilled their land themselves worked very hard, but conceded that those who did not till but engaged servants or leased their land to others were getting lazy. The non-agriculturists said that the number of those who worked with their own hands was getting less, but this again was denied by the others. The latter said that zemindars were getting into debt because (a) the co-operative banks recovered money every six months and (2) the land revenue was more than they can pay. The zemindars' condition could not be improved owing to the special conditions of the district. On the average each family of eight or ten members had about three acres of land, in addition to which they got another three acres to till. The whole family including women and children work. This land produces just enough grain and fodder to suffice for their cattle and themselves. Land is now yielding less, the water rate has been increased, and water is not supplied when wanted. They did not agree with Lala Harkishan Lal when he said that perhaps the water spoilt the ground by bringing out the saltpetre. If they could get water after reaping the paddy they could sow something on the land, but now-a-days the land remains hard and is useless.

In reply to Lala Kishan Lal they said that even the sahukars are in a bad way and nobody in the district is prosperous. The non-agriculturists said that if produce was again exported to foreign countries, money would come in.

In reply to the Chairman they said that none of those present had any dealings with joint stock banks. Sahukars were leaving the villages and coming to the towns and mandis, but not to a very great extent. The reason for this migration was the difficulty experienced in recovering the loans already given, the spread of the co-operative movement, and bad crops. Sahukars do not usually deposit in co-operative societies, but two examples of deposit were quoted.

(Witnesses withdrew.)

Oral evidence of the Zemindars and Co-operators of the Gurdaspur District.

The following were present and stated as below :—

1. Sheikh Muhd. Secretary, Central Bank, Gurdaspur.
2. Chaudhri Allah Rakha,
3. Khan Sahib Alam Khan,
4. Chaudhri Rasila,
5. Chaudhri Ali Gauhar,
6. Chaudhri Din Muhd.,
7. Chaudhri Anant Ram,
8. Chaudhri Nagina Singh,
9. Chaudhri Tej Singh,
10. Chaudhri Ibrahim.
11. Doctor Gaya Ram,
12. Muhd. Shafi,
13. Chaudhri Gittan Singh,
14. Malik Abdul Rahman,
15. Malik Puran Chand,
16. Chaudhri Ghulam Dastagir,
17. Chaudhri Sultan Mulk, and several others.

Chairman.

We are all members of co-operative societies. Four of us come from Pathankot, 6 from Shakargarh, and 3 from Batala. Eight of us are presidents of the Unions. We don't support the allegations made by the indigenous bankers regarding the rates of interest. In Gurdaspur Tahsil the general rate of interest charged is Rs. 2 per cent. to Rs. 3 per cent per mensem. Those who are fair in their dealings are charged at the rate of Rs. 2 per cent. per mensem and others are charged at the rate of Rs. 3 per cent. per mensem. In Pathankot the general rate of interest is Re. 1 per cent. per mensem, but in lieu of interest grain is taken. When grain is taken in lieu of interest, two seers more than the ordinary selling rate of grain are charged. The average rate comes to Rs. 2 per cent. per mensem.

In Shakargarh the general practice is that if Rs. 100 are advanced as a loan, a bond for Rs. 125 is obtained as having been paid in cash.

Chaudhri Rasila said that the bankers have begun to charge higher rates of interest ever since the establishment of the co-operative societies. If a loan of Rs. 400 is advanced, a bond for Rs. 500 as principal is obtained, and certain other penal clauses are also provided in the bonds.

Chairman.

Sheikh Muhd said that in the Shakargarh tehsil there are only six or seven sahukars who use their own capital; others borrow from the town bankers at 6 per cent. or 9 per cent. and lend at higher rates. These small money-lenders often obtain credit from the big indigenous bankers on the security of ornaments. There is no such custom of keeping deposits with the indigenous bankers.

In Gurdaspur tehsil the rate of interest is very high. The agriculturists of sound financial position obtain credit at the rate of 25 per cent. per annum and those of average or poor class are advanced at the rate of Rs. 3-2-0 per cent. per mensem. In addition to these high rates the money-lenders employ their crooked ways as well.

In the Central Punjab the general rate of interest is Re. 1-9-0 per cent. per mensem, while here where there are so many co-operative credit societies, the rate of interest is higher; why is this? On the Kalanaur side there is no co-operative society and consequently the villagers have to go to the money-lenders for credit facilities. In Lakhan there is a union, and now those who are members of the co-operative societies do not have money dealings with the money-lenders; while the non-members go to the money-lenders and they are charged high rates. Only such persons are non-members as are financially very weak. The weaker must go to the wall. In the radius of the Lakhan union ninety per cent. of the villagers have become members of the societies. There are at present 65 co-operative societies, of which forty are affiliated with the Union and 20 with the Central Bank. Within the radius of the Union there are at present 11 villages in which there is no society. There are two reasons for such high rates of interest; first that only such persons go to the money-lenders who are very poor, and secondly, the Sikh agriculturists do money-lending themselves and are not in favour of co-operative societies for personal motives. About 25 per cent. of our villagers are financially so weak that they cannot be made members of the societies, because they are sure to prove defaulters. Propaganda is required to make all the villagers members of the co-operative societies. Nearly eighty per cent. of villagers are members of societies.

In Shakargarh ten per cent. are not members of the co-operative societies.

In Pathankot there are 120 societies. There are fifty per cent. of such persons who are financially very weak and should not be made

members. In Pathankot either the agriculturists are financially very sound or extremely poor. Propaganda should be made amongst the poor classes to make them members of the societies. If the advantages of the co-operative societies be made known to them, they are sure to become members. There may be hardly 10-15 per cent. who are not fit to become members.

The Sahukars charge compound interest after two or three years. The poor agriculturists don't require a large amount of money and it is advisable that they should also be enlisted as members. The indigenous bankers advance at high rates because it is very difficult to make recoveries from them.

In the Batala Union Rs. 40,000 represent deposits received from the indigenous bankers; in the Union represented by Chaudhri Allah Rakha Rs. 25,000 represent deposits from the bankers. The Unions Pay interest on deposits at the rate of 7 per cent. per annum.

The small village money-lenders charge interest at 2-3 per cent per mensem, the big Sahukars don't charge more than/12 per cent. per annum. The allegation made by the indigenous bankers that there are good many difficulties in recovery, is not well founded. The indigenous bankers make full recoveries by adopting illegal means.

In the Batala Union at present Rs. 1,00,000 of the deposits belong to the indigenous bankers. As their money-lending business is not flourishing, therefore they are making deposits with the Union and accept a lower rate of interest. The total amount of deposits in the Batala Union is Rs. 4 lakhs. Those societies whose members are financially sound are working satisfactorily; others not. Another reason for depositing with the Unions is that either the money-lenders and bankers are afraid of dacoities or there are no trained members in their families to conduct this business. They advance loans only to such persons from whom they can easily recover.

The number of defaulters is decreasing. The agriculturists have not got sufficient credit facilities. Roughly Rs. 500 per family are required in the case of agriculturists owning 5-10 *Ghumaons* of land to liquidate their debts. Those who are members of A and B class societies are very fair in their dealings. They go only to the co-operative societies for raising loans and not the Sahukars.

Chaudhri Allah Rakha said:—The needs of the members are adequately met by the societies. In our society there are 34 members, of whom hardly 6 or 7 are such as require more than the limit fixed for them. Our society is A class society. The Chairman said that some were in favour of extending more credit facilities to zemindars, while others thought it would make them extravagant. Asked which view he held Chaudhri Allah Rakha said definitely that more money should not be given, and the rest generally corroborated that.

Sheikh Muhammad stated that people spent more than their actual needs, and that he agreed that those who were fair in their dealings should be given more credit facilities, while others should be refused them.

Lala Harbishan Lal.

The actual needs of an agriculturist are bullocks, land revenue, marriage expenses of daughter or son, seed and feeding charges. If a man has got 10 bighas of land, of which 5 are cultivated and the remaining five are lying waste, and he comes to the society to raise a loan in order to make the remaining 5 bighas culturable, the society would advance the money required, and if it exceeds the limit fixed, in that case the limit would be raised. If a man cultivates the land of another on the Batai system and wishes to raise a loan from the society in order to purchase some land for himself, the society would avdance the loan applied for considering it as an absolute necessity. A society would also finance the sinking of wells.

Lala Harkishan Lal.

Are resources sufficient really to induce people to improve their lands? In the first place, with the exception of the Pathankot Tehsil, 99 per cent. of the lands are already cultivated and, secondly, such loans are not required. We have never received any such application, nor was there any complaint about the insufficiency of land.

If any body comes for obtaining credit in order to cultivate waste lands, have you got sufficient money to meet the demands of such a person? (Chaudhri Ibrahim replied): I think money is not sufficient to meet such demands. I am an Arain and a Director of the Batala Union.

Doctor Gaya Ram said :—Money is quite insufficient for such demands. I am President of the Batala Union.

Chaudhri Rasila agreed that money was not sufficient for such demands.

Have you ever considered the question wherefrom you should get the money for such necessities? People go to indigenous bankers mostly for the reason that they cannot get sufficient money from the societies to meet their demands. Government can help us out of the difficulty. Loans on the lines of taccavi system should be advanced, and propaganda should be made amongst the public to attract more deposits and the limits fixed for members should be raised. The Central Banks and the Provincial Bank should also advance loans for such necessities.

Do you suffier any loss under the present system of sale of produce? We propose that commission shops should be started. We really suffer

great loss. One commission shop has been started at Dinanagar. It was opened two months ago. At Shakargarh it was opened when there were no railway facilities available. The grain was stocked there and on account of want of transport facilities we suffered a loss. If we had a market at Shakargarh, we would make a profit. Yes, there is an improvement in the Gur-making industry. The agriculturists prepare it themselves. There is no cotton ginning or any other industry in this District.

Khan Bahadur Chaudhri Niamatullah.

The Batala Union has got an overdraft account with the Imperial Bank. We have drawn Rs. 5,000 or Rs. 6,000 from our account. The Central Bank has got an overdraft account of about 2 lakhs with the Imperial Bank. Rs. 1,00,000 of the Central Bank is lying there, Rs. 32,000 of the Provincial Bank are lying with the Central Bank, and Rs. 20,000 of Kala Afghan are in the hands of the Imperial Bank. It lies in our power to decrease or increase the limit of any member. We make the following suggestions in order to reduce the debts of the agriculturists :—

(1) More co-operative societies should be opened ;

(2) The personal expenses of the agriculturists should be reduced ;

(3) They should be prohibited from going to the indigenous bankers for credit facilities ; and

(4) Their maximum credit limits should be increased.

We favour the proposal that if once the society liquidates all the debts of an agriculturist and he subsequently raises some loan from the banker, the subsequent loan should be declared void.

The members of the co-operative societies now invest less than before in gold and silver ornaments. The village goldsmiths complain that now the agriculturists invest very little money in gold and silver ornaments. They have now migrated to other districts and earn their livelihood by labour. They are making this complaint for the last 5 or 6 years. Where there are co-operative societies, the villagers take taccavi loans in very small quantity. We are in favour of the proposal that taccavi loans should be advanced through the agency of the co-operative societies. In getting taccavi loans from the Government direct we suffer a loss of Rs. 8-12-0 per cent. in the form of illegal gratifications. First of all we have to approach the Tehsil Moharrir ; then the Patwari, then the Girdawar and last of all the Tehsildar of the village concerned, and we have to incur a good deal of expenses. Moreover, taccavi loans are not advanced according to the needs of the applicants.

There is no system of compulsory deposits in our societies. The thrift societies have got such a system. These societies exist in towns only. Every person, irrespective of caste and creed, can become a member of a co-operative society. Formerly *kamins* were not allowed to join a society, but now this restriction has been removed. The co-operative societies have proved very useful and helpful wherever they have been established. There is only one Central Bank in the District. There should be a central bank in every tehsil of the District.

There are three Unions in Gurdaspur, 2 in Pathankot, 5 in Shakargarh and 5 in Batala.

Chairman.

If there is a good harvest, the agriculturists pay off their debts, and those who are free of debt invest the surplus in land. Very few agriculturists keep deposits in the co-operative bank. The sole ambition of an agriculturist, if he has got spare money, is to acquire as much land as possibly he can.

Khan Bahadur Chaudhri Niamatullah.

Depositors draw cheques on the Central Bank. The cheques are filled in in English. We accept cheques signed in Urdu. Cheques bonds are received by the Central Bank by insured cover. The Central Bank has got the specimen signatures of the drawers of cheque bonds. Moreover, such cheques are endorsed by the Inspectors of the Co-operative Societies. It is necessary that the Central Bank should have specimen signatures of the Secretaries of the Co-operative Societies. We approve the suggestion that land revenue should be paid to Government through the Central Bank.

If a member of a society can raise loans up to a limit of say, Rs. 300, and if he has to meet incidental charges in the shape of death or marriage, how can he meet this demand? If the society considers that the need is a genuine one, they would raise the limit.

Rai Sahib Kishan Lal.

The Co-operative societies charge interest at the rate of 12½ per cent; the indigenous bankers' rate of interest is 25 per cent. The latter class easily recovers this high rate of interest.

Chaudhri Allah Rakha said:—The bond was renewed for Rs. 600, including principal and interest. In hardly 5 per cent. of his dealings is the money-lender unable to recover his full dues.

Oral evidence of Zemindars and Co-operators, Rawalpindi.

Six members of the deputation were from the Rawalpindi tehsil, two from Kahuta, seven from Gujarkhan and one from Murree. Two were not members of any co-operative society. In addition, M. Ghulam Hassan Khan, Pleader and Honorary Secretary, Central Co-operative Bank, Mianwali, was also present.

Asked by the chairman as to the prevailing rate of interest at which money can be borrowed from sahukars, they stated that the rate for Gujarkhan for the first six months of the year was four pies per rupee per month. After the first six months compound interest was charged on the amount *plus* the interest accrued on it, which amounted to about 37½ per cent. And so the money kept on accumulating till in the third year it was doubled. In Kahuta four annas in the rupee were charged by the sahukar as *multana* at the time of giving a loan, but a bond for the whole amount was taken and interest charged on the whole amount at four pies per rupee per month. Sometimes the rate is reduced in the case of people with good credit. In Rawalpindi the rate varies between 24 and 100 per cent. *Multana* is also charged at 25 per cent. As regards Mianwali, the rates are different for Bhakkar tehsil as against Mianwali and Isakhel tehsils. In the latter tehsils the rate for the richer people is 12 per cent., for the others it varies from 18¾ to 37½ per cent. In Bhakkar the usual rate is 37½ per cent. A certain term is fixed during which the usual rate is charged; and, if the money is not paid within that time, compound interest is added every six months and the rate is also increased. The rates were the same about thirty years ago and *multana* was also *charged*. The only difference now is that the sahukar does not get free fodder for his cattle, nor can he get his debtors to do free service (*begar*) for him. Before 1900 the sahukar used to oppress the people very much, but now things are better. People do not trust all the accounts to the sahukars as in the old days, but keep count themselves. The chief object of the sahukars thirty or forty years ago used to be to get hold of the land, so he charged exorbitant rates of interest. In Murree it was the custom for the zemindar to take double the quantity of grain that he lent out, and take repayment for cash in ghee. Even now a sahukar can get anybody into his clutches, but, owing to the people getting more educated by the opening of co-operative societies, his work is getting less.

There are no agriculturist money-lenders in the district.

Many members of co-operative societies still go to the sahukars. One reason given for this was that the people are too lazy and careless and do not repay loans taken from the societies and so have to go to the sahukars when in need of more money. The case was quoted of a B class society where the members are not allowed to go to the sahukars; and they feel it most derogatory to be called on every six months by the inspector to pay back their loans

It was admitted that this was not really a handicap to the members, but was only due to ignorance on their part. The case of two other societies was quoted where the members are not allowed to go to sahukars. One was a society just opened.

Most thought that members persisted in going to sahukars owing to their mentality and character, and until this could be changed there could be no remedy. The zemindars are so improvident that, as long as they have something in their store, they spend freely and make no budget. When the stock of grain is nearly spent, they begin to look round and generally end by going to the sahukars. Much money is spent on marriages and death ceremonials, and the starting of better-living societies is urgently needed. In many cases zemindars have taken to trade and require more money for their needs. This is especially true of the hill tracts where the land is not at all fertile and people are taking to other business. Those who are purely agriculturists have enough money for all their legitimate needs. This is also true of the Mianwali District. If more money is made available it is feared that only about 4 or 5 per cent of the people will not borrow more than they really need. At present the different societies can always meet the legitimate needs of the members, but members still persist in their bad habits and go to the sahukars. A lot depends on the managing committee of a society. If it is composed of people who have influence among the members, they can always keep them from borrowing outside. It was pointed but by one member of the deputation that the legitimate needs of the zemindars are also increasing, as now they have to spend more on travelling, and on clothes which in the olden days used to be made by the women at home.

The co-operative movement has touched only a very small percentage of the people as yet. As a rule only the more educated and intelligent people have joined the societies. People generally need money during January, February and March when they have exhausted their supply of food-grains and give sahukars bonds for double of what they borrow and thus get involved in large debts. Sahukars also carry on a vigorous propaganda against the co-operative societies, saying that by this means Government is trying to deprive the zemindars of their land. Asked by Chaudhri Sultan Ahmad as to whether the people still believe such things when the societies have been working for about twenty years and nobody has so far lost his land, they said that people are still very ignorant in many places. They stated that a vigorous propaganda should be started by Government.

M. Ghulam Hussain stated that at present the Co-operative Department is devoting itself to consolidating the societies already opened rather than to opening more societies for the benefit of those who are still outside the movement, and that the urgent need was the opening of new societies. People were ready to join new societies if they were opened.

He further stated that the sahukar was very necessary at present and would continue to be of use for a long time as neither Government nor the societies can hope to meet all the needs of zemindars for many years. It was therefore necessary that the sahukar should be brought under some legislation which would check the evil that at present results from his activities and from charging exorbitant rates of interest. The Money-lenders' Bill passed by the Council has partially restricted the evil, but it is not enough as the sahukars can get over the restrictions by deducting the extra interest at the time of giving a loan and then taking a receipt for the full amount. It is difficult to devise any method by which this evasion can be stopped ; but, if legislation of this nature is passed, it will act as a check and the practice will certainly become less just as the Land Alienation Act is sometimes evaded by *bainami* registrations, but, even so, more or less secures the land to the zemindars. In any case evasion will not occur in cent per cent cases. The registration of a certain number of sahukars by Government as suggested in the questionnaire of the committee would not, in his opinion, be of benefit. For one thing it would be creating a monopoly. Since the passing of the Money-lenders' Act, many people who had money which they used to lend out on interest have started to withdraw it and deposit it in banks.

The reason, why new societies are not being opened, is the paucity of staff; but, if more are opened, there is no question that they will be successful. Opening of new societies will, however, take a long time and the first necessity was to place some restrictions on the sahukars. He suggested that the maximum limit of interest should be two pice in the rupee. The rest of the members thought this was too high a figure and said that the maximum should not be more than 1 per cent. M. Ghulam Hussain pointed out that the civil court returns show that a rate of two pice is even now being paid by many persons.

All members declared that the profits of sahukars were enormous and they became rich very soon. It is not now so difficult to realize money as it used to be, as, according to a recent ruling of the High Court, if a man is declared insolvent, his land can be sold up so that a sahukar, who had to spend a lot of money in obtaining a decree and getting his money, can now by spending a rupee on stamps, send in an application and have a man declared insolvent. In the Mianwali District the rule that a man cannot dispose of inherited property was said to be non-effective. As regards recoveries out of court, it was said that about 85 per cent of the money was thus recovered.

Another restriction, which it was suggested, should be placed on the sahukar was that he should be made to give a receipt for any amount paid back to him. The chairman pointed out that, if things are made very difficult for the sahukars, they may refuse totally to deal with the zemindars. It was stated in reply that this would be of immense benefit to the zemindars who, finding themselves unable

to get money, will become more industrious and also try to find out more ways of earning money.

Zemindars were not aware that the Imperial Bank was advancing on ornaments at 7 per cent. This would not be of much use to them, however, as in the villages the people did not have many ornaments, and even those were not all of pure gold.

Difficulty is felt by execution unions in recovering money from members who fail to pay up. The machinery is defective as, when a non-paying member runs away from one district to another, the unions are put to a lot of expense. It was suggested that this question should be tackled on a provincial basis. A central agency should be formed to watch central banks and see that recovery is properly made. The P. C. U. should take this up.

Illegitimate charges in taking taccavi come to about 10 per cent. It will be a benefit if taccavi is given through the societies as this charge will be deleted. Secondly, it will be good propaganda for the societies. It was admitted that in some cases recoveries would be difficult.

During the floods a loan of Rs. 80,000 was given to help rural societies. The Central Bank got money at 6 per cent and advanced this at 6½ per cent and the societies charged their members 7 per cent. The maximum credit limit of members was increased after enquiry by a special staff composed of inspectors from other districts and loans were given within those limits. More heed was given to the requirements of members than to their power of repayment. The period for the repayment of the loan is two years ; and, if it is not repaid, then the rate of interest would be increased to 9 per cent. No maximum limit was fixed. The advances were paid within a month of the floods. Government also gave taccavi loans amounting to about 4½ lakhs. This has made the societies fearful lest their advances are not paid back in time. This taccavi was given before the societies' loans. No special taccavi was sanctioned by Government for the purpose, but the balance of the previous year's taccavi was distributed. Of the money advanced by banks, no money was wasted in useless things. No general complaint has been received that the recipients did not utilize the money on the purpose for which it was taken.

It was admitted that more money has been borrowed in the district from sahukars than had been advanced by the societies. People who have borrowed from both sources generally repay the societies first. The people are too poor ever to have any surplus money. The few, who are military pensioners, do not have much surplus and use whatever they save in getting more land or digging wells. Very few ever lend out such money.

It was stated that people would certainly prefer to pay their land revenue through the central banks than into the tehsil as is the custom at present.

Long-term loans are taken by mortgaging land. A mortgage bank was started, but did not succeed. The land is in fragments, and, being of very many different qualities owing to the uneven nature of the ground, cannot be consolidated.

The opening of co-operative societies has affected the business of sahukars, but not to a very great extent and they have been able to find other employment for their money. Land is never mortgaged without possession. When mortgaged with possession, the lender does not get a return of more than 2 per cent., excluding labour and other charges. Zemindars prefer to take loans on personal security. *Miadi* mortgages are given very seldom.

In Mianwali also, loans are given without security.

(Witnesses withdrew.)

Oral evidence of the Zemindars and Co-operators of Montgomery.

The following were present :—

Chaudhri Nazir Ahmad Khan, Pleader, Montgomery.
Chaudhri Nazir Hussain, Lambardar.
Hafiz Saiyid Khalilurrahman, Honorary Magistrate.
Subedar-Major Ali Mohammad, Lambardar.
Mr. H. T. Conville, Convillepore Farm, Montgomery.
Captain L. H. G. Conville, Convillepore Farm, Montgomery.
Chaudhri Sultan Ahmad, Zaildar.
Chaudhri Abdul Karim, Lambardar.
Chaudhri Imam Din, Naib-Zaildar.
Chaudhri Karam Bakhsh, Zaildar.
Sardar Kirpal Singh, Lambardar.
Chaudhri Shahab Din, Lambardar.

We are all members of the co-operative societies, with the exception of three. We all come from the Montgomery tahsil. For agricultural pursuits we generally borrow either from the sahukars or from the co-operative societies. The joint stock banks or the Imperial Bank don't advance loans to the agriculturists. About 99 per cent of the agriculturists are in debt. The sahukars charge interest at the rate of 25 per cent. They charge compound interest after every six months. Whether with or without settlement of accounts the sahukar charges compound interest after six months. In the case of uneducated persons interest is added to the principal without the settlement of accounts and in the case of literate zemindars interest is added after settlement of accounts. Want of capital is the cause of compound interest.

The adding of interest after six months is an old custom in the district. At the time of advancing loans the money-lender adds interest for the first six months to the principal and obtains a receipt for the amount as having been paid in cash. When advancing loans, they charge discount (*chilkana*) at the rate of Re. 0-1-0 per rupee. It is only in very exceptional cases that they don't charge discount. On loans advanced in cash they charge *sawai* (one-fourth of the quantity as interest at the harvest time). At the time of repayment all the advances made in kind are converted into cash at a lower than the actual market rate.

The general practice here is that the agriculturists carry their produce to the commission agents to whom they are indebted. The commission agents make advances on the condition that the produce is sold through them. The commission agent does not charge his commission at a higher rate than the bazaar rate. (Here some of them disagreed. They said that a higher rate of commission was charged.)

The village money-lender purchases the produce at a lower rate than the prevailing mandi rate, say, Re. one per maund less than the

market rate in the case of cotton and Re. 0-8-0 to Re. 0-12-0 less than the market rate in the case of wheat. The produce brought to the commission agents for sale in the market fetches the market rate. They don't consult us at the time of fixing the rate. The produce is sold in the presence of at least four or five bidders, but the prices are fixed under a cloth.

In the case of cotton at the time of weighing they charge discount in proportion to the quality of the produce at the rate of Re. one per maund, and the amount of discount increases with the maundage of cotton. We generally get the price of the produce on the same day; occasionally after two or three days, but in very rare cases we have to wait for a month or so for the price.

Why don't you start commission sale shops?—We have got one at Chichawatni. It is competing favourably with twenty commission agents there. When the shop was started in Chichawatni, the commission agents tried unsuccessfully to crush it. They charge some commission for the "Gaushala" ever since its start. At Arafwala there is a commission shop, but we don't know much about it. About 1-30th of the produce brought to Chichawatni is sold through the commission shop. The reason for this small quantity of sale is that the agriculturists cannot get credit if they sell through the commission shop.

Sardar Kirpal Singh, Lambardar, said:—I am Vice-President of the commission shop. All the members of the societies bring their produce to the shop for sale. We advance 75 per cent against the produce. At the present moment the debts of the agriculturists are more than what is available with the co-operative societies. If all the debts were cleared off, then the whole produce could be sold through the commission shops. It is a general impression that the commission shops have not proved successful. There have been some embezzlement cases, and moreover the co-operators have not got the spirit to run them successfully. At Chichawatni the commission shop was started with 200 members, and now it is said Rs. 18,000 are required to run a commission shop successfully. One reason of its failure is that the zemindars have no experience of business matters. If we could get trained men, we could run the commssion shops successfully. Co-operative commission shops should be started in all the markets in the district.

We can't say if any big zemindar has obtained credit from any bank on the security of produce.

Chairman.—Have you heard that the Imperial Bank advances loans against ornaments?—We have not heard of it.

The Imperial Bank advance loans on the security of ornaments at 7 per cent. Why don't the agriculturists go to the Imperial Bank instead of borrowing from the sahukars at a very high rate?—The agriculturists have not got ornaments. If you go to a village, you will find hardly one or two persons who have got gold ornaments.

(Mr. Conville does not corroborate their statement). If people come to know that the Imperial Bank advances loans on the security of ornaments, they would gladly go to it for credit facilities. The womenfolk won't object to the ornaments being pawned in time of need. The agriculturists don't consider it derogatory to go to a bank for obtaining credit.

Our members also go to the money-lenders for credit facilities, because in case of persons whose limit of credit is reached, they cannot get more credit from the society and have to go to the money-lenders in time of need.

If the harvest is good, the agriculturist first pays to the society and then to the money-lender. The latter does not bother him during the limitation period. The society charges 12½ per cent. Hardly 10 per cent of the borrowers of the society repay their debts without demand.

The agriculturists require credit facilities for three purposes; for the payment of land revnue, for personal expenses and for agricultural pursuits. The societies have not got sufficient capital to meet all their demands. A member cannot borrow from the co-operative bank at all times for payment of land revenue. There is a limit fixed for each member. The agriculturists require education to know the right use of money rather than more finance. The agriculturists should be advanced less money, but should be taught the right use of the capital.

Why don't the people go to the bank when it advances at a lower rate of interest than the money-lender who charges an exorbitant rate of interest? Because the co-operative bank oppresses us for payment of the debt due to it.

Chaudhri Nizam Din said:—We would like to have accounts with the bank provided there are sufficient credit facilities.

Are you in favour of the suggestion that if once the debt of a borrower is liquidated by the society and subsequently he borrows again from the money-lender, the subsequent debt should be declared void? The limit fixed in the case of each member is a troublesome question. If a man is advanced sufficient to liquidate his debts entirely, he would be able to better his position. The limits fixed now are a hindrance in the way of the agriculturists. In addition to the legitimate dues payable to Government, we have to meet the following charges at each harvest:—

Rs. four are paid to the Wasil Baqi Nawis.
Rs. two are paid to the Siah Nawis.
Something to the Patwari.
Rs. two to the cashier.

The society does not experience any difficulty in making recoveries after obtaining decrees.

(Witnesses withdrew.)

Oral evidence of Mr. H. T. Conville of Convillepore Farm, Montgomery.

Chairman.—How much land do you farm?—3,000 acres.

Since when?—From 1915.

You have heard what these zemindars have said about marketing. Do you generally agree with their opinions as regards the difficulties in the mandis?—I don't think they are fair to the market people. My own experience is that you must have *arhtis*.

Do you think that the *arhtis* on the whole treat their cultivator customers fairly?—Yes; otherwise the cultivators would not go to them. They are very wise in this respect.

It has been suggested that in dealing with the local man they have more assurance of being well treated than in dealing with the man in the mandi?—Because they have bullied the man in the village. They have not got the same influence in the mandis.

Therefore the man in the mandi does not treat them well?—Because they have not got the same influence over him.

Do you think they can be more certain of straightforward dealing from the man in the village than the man in the mandis? They have all the facilities there.

Do you think that under the present conditions he gets a fair price for his produce?—Yes; it all depends on the standing of the producer as to what his liabilities are.

I take it that if a person is very seriously involved in debt, he gets lower prices and that the man who has a clean slate gets better prices. What about the man who is between these two?—He gets a fair deal.

Do you think that in this part of the country the debt of the agriculturists is increasing?—Yes, it is.

What is that due to? That is due to their standard of living extravagantly. When the zemindars get good prices they leave the work to other people and spend more money.

Do you think then that the zemindar is working less?—Yes, the landlord, whether big or small, is working less; I mean those agriculturists who have got lands of their own.

Is he working less than he used to?—Yes, but now the conditions have improved somewhat since the price of his produce has gone down to the normal rates. The combination of those two factors (less work and more expenses) has of course helped in reducing his income and consequently the debt is increasing.

Have you any experience of the co-operative movement?—Yes, I started co-operative movement here and have written on the subject very largely. I am an advocate of this movement. I started a co-operative society here with seventeen or eighteen members for the

supply of good seed, ploughs, agricultural implements, but people did not take any lively interest in it. I stopped it about five years ago.

Chairman.—What was your difficulty ?—To get them to attend the meetings. All they wanted was to take the opportunity to get us to write letters and get better land in exchange for theirs. But we cannot be bothered with this kind of thing. We did in one or two cases, but they would not go any further into the business side. They want good seeds, good implements and the means of working them. The chief difficulty is that of good seed. If they are able to get that they would get better crops.

Perhaps that was because you were trying to establish the societies among the Janglis and the Baluchis who are less inclined to combine. No they were not all Janglis. Bashir Ahmad, who was here just now, was one of them. We were out to help everybody.

In view of the difference of character between Janglis and others, would not the co-operative system be more difficult to work with Janglis than with colonists ?—I think so, but all were not Janglis.

To return to the subject of finance there are obvious defects in the present system of finance for the cultivator. What do you think is the best remedy for these defects ?—Well, there is your co-operative banks. Then certain local men might be put on the register who will give securities just as banks and allowed to give help to zemindars and give a straight deal.

Do you mean that Government should deal direct with zemindars ?—He may be a money-lender. When a man pays in security in Government paper, Government will have some hold over him. You need to protect the money-lender as well as the zemindar. At present sahukars have got a bad name. However, if he is on the register that would hold him in some way so that he will not deviate from doing anything he ought not to do.

What facilities would you give him ?—Help in recovering his money from a man who will not pay.

Such as what ?—In the law courts. There is a law in the High Court, I know, that all commercial cases should get preference. I would also make it apply to the present case. The matter should not be delayed, so that a man would not have to wait. At present there is no hold over a man who borrows and he might run away.

What other facilities ?—Are you in favour of Government advancing money to registered money-lenders ?—Not necessarily if he can do without it. If he has given security, Government can advance to him.

Would you only give him an advance against Government paper ?—Also advances against security.

What do you consider a fair rate of interest ?—According to the market rate. A little more because he has got to earn his livelihood from this business.

What kind of a maximum rate have you in mind ?—12 per cent.

That would mean that a sahukar could not do business with people at a higher rate. Yet in a large number of cases it would probably not pay him to do business at 12 per cent. It would pay him.

Would it not restrict him in his business ?—Upto a certain point but it would be more clean business.

Would it not be possible for him to advance money at a higher rate of interest ?—Then he would not be covered and would do it at his own risk. It would be like a man gambling secretly.

He might give advances at more than 12 per cent. and conceal the fact. He might, for instance, advance at 20 or 25 per cent. and yet obtain facilities for recovery ?—If people knew that he was not protected, he would be liable to lose the money.

He might safeguard himself by deducting the extra interest before the loan was made ?—That is being done now. There is no means of dealing with that.

Would you be in favour of having the licensing system as well as the co-operative system ?—I think the co-operative system is much more extensive and would help much more. I am more in favour of the co-operative system.

Do you think the cultivator requires more money ?—Not under the present conditions. He has got sufficient to get on with.

Then he is paying too high a rate of interest ?—Yes.

What do you think the money-lender makes over a period of five or ten years ?—He has also got debts. It would not amount to the interest he charges.

What would be his net profit ?—About 15 per cent. That is my private opinion. It may not be even that much.

Rao Pohap Singh.—It is said that the productivity of land is going down in this part of the colony and in Lyallpur. Is that correct ?—Yes, this is correct.

Chairman.—Is that the case in your own farm ?—During the first five years there was much better yield. This year the yield is better than last year. I am talking of the district. I pay Rs. 10,000 to the municipality for manure.

Is the produce steadily increasing ?—No.

Land is not deteriorating ?—Cotton is deteriorating. Wheat is increasing.

Do you have to use manure to keep it up to the standard ?—Yes.

The ordinary cultivator does not do this ?—He cannot. We use more manure, more scientific appliances, green manure, &c.

Is there any reason whey the oridnary cultivator should not do so ?—His seed supply is bad, his system of tillage is bad.

If he had got good seed ?—He would have much better results.

If he followed your methods, would he obtain much the same results ?—Yes. There is no reason why he should not follow my methods.

Rao Pohap Singh.—What are the reasons that they are not using your methods ?—He is too lazy. There must be some reason. I would not like to be rude to him.

Chairman.—To what extent is it due to lack of capital ?—It is not due to that.

We were told yesterday that it was due to lack of labour and skill ?—Yes, that is one reason.

Rao Pohap Singh.—Does he know of these methods ?—He ought to know and he has every facility to know. There are farms all round him.

Are any people taking advantage of the example set by you ?—Yes.

Then if the knowledge goes to some of the people they will benefit ?—Yes.

If by using these methods the zemindar got more income will he spend it wisely or will he spend it for uneconomic purposes ?—I could not tell you. I myself used it on my farm, for a hospital, houses, godowns, &c. I see more motor cars than I saw before and that may mean that they are indulging in various luxuries.

They do not spend it on improving the condition of the land and improving the condition of cultivation ?—I would not like to make a general statement. There may be some.

How many people among the zemindars do you think are provident enough to save money ?—At the present moment the zemindars are in a very bad way.

Chairman.—Is that for the reasons you mentioned ? higher standard of living, fall in prices and more expenditure on luxuries ?—Yes.

Except that prices are falling, the remedy is in their own hands ?—Yes.

Rao Pohap Singh.—Do you think that people are becoming slack because debt has increased so much that they have become desperate and know there is no coming out of it ?—I think they are used to too much luxury.

Chairman.—Do you find your tenants work less hard than they did ?—No we do not let them do that. We work in co-operation. I do not pay them wages, but work on the half batai system. They work in accordance with our instructions.

Does he require more supervision than he did ?—Yes. Ordinarily if the landlord is idle, the tenants will not work. There is an old Punjabi saying "*kheti khasma seti*", which is very true.

Rao Pohap Singh.—How would you help the tenants or landlords to improve their condition ?—I think certain assistance in their seed supply, which I think at the present moment is the most important thing, needs to be looked into. They should buy their seed from the Agricultural Department, but the Agricultural Department cannot sell at the market rate and then they charge cash. If zemindars could get it and pay from the price of the crops, it might be of help.

It might be supplied through the co-operative societies ?—That would be good.

Can you suggest any other help ?—Implements. At the present moment they use the desi plough, which is simply a harrow. I use the desi plough in my farm to harrow.

Chairman.—Have you any suggestion to make on the banking side, as to how the banking system of the country can be improved ?—Merely as a layman. I think banks should have more agencies or correspondents in every place. The Imperial Bank has certainly come here, but I do not know whether they have helped considerably.

Do you yourself get the banking facilities you require ?—I get from my bank.

Are you satisfied with them ?—Yes.

So far as you yourself are concerned, the present banking facilities are adequate ?—Yes.

Do you think that before banks were established there were more facilities ?—Yes.

What facilities were given that are not given at present ?—At present if I want to buy anything from say Bahawalnagar, I have to send my man with money. In the old days the sahukars had correspondents there and I could get my money there on getting a note from them.

You have to send money, because there is no branch of the bank there ?—Yes.

What facilities ought to be given ?—Well suppose a local bank had a correspondent there, they might write to him to allow me some money and I will pay the money in here.

You cannot arrange that here ?—No.

How would you arrange it ?—These banks have no correspondents in Bahawalnagar.

Is it because sufficient business is not done and it would not pay the banks ?—No, for then thirty years ago it should have been inadequate also. At that time we had no banking operations in any of these mandis. But more money was about and the local people circulated more money. There were more *shroffs* in Sind and the Punjab than now and more hundis were in circulation.

Then thirty years ago it was easier to move money from one place to another than now ?—Yes. Owing to the presence of the *shroffs*.

Why are there less *shroffs* ?—They have gone into liquidation.

Why is that ?—Higher rate of interest and opening of mandis.

You mean that they have had to pay higher rates of interest ?—Yes and competition with exporters. The big *shroffs* have suffered, although the mandis have benefited.

Then the competition is with exporting firms and not with the joint stock banks ?—Yes. The exporting firms have started their branches in the mandis. In the old days they used to sit in the big towns and move their money through the *shroffs*. Now they make use of these banks.

Then you mean that the joint stock banks have cut out the *shroffs* ?—Yes.

But under the old arrangement you were able to send money to all places ?—Yes. I had simply to give a man a guarantee that I had the money I wanted him to disburse. The local *shroffs* had their branches all over the Punjab and would send the money where I wanted it.

How long ago was that ?—It is still existing, though to a very limited extent.

When did they begin to decline seriously ?—From 1910. I should say since the opening of many colonies and mandis.

Do you think it would be possible to revive the indigenous banker ?—I should think so if he got some encouragement from Government. The *shroffs* might be asked to deposit security with Government as is done by banks.

Would you prefer an extension of the joint stock system of banking to a revival of the indigenous system ?—An extension of the joint stock banks because you will have to rebuild the houses of *shroffs* some of whom are past reviving. They had been established for fifty or a hundred years and knew what they were doing. Now you would have to get new men.

Would you advocate making some effort to link the surviving indigenous banks with the joint stock banks ?—Yes. I think it would be good.

Do you think that there are a certain number of firms of sufficient standing to be linked up ?—May be very few. But only such men should be taken into consideration as are working on sound lines.

Do you know of any that are still in existence ?—The bulk of them were men from Amritsar. Shikarpur produced the best. I would say a house like Tara Chand-Chela Ram. There is a firm in Shikarpur called Tirath Das-Lorinda Ram.

Do you suppose there are twenty or thirty firms of recognised standing ?—I should think so, though I would not like to commit myself. Between Delhi and Sindh there may be more.

From the point of view of trade and agriculture which is the greater difficulty of the two at present—remittance or credit ?—Credit.

It has been pointed out to us that more credit might have a bad effect on trade ?—It may have.

So you think that the provision of greater credit facilities is important ?—All our credit has been ruined by excessive credit in the Punjab.

When you say that the greater need is credit do you mean that there is not sufficient money available at present for trade ?—No, the security is not good enough. This is more important than borrowing facilities.

You think it important that the character of the security offered should be better ?—Yes.

(The witness withdrew.)

Colonel Cole, The Coleyana Estate, Limited, Coleyana, District Montgomery.

PART II.

1. (*i*) By cart, camel, donkeys.

(*ii*) No.

2. The *arhtis* store cotton and wheat, to a certain extent, but storage room is deficient. I do not think the local banks have any godowns.

3. (*i*) If organized with Government assistance it might work, but would be complicated. I am in favour of leaving such storage arrangement to individual enterprise.

4. (*i*) Punjab National Bank is the greatest assistance. Imperial Bank of India has only an agency and their method of business is too full of regulations to allow much business to be done, though having even an agency here, is a great convenience. The Central Co-operative Bank in Montgomery might be very useful, but they offered too high interest and I believe are in difficulties.

(*ii*) No, the credit facilities are most inadequate and unattractive. Some system of licensed godowns run in connection with banks would be a great assistance but I think Government would be well advised after suggesting the method to allow banks or companies to carry out the work.

5. (*i*) I know of no co-ordination whatsoever.

(*ii*) Yes there is great scope for improvement. Co-operative Societies working with a very efficient Central Co-operative Bank.

6. No. If I send cotton or wheat to my brokers in Bombay, I can draw some 75 per cent of value, paying interest and in the same way Brokers in Liverpool will give part value on receipt of goods, as in such places storage is available. Locally there is practically no storage accommodations.

Oral evidence of Colonel Cole of the Coleyana Estate, Okara.

Chairman.—How long have you been living in Coleyana?—I took up the land in 1914 and then went home, though in the first instance for three months, but as a matter of fact I was away on active service for three years. Ever since then I am living here.

You say in your note that storage room is deficient. Is much more needed? Elsewhere we were informed that the zemindar is dis inclined to store his produce and he likes to sell it as soon as possible?—If there is sufficient storage room and efficient control, then I think the zemindar might be induced to store for better prices. We find in the case of co-operative sales society that there is very little demand for storage there.

Why should the zemindar require storage?—In order to get better prices, in the case of people who bring say, fourteen, fifteen, or twenty maunds. They have to hire some place for storage if they find that the prices are low, as in the case of wheat, taking it back to the village is rather an impossible situation.

Are you thinking of more storage for short time or for long periods?—Storage sufficient to enable the zemindar to obtain better prices. It would pay the zemindar to hold up his cotton and wheat for some months.

Do you hear complaints from the zemindars that storage facilities are inadequate?—No, but they are continually asking us for storage.

Have they no facilities at present?—Very little godown accommodation.

Is more godown accommodation not available in the market?—It will be very difficult to hire it. In Lyallpur the co-operative commission shops hire it and have never found any difficulty in doing so. Here it is difficult to hire.

Why do you think that warehouses on the American system would be complicated?—The management would be under Government control, and I should be dead against it. Government will have too many rules and regulations. Of course I shall have no objection if any individual firms take it up, but I would not advocate any Government interference.

Do you think that if leave were given to individual enterprisers to establish warehouses, they would work satisfactorily?—I hope so. I have discussed this question with the members of the sale society, and I find that small people want accommodation in the hope of getting better prices.

You say that the Imperial Bank is too full of regulations to allow much business to be done against produce. Which regulations have you particularly in view?—As I told you on the way down, my own

estate wanted advance on the security of cotton. At one time I approached the Imperial Bank to give me finance on the security of bales of cotton, and they agreed. I was quite ready to hand over my cotton to them. Then they came along and wanted to see my balance sheet. I refused to show the balance sheet. Then I got my finance in some other ways. The Imperial Bank did not help in the slightest degree.

Is that the only occasion on which you approached the Imperial Bank ?—Yes.

You say that the Punjab National Bank is of the greatest assistance. In what way, are their methods better ?—There is no difficulty in obtaining finance from them. I am speaking from memory.

Are these facilities widely taken advantage of in the neighbourhood ?—Yes.

Do you regard the present banking facilities sufficient for the persons who are farming on a large scale ?—I should like the Imperial Bank to help us out more.

Cannot you get sufficient assistance from the Punjab National Bank ?—Yes, we do.

Then why do you want further assistance from the Imperial Bank ?—To afford facilities to other people as well.

So far as big firms are concerned, do you think that sufficient facilities are available ?—Yes, so far as I am concerned ; I can't say about others.

You say that some system of licensed godowns would be of much assistance ?—Yes, godowns on the American system, if they could be run efficiently and properly managed.

Do you think you are likely to secure sufficiently efficient management for an enterprise of this kind ?—I am only thinking of big firms working in combination with the bank.

Have you ever sold your produce outside the country, say, to Liverpool ?—Yes.

Is it a satisfactory method ?—Yes.

Do you habitually do that ?—It all depends how the prices rule ; if the prices are favourable, I sell the produce in England, but in that case we have to lock up our capital for a long time.

For how long have you to wait for your money ?—For about four months.

Do other people in the district also do that ?—I have not heard of it.

You have not encountered any difficulties ?—No.

Would it be possible to secure an advance of your money subject to the usual discount ?—Yes, as soon as the goods reach Bombay or

Karachi, they make advances through the brokers. My business is done direct.

Are they ready to give advances?—Not till the cotton reaches them. But if you ask through the brokers in Bombay or Karachi, the advances are made through their hands wherever you want.

Do you deal through the brokers?—I deal direct when I am dealing with Bombay. I never do any business in Karachi.

They would be willing to advance money on interest?—Yes.

Therefore there is no reason why persons should not deal direct with them?—There is no use dealing with them direct unless you have got a big lot to deal with.

What is the minimum amount in both cases (cotton and wheat) that is worth handling?—I think 300 tons of wheat and 300 bales of cotton.

Do you think the commission agent generally acts in the interests of the buyer and not of the seller? I don't have very much to do with the commission agent, but that is not my impression.

Does he deal fairly with both parties?—I think so. The man has to look to his own interests.

Rates are apparently settled under a cloth. Do you think this method is prejudicial to the seller?—That is most unsatisfactory.

Do you think that the cultivator is sufficiently informed of the market rates?—I don't think he is, not until he goes to the mandi. The cultivator depends on the local man.

Do you think that inspite of that he gets a fair price? I think on the whole he does not fare badly. If he is done down and he gets the information that he has been systematically done down, he is compensated in some other way.

It is said that deductions are often agreed to by the commission agent after the price of the produce has been fixed without the consent of the seller. Is that your experience also?—I could not say that.

I gather that in some mandis where there are a number of cotton and ginning factories it is not unusual to form pools, but here there is no pool. How is that?—I cannot say why no attempts at forming pools have been made here, but I can say that this pool system is against the interests of the grower.

We are told that most zemindars sell their produce through the local sahukars because of their debts to the latter. Do you think that prejudices the price?—Certainly, I should say, if the zemindar is in debt to the sahukar, but I have no personal knowledge of the matter.

In their report of the cotton Enquiry Committee it is said that prices remain uniform in the villages inspite of the fact that there may

be great fluctuations in the mandis ?—I only know of my own people. They are dealt with in a special way. I have no further information.

I understand that in case of cotton a good deal of mixing is done before it reaches Bombay. Where is that done ?—It is not done by the zemindar unless of course he has got a mixed crop growing. It is not done deliberately by the zemindars.

Is it done deliberately by the middlemen ?—Well, of course. I a zemindar is growing a good stuff, he ought to get a good price for his pure cotton. However, it is my unfortunate experience that for my pure cotton I cannot get an additional price on it, but I have been told that if I mix my stuff, I would get very much better prices for it. I have been told so by the brokers.

In what proportion should you mix it ?—I cannot tell you exactly. For my own cotton I could not get anything like its fair price, because the mills don't want pure cotton.

Lala Harkishan Lal.—Will you kindly explain one or two things to to me. One is that you say that the Imperial Bank insists on seeing the balance sheet. Is not that a very common feature of trade in England that no bank lends money to anybody unless they get the balance sheet every half year ?—I have never borrowed in England, and I have no knowledge of it.

In all the books on banking written in England it is prescribed that the balance sheet of the debtor should be scrutinised every half year ?—May be, but now the Imperial Bank never asks me for the balance sheet whenever I want finance on the investments.

Chairman.—You mean investments in the shape of Government paper or stock-in-trade ?—Investments as security.

Lala Harkishan Lal.—You said that very likely the zemindar suffers in price by the method in which it is sold, but the zemindar really ceases to exist, because the *arhti* is doing on his account and he pays him whatever he gets ; therefore, how does the middleman make any money over the bargaining with the millowners ? I am talking of the actual grower before the *arhti* comes in.

Rao Pohap Singh.—It has been suggested that the productive power of land has gone down in this colony as well as in Lyallpur. Is it correct ?—I should think it is certainly not.

Chairman.—Has it gone up ?—Here it has gone up distinctly per acre.

Rai Sahib Kishan Lal.—Under all farms or under special farms ?—I am thinking of my own lands, some of which is the reclaimed land.

Lala Harkishan Lal.—Can you offer an opinion as to the quality of land of the tahsil in general ?—I should not like to. In my own case the yield is increasing on account of sufficient manure, better ploughs and better seed. With regard to the cotton seed I have been

very careful. I have been improving my seed both of cotton and wheat.

Rao Pohap Singh.—Do you find any difference in the mandis of these parts where better manure is used and better methods of production are resorted to than the ordinary mandis? There is no question about it. I take this to mean "in neighbourhoods when better methods of agriculture are employed".

Can you give an opinion that when there was a rise in prices in war times, the ordinary zemindar round about you used the income which he got in those days wisely?—I would not like to answer at all.

You may have mixed with people and seen their houses. Was there any rise in the standard of their living?—Since the war my experience is that a good zemindar is a very provident person, and he puts by every rupee he possibly can to buy land elsewhere.

Chairman.—What percentage are good?—Ten per cent.

You mean that a good zemindar has remained solvent?—He has remained solvent and has put away large sums of money, and has to my personal knowledge bought lands elsewhere.

Rao Pohap Singh.—Do you think there should be more facilities so that ordinary zemindars might be able to get good seed?—There are such facilities. The Agricultural Department is doing wonderful work.

Should there be more extensive facilities?—So much the better for the zemindar undoubtedly.

Do the co-operative societies offer sufficient facilities to zemindars?—I can only speak of my own zemindara sales' society. I do not know anything about other societies.

On the whole you think there should be some facilities?—The more facilities you have, the better.

Khan Bahadur Chaudhri Niamatullah.—Do you use cheques in transacting the society's business?—We don't use cheques. We have got only a sales' society.

(Witness withdrew.)

Secretary, Okara Zemindars Co-operative Society, Ltd., Okara, District Montgomery.

PART II.

1. (*i*) The principal crops of our district are brought to the nearest Mandi generally in carts.

Camels are used where a Mandi is situated at a long distance.

(*ii*) No.

2. Much depends upon the prevailing conditions and prospects of price. Generally 20 per cent. of the grain production is used as security for obtaining credit.

3. Much depends upon credit facilities. Other facilities are less important. The former being sufficient, the system will be welcomed or its introduction may be construed as state interference.

4. All these credit agencies are helpful in as much as they make advances and help the stockists to hold till prices rise. But their advances are limited by lack of accommodation on the one hand and unbusinesslike habits of borrowers, on the other.

(*b*) No and not at all attractive.

The real pinch comes only in case of a small grower. He cannot have access to any big reliable credit agency. His only refuge is Mandi Artia who is generally usurious. He cannot hold his produce; for the interest oppresses him.

Imperial Bank of India especially and other Joint Stock banks generally are too high for Zamindars. This may be attributed no less to their own illiteracy than to the complex methods of general working of banks.

The solution lies in the establishment of a net work of Co-operative Credit Societies with trained and honest men to guide them. The difficulty however does not lie perhaps so much in securing honest and skilful pilots as in their use of the money entrusted to their care for advances. Sympathy is often misapplied if the sympathizer is merely sentimental.

Again there is the difficulty of getting back the loans at least in time. One cannot be too careful in investigating the financial position of the applicant for loan so that there cannot be any difficulty in recovering the loan.

And the loan should be small and for a short term and should be recovered at once when due, without any shilly-shallying.

5. (*a*) No. Co-ordination only in the sense that they all restrict the advances and charge high interest.

Co-operative Credit Societies will improve matters.

Major L. Vanrenen, Agent, The Renala Estate, Renala Khurd, North-Western Railway, District Montgomery.

PART I.

1. (*i*) Internal remittances are mostly made by—

Cheques.

Hundies.

Currency Notes.

Outside buyers of the produce of this Tahsil mostly provide funds by sending currency notes of the denomination of Rs. 100 to their Agents and Commission Agents in Okara who hand these over to the sellers of the produce and they have to make their own arrangements for getting them changed into small notes and hard cash. In consequence small notes in this area are throughout the year at a premium and sellers of produce have to pay discount for the conversion of Rs. 100 notes into small notes and cash. It is noteworthy that whereas formerly Hard-Cash was always demanded by the peasant and small-holder, they now have a predilection for Currency Notes of small denomination.

This dearth of small notes can only be remedied by the local Treasury freely giving small notes in exchange for large ones. Presumably a large portion of the small notes return back to the Treasury at the time when land revenue is paid.

2. (*i*) The procedure of local buyers, who buy here to sell in other parts of India, is to rail the produce to their agents at destination and to forthwith draw hundies (with Railway Receipt attached) on these agents for 80 or 90 per cent. of the total value. These hundies are negotiated through the banks. On the produce being eventually sold the balance is adjusted. Most Hundies are Demand Draft Hundies, but a small portion are drawn at 30, 45, or 60 days sight. A hundi drawn at longer usance than 60 days is not a trade bill, but an instrument for securing a loan.

(*ii*) I do *not* consider that a reduction of stamp duty will make an appreciable difference to trade.

3. (*i*) Yes in respect of cheques.

(*ii*) In the case of Hundies any such legislation might be resented as interfering with Indian Mercantile custom.

4. The classes dealing in Hundies are *ultra*-conservative and I do not think would welcome such legislation.

4. Supply Bills play a considerable part in internal remittances between the large centres of commerce but a negligible one elsewhere.

5. See answer to 1 (2).

6. See answer to 2 (2).

7. Post Office remittance transactions are petty personal ones and do not affect trade much.

8. See answer to question 2 (1). Some diminution of Hundi business has occurred owing to the extended use of cheques.

9. (*i*) Considerable business is transacted against Hundies with R/R attached. See answer to question 2 (1) above.

10. R/Rs. change hand to some extent by indorsement. It would facilitate business to some extent if these were made negotiable but negotiability will always depend on the status of the parties owing to the incidence of the factor of dirt, weeds, damp in the goods which the R/R represents.

11. (*i*) Bijaks are not largely in use in this market, as so very much depends on quality of produce hypothecated (percentage of admixture of other grains, weeds, dust, etc.). Also question of dryage, etc., has to be considered. Increased negotiability might lead an extension of trade by enabling smaller banks to advance more extensively on such Bijaks owing to possibility of rediscount with Imperial Bank more easily.

PART II.

1. (*i*) Buying houses have their agents in the market towns who buy direct from larger cultivators and from commission agents in small centres. In villages Bannias buy from peasants to resell in market towns. See also answer to Part I, question 2 (1).

2. In large centres grain is stored in kothas against which advances are taken from Banks, etc.

3. Small holders have to raise funds to pay land revenue and thus have to sell their produce soon after the harvest. This forced sale and also all this produce coming on the market at one time depresses the prices against seller. If licensed warehouses existed the small holder could deposit his produce and obtain an advance from the banks on the Warehouse Receipt, wherewith to pay his Land Revenue, etc. Of the feasibility of licensed Warehouses I am doubtful until some standardisation of produce is inaugurated. It would not be very easy for warehouses to give receipts for produce with an unknown content of dirt, weeds moisture, etc. For instance with Toria tendered for storage soon after harvesting, very considerable dryage would have to be allowed.

PART VI.

14. Government Departments are one of the great stumbling blocks to the promotion of the cheque habit. They appear to view a cheque with considerable distrust and even in cases where cheques are accepted by them it is often stipulated that only cheques on the station where the particular Departmental payee is, will be taken. Cheques should be freely accepted in payment of all dues to Government, by Post Offices, etc.

Oral evidence of Major L. Vanrenen, Agent of the Renala Estate, Okara.

Chairman.—How long have you been here?—I came here just before the War.

How much land are you cultivating?—7,500 acres.

You speak of difficulties in obtaining small notes?— The produce that is bought from us is paid in notes of Rs. 100, and I fancy the local buyers for the firms are sent Rs. 100 notes to pay for purchases.

What premium do they charge ?—About Re. 0-1-0 per cent.

Are you in favour of re-introducing the Re. 1-0-0 note ? No. As I have said, in pre-War times the zemindar wanted hard cash, but now he likes Rs. five or Rs. ten notes.

You say that he prefers notes to cash ; then should not the rupee note be reintroduced ?—One rupee note is a very small denomination. After all a rupee itself is only a note written on silver.

You oppose the making of railway receipts a negotiable instrument. You say that negotiability always depends upon the status of the parties. Do you mean that owing to this negotiability would be of a very restricted character ?—I do not oppose it. I think that it will help trade to some extent, but negotiability will always be restricted, for if a railway receipt has passed through several people an ultimateholder cannot be certain that it represents the goods it purports to.

You don't think then that it is a practicable proposition ?—I don't think a railway receipt for goods is necessarily a good security in itself. What you ultimately depend on is the person who has negotiated the receipt.

You say in connection with marketing that small holders have to raise funds to pay the land revenue ?—Land revenue is payable more or less just in one period of each season and to pay the land revenue they have got to send their produce to the market, and that produce coming in the market in one big lot temporarily does depress the prices at the time of the payment of the land revenue.

Have you ever studied the course of prices ?—I find that there is a fall in prices at the time of the payment of land revenue.

It might be argued that the proportion of land revenue to the produce is very small ?—For the small zemindar it is not a small proportion, because first of all he reserves some wheat for his own personal use, and then for seed purposes, and then he has only got perhaps a small proportion of his produce left for the market.

We were told the other day by a responsible person at Lyallpur that in his opinion the small man was always better advised to sell most of his produce soon after the harvest in view of the possible fluctuations in the market from which he might lose ?—If you take

the course of prices for several months, it might be better for him, but if you take it at that particular moment, the zemindar is forced to send his produce to the mandi for payment of the land revenue and loses thereby, and the Government might get over that difficulty by spreading the period for payment of land revenue over some weeks.

Supposing the present period is three weeks, by how much would you extend it ?—By at least the same period.

You have heard of the proposal to introduce warehouses ?—If the working of them is practicable, then they would be of great assistance to the zemindar, but I think it is not workable. A great use of licensed warehouses would be that on a receipt from the warehouse, you could easily get loans from the bank. In America the warehouses give a receipt shewing grade and quality of the goods, and the banks advance say 75 per cent of the value of the goods represented by the receipt. Here the warehouse would not be able to indicate on the receipt the quality, the grade and cleanness of the goods. Hence the bank would not be able to readily estimate the value of the goods. In one bag of wheat you might have many varieties and it would not be possible to certify the amount of dust and admixture, nor the percentage of dampness.

Would it not be possible to have certified classes of produce ?—I do not know to whom you would allot the responsibility for deciding the class and purity of the goods.

The same authority who is responsible in America, and I imagine in America these certificates are accepted because they are known to state correctly what is actually lying in the warehouse ?—I think that the starting of licensed warehouse in this country would entail many difficulties.

Who would fix the class and purity and dryness of the produce tendered for storage ? Classification is very difficult. There is always much admixture and dirt. And another question is that of dampness. It is very difficult to estimate the percentage of dampness. If the wheat has absorbed a large quantity of moisture, it becomes heavy. The licensed warehouses before giving a receipt for weight would have to test the percentage of moisture in the produce.

Is not there the same difficulty in America too ?—To a small extent and I don't know how they get round it. I don't know about other countries, but it is a very big factor here.

Then your point is that it would be difficult to run warehouses satisfactorily because it would be very difficult for the warehouses to value the different kinds of produce ?—As far as I can see, they would only be able to give a receipt for the number of bags received with their weight on day of receipt without offering any opinion about their quality, admixture or dryness.

Could not a minimum value be stated ?—The warehouse has no concern with value. It only has to indicate weight and quality.

In America I take it that the certificate states the actual value on a given date?—No. I think only weight and grade of the produce.

Would it not be possible to fix the minimum value of a consignment of wheat on a fixed date?—No. If the American system were put in force everything would depend on the reliability of the warehouseman's estimate of grade, quality and dryness.

Really everything will depend upon his valuation?—Yes, and I don't think it would be a very enviable job for him to have to estimate each consignment tendered for warehousing.

How could you make this system workable?—The only system workable at present would be to have separate compartments in the warehouse for each consignment. When the country produces lines of produce of definite grades and purity, the American system may be feasible. But this is a matter of the education of the zemindar in the use of pure seed, cleaning of produce, etc., and must take time to bring about.

Is there any improvement in this respect in this Colony?—Yes, I think one is beginning to get a fairly good premium for produce of pure seed lines.

Do you anticipate that in the near future it will be possible to deal largely in crops grown from pure seed?—I don't think so.

Could you tell me whether the commission agent acts in the interest of the buyer or the seller?—He wants to make his commission. He tries to bring the two parties together to get his commission and does his best to make each party accept such terms as will effect a sale.

Do you think the settling of rates under a cloth is satisfactory?—I don't think so.

Do you agree that the cultivator has very little information about the market rates?—I think he has very good information about what is going on in the local market but not beyond that.

Do you think the selling of produce locally is better than taking it to the market?—We sell our produce more or less to the big firms. Most of the small cultivators bring in their produce to Okara and sell. But there is one point that strikes me, and that is that when a man brings his produce from a distance, say, twenty or thirty miles, the buyer knowing that he has come a long way and realising that it is difficult for him to take back produce all that way, reduces the price.

Is the tendency to bring produce to the market increasing?—The man uses his discretion. If he finds that the man at Okara is giving him better prices, he would take the produce there, otherwise he would deal with the local purchasers.

Do you gather that people who bring their produce to the market are fairly treated?—Pressure is nowhere put on them, though an

attempt is made to reduce the price. On the whole the Okara market has been good in this respect and prices in Okara market have usually been above those in the other markets in the district.

Do you think that the producer is suffering from lack of credit facilities, having regard to the fact that he can borrow from the sahukar, from village societies and from Government in the form of taccavi loans? Some people say that the countryside needs more money; others say that if you give them more money, it will demoralize them?—The personal factor comes in. We have got a lot of Arain tenants who are thrifty people. I think they are provident and could be trusted with more money, and there are other tenants, who, if you give them money, would spend it recklessly. The hold of the usurer on the zemindari class is the great evil to be contended with and any system which helps them to avoid his clutches, I am in favour of.

Which do you think is the larger number?—So much depends on the tenants. I cannot say. In one village a large percentage of the population may be provident, while in another the whole village may be improvident.

Do you think then that people should be given more money or less?—That depends on the way in which they spend.

How much would you provide them with further facilities? By an extension of the taccavi system, or of the Co-operative movement or by developing indigenous banking?—Some people would license selected money-lenders on condition that they gave out money on reasonable terms and in return for which it is suggested that they might be given facilities for recovery. Some think that Government should do more direct money lending; others that the Co-operative Department should be extended further.

Can you offer an opinion as to what would be the most suitable method for the zemindar?—At the present moment the Co-operative Societies are doing good work and I think the Co-operative Society is the best means of dealing with the small zemindar.

Then you are in favour of an extension of the Co-operative movement rather than of indigenous banking?—Of course the small zemindar has not much now to do with the indigenous banker but rather with the sahukar. The sahukar charges according to his risks; I think it comes to that in the long run, if he has lent to a man who has not got sufficient security. But the incidence of the interest charge is ruin to the farmer.

The Co-operative Society has an advantage in this respect. By its system it obtains better security than the ordinary money-lender. Would you, on the whole, be in favour of developing co-operative system rather than the money-lender?—I don't know how the indigenous village banker could be developed. Would he be given greater facilities in obtaining finance on condition that he lends out money at a lower rate of interest. So much depends on the personal factor.

It depends upon the sahukar and the zemindar. If the sahukar knows that a man is reliable, he lends more readily but unless he knows his man he only advances at a much enhanced rate. A mercantile bank could hardly do this business without this personal knowledge.

Of all the three methods, therefore, the Government help in the shape of taccavi could be possible?—Yes.

Do you think that the sahukar's rates of interest are higher than is warranted by the circumstances in which they do their business?—I don't know the incidence of their losses. Rates are certainly exorbitant.

Do you find that the banking facilities available are insufficient?—We do our banking practically with Lahore, and I can't say much about banking facilities in this tahsil.

Why not locally?—I don't know whether the local banks can give the same facilities except the Imperial Bank and this latter is too tied down by Regulations.

What further facilities are needed in the way of banking?—As far as my own personal experience goes, there is some difficulty in getting small notes.

Have you any suggestions to offer as to how the banking facilities could be improved in this country in the way of linking up the different credit organisations?—It seems to me that the Imperial Bank should act as a bankers' bank and it should lend out money to zemindars and others through the channel of smaller banks.

Does it not do that at present?—I think it does not. It is to my mind much easier for cultivators to get into touch with smaller banks.

Would you like an extension of the joint stock banks backed by the Imperial Bank as a Central Bank?——If there is a Central Bank, it will be formed from the Imperial Bank.

You feel the need of a Central Bank to support the joint stock banks?—Yes.

Khan Bahadur Chaudhri Niamatullah.—You say in your memorandum that supply bills play a considerable part in internal remittances between the large centres of commerce but a negligible one elsewhere. Do you mean to suggest that the supply bills should be available at every treasury?—The supply bills are issued by the Government for their own convenience. If the Government has got too much funds at one place they offer to sell supply bills on that place.

Chairman.—If the use of supply bills be extended, would that be of an advantage?—It would help the internal remittance business between mercantile centres.

Khan Bahadur Chaudhri Niamatullah.—If cheques were used in remittance business through Post Office, would that help trade?—

That would require the Post Office to keep thousands of banking accounts.

Witness finally drew the attention of the Chairman to the difficulty experienced in realising interest payable on Government securities and suggested the introduction of the system in vogue in the continental countries, whereby coupons attached to the Government paper are torn off and sent to the bank for realising the interest. He further added that we cannot expect Government paper to be popular if people have to go through all the existing formalities to get their interest.

(Witness withdrew.)

Oral evidence of Zemindars and Co-operators, Okara.

A deputation of zemindars (including co-operators) was examined with Hafiz Mohammad Bux and Captain Inder Singh as their chief spokesmen. All present belonged to the Okara tahsil and paid over Rs. 200 land revenue. Two paid over 500. The land revenue of one square is Rs. 125. Nearly all were members of co-operative societies.

Zemindars are getting more and more into debt. The remedies suggested were a lowering of the rate of interest and the keeping of accounts in characters and in a form which the zemindars could understand. Zemindars borrowed chiefly from sahukars. The rates charged by the co-operative societies and the sahukars are about the same, *viz.*, 12½ per cent. Previously the sahukars used to charge less. Sometimes the sahukars will charge 6 per cent. The benefit derived from becoming member of co-operative societies is that money can be borrowed when wanted and surplus money can be deposited safely. Overhead charges also have been reduced. Some present, however, disagreed with the above, and said that sahukars charge Re. 1-4-0 to Rs. two and sometimes even Rs. three from the smaller zemindars. When they first came to the colony the crops were good and for some years they did not need to borrow money but now they are getting poor, and there are very few who have not taken debt. The land produces less, prices have gone down, but the land revenue is the same. People had got the habit of spending much and these habits still remain. Surplus money was spent on taking land in mortgage, on show and on lending to others. People are cutting down their expenses but it will take time for them to adjust their requirements to the lower income. The condition of the members of the co-operative societies is also the same. Only two out of every five are trying to reduce their expenses, the others keep looking forward to good harvests. Even when crops are good people do not all put their money into the bank as some still have no confidence in them. So members do not deposit surplus money in the bank, but bury it in the ground. They have only become members of co-operative societies because their friends or relatives have persuaded them to do so. Very few Muhammadans do not deposit their money in the bank because they do not want to get the interest; the main reason is that they have no confidence in the bank. This suspicion is gradually disappearing. There is no special class of people who bury their money. Even the Arains cannot be said to be better off than the others. The harvests are not good and they have often to mortgage their property. Some have even lost their bullocks, and much of their land has gone to sahukars who give it out on *mustajari*.

Zemindars do not lend money to other zemindars. Sikhs who have their pensions used to do so, but this is also dying out. As to the report that a sum of Rs. three lakhs has been lent by zemindars to others, they said that often the big zemindars borrow money from sahukars

and give it to their tenants who need money. This is called debt, but strictly is not a loan by a zemindar to another.

Very little money is spent on ornaments as people have no money; and the fashion is also dying out.

People still go to sahukars although they are members of co-operative societies because sometimes the societies will not give money and, secondly, they take back the money by compulsion. In the case of a loan from a zemindar, if they are unable to pay back on due date, they can get some grace and put him off by giving him a bullock in part payment, and so on. Also the banks cannot advance more than a certain amount.

Witnesses stated that facilities should be provided by which zemindars can get their money at a low rate of interest and in such quantities as may be needed for marriages or other needs according to the position and custom of the borrower, but not more. Sahukars do not enquire into the reasons for which the loan is wanted. If there is more money available it should be given to zemindars with caution. The reasons why zemindars are getting into debt are (1) the rate of interest is high; (2) land revenue is very high while produce is going down; (3) less water is being given; (4) expenses of zemindars have gone up. Zemindars who till their land well should not be asked to pay more land revenue but should be given some concession, say, in the way of a square for a few years, then other zemindars will follow suit and work harder. At present produce does not cover the land revenue. Taccavi is often taken and is a good form in which to give advances to zemindars.

Zemindars have to pay a lot of illegitimate charges when they come to mandis. Some *arhtis* charge more commission than is their due. Prices in the villages also fluctuate as in the mandis, but all zemindars do not come to know of them.

Hafiz Mohammad Bux suggested that co-operative societies should advance loans more easily. At present sureties are required while sahukars do not take such sureties. The rate of interest should be reduced. The limit fixed should be extended as at present people have to resort to sahukars when they want more money. The societies in the Okara tahsil deal with the Central Bank, Montgomery. People generally go personally to get the money. The Central Bank charges 9 per cent. and societies lend it out at 12½ per cent. Facilities also should be provided to enable members to borrow very small amounts when they come to mandis for clothes and other petty expenses for which they at present borrow from the sahukars.

Oral evidence of the Manager, Co-operative Commission Shop, Okara.

Chairman.—Have you got a note on the working of your society showing what was your outturn last year?—*Figures for last year's business of the society are given herewith.

You say that generally 20 per cent of the grain production is used as security for obtaining credit. What do you mean by that?—Twenty per cent of the produce of the tahsil is pledged as security with the joint stock banks or the Imperial Bank. I have got a statement showing the total production of the tahsil, the amount consumed and the quantity pledged as security.

To what radius round Okara does it relate?—It relates to Dipal pur, Gambar, Renala and Okara.

How have you got these figures?—By enquiries from exporting firms and other merchants.

Do you think it is fairly reliable?—It is a fairly reliable esti mate.

Do you consider the present facilities for borrowing on produce as sufficient?—From the point of view of the zemindars I don't think so. The zemindars don't go to the banks direct. They have neither the courage nor the knowledge sufficient to go to the banks direct. They generally go to the merchants and the latter treat them as they like.—So, even if they get credit, I don't consider that credit as sufficient.

Do you think that if they get more money, they would spend it wisely?—That depends upon the use of the money, but people are getting wiser now.

What proportion of the zemindars in this area would spend it wisely; what is your general impression?—There is only a small proportion that would not spend wisely, say, about ⅓rd.

Do you consider that the facilities for storage are sufficient at present having regard to the demand for it?—Yes, in Okara there are sufficient facilities for storage.

Does not a zemindar normally sell his produce very soon after he harvests it?—That depends upon his capacity to hold, and upon the price of the produce.

Taking the zemindars as a whole?—Most of the zemindars have to sell because they are oppressed by heavy interest; they cannot wait for a rise in the market.

Of what advantage would it be to such men to be able to raise more money against their produce?—If they can raise money at a reasonable rate of interest, they will hold and sell their produce when it suits them to.

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* *Vide* page 926 Evidence.

You speak of the complex methods of joint stock banks with regard to zemindars. What have you specially in mind there?—There is every thing in English. The zemindars cannot fill up forms; they cannot go to the manager direct and so they avoid the banks.

Would you say that the remedy was to deal with village co-operative societies?—Yes.

Khan Bahadur Chaudhri Sultan Ahmad.—What do you suggest in respect of such men who are not members of the co-operative societies?—They should become members of the society.

(Witness withdrew.)

Working of the Co-operative Commission Shop, Okara.

Sales made for members of this Society during eleven months from April 1929 to February 1930.

Particulars.	Weight.			Amount.		
	Mds.	Srs.	Chs.	Rs.	A.	P.
Wheat	109,496	5	4	4,84,301	13	6
Kapas	64,025	24	1	6,33,014	4	0
Toria	3,771	4	10	21,718	14	6
Miscellaneous Food Stuff ..	3,901	15	4	13,358	11	0
Cotton seed	419	17	12	1,364	0	9
Gram and Barley ..	2,378	37	0	10,422	11	0
Cotton	1,509	3	15	32,189	3	6
Gunnies	..			131	3	9
Miscellaneous Articles ..	..			423	12	9
	185,501	27	14	11,96,924	10	9

Sales made for members of this Society during eleven months for the corresponding period (April 1928 to February 1929).

Mds.	Srs.	Chs.	Rs.	A.	P.
136,694	37	5	9,95,479	2	9

Business done for non-members for elevan months April 1929 to February 1930, Rs. 93,067.

Business done for Non-members for the corresponding period April 1928 to February 1929, Rs. 31,866.

Purchases made for members of this Society during eleven months from April 1929 to February 1930.

Particulars.	Weight.	Amount.
	Mds. Srs. Chs.	Rs. A. P.
Miscellaneous	3,378 25 9	12,488 9 9
Gram and Barley ..	1,208 10 14	4,177 8 3
Cotton seed	455 39 0	1,416 14 9
Kerosene oil	..	1,331 14 0
Gunnies	..	7,776 13 0
Machinery	..	2,383 11 9
Miscellaneous Articles ..	..	6,356 1 9
	5,042 35 7	35,931 9 3

Purchases made for members of this Society during eleven months for the corresponding period (April 1928 to February 1929).

Mds.	Srs.	Chs.	Rs.	A.	P.
7,677	29	15	47,982	8	6

Oral evidence of Zemindars and Co-operators, Lyallpur.

A deputation of zemindars (including co-operators) was examined. Of the number present thirteen were from the Lyallpur tahsil, two from Samundri, five from Toba Tek Singh, and one from Jaranwala. A few more came in afterwards. Four of the above number were not members of any co-operative society. They agreed that the people were getting more and more involved in debt every year. The reasons for this were stated to be (1) during the war the earnings of the people were greater and their expenditure increased in proportion to this but now the prices were going down while expenses had not come down so fast, (2) the fall in the price of lands which had been bought at higher price, (3) the purchase of land in the colony, in Bikaner and Bahawalpur, (4) the fall in produce prices as a result of which the land revenue was now excessive ; (5) the productivity of land has decreased because (*a*) good manure is not available and (*b*) more land coming under cultivation, less water was available.

Although the interest on loans without security is higher, people prefer to borrow in this way. Such loans were usually taken from landlords. As to the figures of mortgages given by the Chairman they stated that some of that money must have come from sahukars. Sahukars cannot take possession of land but they usually get some zemindar friend of theirs to take possession of land for them in his name. As zemindars cannot pay back their old debts they are now resorting to borrowing more from their creditors by mortgaging their lands to them. It is only people who cannot afford to pay the higher rate of interest who are mortgaging their land. Those whose credit is still good prefer to take loans without security. The rate of interest for loans without security is Rs. 1-9-0, for that on mortgage Re. one. The habit of taking loans on the security of ornaments though found in the district cannot be said to be increasing. People think there is *beizzati* in taking loans against ornaments. Also ornaments are becoming less as people in need of money sell them away. Owing to low prices all the gold that may have come into the country has now been sold, usually to *sarafs*. Increase of education is also one of the causes for the decrease in the use of ornaments.

During the war zemindars bought Post Office Cash Certificates, but they do not buy them now as they have no surplus money. Four or five years ago when crops were good and their profits high, zemindars used to put money in the banks. People, who are not members of co-operative societies, when they have any surplus funds either make ornaments or lend out to others mortgaging their property. It is not usual to deposit such money with sahukars though some have done so. Now-a-days nobody has any surplus money. Many people had borrowed money to buy land on interest ranging from 12 per cent to Rs. 1-8-0 and have actually mortgaged their lands for this purpose.

Very few zemindars can afford to lend out money to others as money is so tight. Loans are usually taken both in cash and in kind and

repaid in the same way. People prefer to sell their produce and pay back loans in cash but sahukars generally advance only on promise of repayment in kind. In calculating the price of produce brought in payment of a loan the price calculated is less than the market rate. Educated people do not, however, allow more than 5 per cent to the sahukars in this kind of calculation. A few zemindars do sometimes try to hold up produce against a rise in price but if they are in need of money this is not possible. Generally when the time comes for the payment of revenue prices go down. Zemindars bring their produce to the mandis but generally it is more profitable to sell it to the village sahukars. They are saved the trouble and expense of bringing the goodsto the markets, and not being familiar with the market conditions stand to lose more by selling in the mandis. Thus this year purchasers have pooled together and those zemindars who come to the mandis often have their produce lying unsold for many days till they are forced to sell it at the price offered to them. It is true that the same difficulty faces the village sahukar in disposing of the goods he wants to sell but he is generally able to make some profit. In dealing with the Co-operative Commission Shop these difficulties are to some extent overcome, but they experience them all in the case of cotton. When they sell in the mandis they get cash for the produce on the day of the sale.

When money is borrowed from sahukars, in addition to having to give them of their produce at one or two annas less than the market price, they have also to pay interest which may be anything from Rs. 1-9-0 to Rs. 2-8-0. During the war when prices were high, people were able to pay back the loans they took from sahukars. When the banks opened in Lyallpur they helped them with loans through which they have been able to get out of their clutches. Co-operative banks have been of much benefit to those people who are educated and understand the business and have been able to pay back the money taken on loan.

For people heavily in debt the remedies suggested were (*a*) that they should not be allowed to borrow any money by mortgaging their lands, (*b*) loans that may be advanced to them should be declared invalid so that nobody may lend them anything.

The zemindars cannot be said to be poor owing to laziness as the amount of land they possess is not much and can be well looked after. Their expenditure also is very little and they do not spend much on marriages. Those who have bought land in Bikaner have generally sold their own land here at a higher rate and obtained more land there.

Co-operative societies in the villages have more difficulty in getting back their money from defaulters than the sahukars as the latter take possession of land at once while people who have borrowed from societies are generally able to sell their land and run away. Such cases are not frequent, but are not unknown. In the courts also the sahukar has the advantage of being able to use illegitimate means which are not open to the societies. Witnesses could not suggest any remedy for this difficulty.

People would prefer to pay their land revenue by cheque or through the agency of the central banks instead of the present system employed by Government.

In Lyallpur there was no special class of people who could be said to be of more economical habits than the others.

People who do happen to have some surplus money either lend it out to others or put it in banks or with sahukars.

Witnesses agreed that if a rule were passed that loans to members of co-operative societies by sahukars were invalid, it would be of benefit both to the members and the societies. If the societies do not have enough money to meet the needs of all their members, the central banks should come to their help. No remedy was suggested if the central banks also could not produce enough money.

People of all castes could become members of co-operative societies. Zemindars who do sahukara do not become members of the managing committees of co operative societies. They are usually not even in favour of the starting of such societies in their villages.

(Witnesses withdrew.)

W. Roberts, Esq., of the British Cotton Growers' Association, Khanewal.

PART I.

1. (*i*) Imperial Bank of India (Pay Office), Peoples Bank of Northern India, Ltd., Branch. Rate of commission charged is about 4 annas or more per cent. No other facilities.

(*ii*) The present system is very costly. Cash has to be sent by messenger, *e.g.*, from Khanewal to Mian Channun. Imperial Bank charges 9 pies per cent., but it is cheaper to send a messenger. Railway Company demand booking of cash and still accept no responsibility. This adds to expenses and the messenger takes cash with him in his compartment inspite of booking.

2. (*i*) Very little here in Khanewal. The B. C. G. A. (Punjab), Ltd. sells Hundis on Karachi and Bombay. The Imperial Bank of India will only take Hundis with tenderer and accepts two signatures of approved customers only.

(*ii*) Yes, but the main difficulty is want of reliable parties.

3. (*i*) Yes.

(*ii*) Yes.

(*iii*) Yes, absolutely essential.

4. (*i*) These are only supplied from District Treasuries (specified) and never from Sub-Treasuries such as Khanewal. This facility should be extended.

(*iii*) As business would be profitable to Government the charge should be nominal—say 6 pies per cent.

(*iv*) Yes, but it should not be compulsory on the Treasury to meet all such demands. They should be competent to do the business if convenient.

5. No, we get out supply from the Imperial Bank of India.

6. (*i*) It would help business if the duty was abolished.

(*ii*) Yes, a heavy duty might be levied on the bills over one year—in fact, on bills of 9 months and over the duty should be same as on one year bill.

(*iii*) Demand, 90, 180 days are most common.

(*iv*) No—almost unknown here.

(*v*) If duty on bills under 9 months is abolished and beyond this maintained at present or enhanced rate, there should be no confusion.

7. Present Money Order charges may be halved, *i.e.*, brought to 8 annas per cent. Up to Rs. 25 the present rate, *i.e.*, 1 per cent. may be maintained and above that $\frac{1}{2}$ per cent.

Recollection of bills and cheques—this appears to be more in the line of Provincial Banks and should not be handled by Post Office in general.

8. (*i*) Darshani and Mudati Hundis are used, but the latter very seldom. Darshani Hundis are drawn on commission agents at Karachi, Bombay, Delhi and Amritsar. These are in Vernacular and in the usual form. A translation can be supplied if required. Our own Hundis are simply demand Drafts in English drawn on our Karachi Agents. We have this year also started selling Imperial Bank cheques on Karachi at Burewala, where the Imperial Bank of India has no branch.

(*ii*) No, they do not pass freely from hand to hand. They are purchased with a view to being sent to a creditor of supplier of goods.

(*iii*) Not discounted here except on rare occasions.

(*iv*) This is a new mandi, which has only been in existence for 15 years.

9. (*i*) Yes, by arrangement with the bank. Usually the bank will advance a percentage, say 80 per cent of value to approved customers. Bills of Lading or Railway receipts by themselves are not negotiable. The railway receipts accompanied by drafts for cash are accepted in full for approved customers only.

10. (*i*) No.

(*ii*) Yes.

11. (*i*) No.

PART II.

1. (*i*) 95 per cent on camels and 5 per cent by carts to the mandi. Again only larger zemindars bring goods direct to mandi—smaller men and tenants deal through the village shop-keepers who in turn get it to their commission agents in the mandi.

(*ii*) No—except that in case of articles locally consumed even the bigger men sell partly in the villages.

2. Wheat is stored in bank godowns to some extent and financed by the Imperial Bank of India and the Peoples Bank of Northern India, Ltd.

3. (*i*) Only feasible for wheat, gram and rice and then only in regularly licensed godowns or warehouses.

(*ii*) Government assistance would be essential to start this.

4. (*i*) Imperial Bank lends on wheat and to less extent on cotton, but mostly the financing is done by Joint Stock Banks, *viz.*, The Central Bank and the Punjab National Bank Ltd., also Lloyd's Bank. Indigenous bankers and professional money-lenders do not finance marketing here. Grain merchants do so for their own purchases. B. C. G. A. (Punjab), Ltd., also take part in this class of finance.

(*ii*) This seems to imply storage, and with Imperial Bank rate so high, it is not advisable to encourage same.

5. (*i*) No.

6. No particular difference.

PART III.

1. (*a*) *Export of cotton.*—(*i*) B. C. G. A. buys in mandi and villages and brings kappas to their factories in the mandis. Messrs. Ralli Brothers and Volkart Bros. and Japanese Firms also buy cotton wheat and oil-seeds in the mandi, and to a very small extent from villages in the new colonies.

(*ii*) Cotton, Wheat and Oilseeds are purchased by above firms for export. Gosho Kabushiki Kaisha Ltd. Toyo Menka Kaisha Ltd., and Japan Cotton Trading Co., Ltd., confine their trade to cotton only.

3. Speculation of anything assists prices. Prices depend on supply and demand and are largely outside the control of local agents or buyers.

If zemindars could combine and sell jointly in large quantities, they would get better prices. It is risky however if this leads to storing. Such a combination must decide to sell regularly if it is to remain stable. Prices of late have had a tendency to fall after harvest and those, who delayed selling either cotton or wheat have suffered.

4. (*i*) In our own case by bills on banks guaranteed by our Parent Association. These bills are accepted by Imperial Bank.

Imperial Bank finances at Bank Rate, and cost of Home Finance is 1 per cent., so in practice our finance costs 1 per cent over Imperial Bank rate.

(*ii*) Imperial Banks and other banks charge usually about 9 or 10 per cent in winter and about 8 per cent in summer. There is no distinction as far as I know depending on the class of business.

Oral Evidence of Mr. W. Roberts of Khanewal.

Chairman.—Are you Manager of the B. C. G. A. ?—I am the Managing Director of the British Cotton Growing Association.

How long have you been that ?—nine years.

What were you before that ?—I was Professor of Agriculture at Lyallpur and Principal of the College from 1916 to 1921.

How much land are you farming ?—About 35,000 acres in the Punjab.

All in Khanewal ?—No. In Khanewal there are only 13,000 acres. There is some area in Dipalpur and in places within sixty miles of Khanewal. It is mostly in the Bari Doab and the Sutlej Valley colonies.

Your own headquarters are at Khanewal ?—Yes.

Is there any bank there ?—There is a pay office at Khanewal and the Peoples Bank has got a branch there.

Since when ?—The Peoples Bank have had a branch since the last 2½ or 3 years and the Imperial Bank have had their pay office for about the same time.

Is that of any assistance to you ?—Yes the pay office is of great assistance.

In what respect ?—In that we can take advances. We use between sixty to eighty thousand rupees a day during the cotton season from November to the end of February and can get the money in Khanewal instead of sending to Multan for it.

Do you have to pay for it ?—No. But we have to pay if we want to take money to Mian Channu although there is a pay office there. The bank will not do it without charging nine pies per cent.

Do you mean the Imperial Bank ?—Yes. The Peoples Bank have no branch there.

Why do you have to pay in Mian Channu and not in Khanewal ?—The bank has given a special concession at Khanewal because it is the headquarters of the business. Usually they do charge for sending money from one branch to another.

Is there a pay office of the Peoples Bank at Mian Channu ?—No.

Is it due to the absence of competition that the bank charges in one place and not in another ?—It is generally the custom to pay, but in Khanewal they have given a concession. The business being a big one they have arranged to give the money free.

Is the business smaller in Mian Channu ?—Yes. We require between ten to twenty thousand there.

Can you not force them to give you the concession in Mian Channu too ?—I do not use them, but draw the money at Khanewal and send by hand to Channu. If I want to send Rs. 20,000 at nine pies this comes to about 10 rupees, whereas I can send a man for about Rs. two. The point is that the Imperial Bank is constantly sending money to Channu as well and it does not seem to me sound from the banking point of view to charge these rates. I have told them that it is a short-sighted policy.

What puzzles me is that they give you free remittance at one place and not in another ?—They do not give it to anyone else. I am president of the co-operative bank and they charge them 9 pies in Khanewal. I told the bank that I will cash their cheques free and did this till the Imperial Bank people discovered it and I had to stop as they said the concession cannot be given to everybody. I asked them to put this up to their directors as I thought this was against their own interest. I said that the co-operative bank is giving you a certain amount of business and you should encourage it. This was a week or ten days ago but I have not heard anything about it. I can send you a copy of the letter. With regard to this question generally I think that if Government ever make any conditions with the Imperial Bank they should insist on the co-operative bank being treated in a favourable manner and not charged for cashing small cheques.

Lala Harkishan Lal.—But will that not set up competition between the Central Co-operative Banks and the joint stock banks ?—Do you think the co-operative banks compete directly ?

They should be competing if they get money cheaper.

Chairman.—What is the distance between Khanewal and Mian Channu ?—About 32 miles.

Do you not think it probable that facilities are being given in one place because there is competition there while there is no competition in the other place ?—I do not think it is competition but they do not look at things in a big way. For a thing like this the policy should be directed from above.

Do you think that competition kills trade in regard to banking ?—In everything if it is too much. It certainly kills in the case of ginning factories and flour mills.

How did you arrange to put yourself in funds before these two pay offices were opened ?—I used to send to Multan every alternate day when I needed money.

And all cash had to be booked ?—If it was in cash. Notes we did not book. We used to use more silver in the early days, but now we require only about four or five thousand rupees a day in silver.

Out of sixty or eighty thousand you require only about four or five thousand in silver ?—Yes. But we used to need about a quarter of the amount in previous years.

What is that change due to ?—They are getting more used to notes. In that part of the world they did not like notes in the first years that the canal came.

Is that because they distrusted notes or because they wanted silver to hoard ?—They distrusted notes. It was a backward area till the canal came. All the inhabitants were more used to silver as they could tell whether it was genuine or not. Cotton pickers would never take notes. Even now they want silver.

Do they want it for hoarding ?—I do not know. They prefer silver as it is not destructible. If people hoard they keep it quiet. But I do know one or two Musalman zemindars who hoard now. I am sure that the money which is now coming into the co-operative banks was hoarded up.

In the nine years you have been at Khanewal have you come across only two or three cases ?—There must be lots in the villages but I know of two or three big cases that I am certain of. My impression is that hoarding is decreasing rapidly.

Is that because the prices are coming down or because notes are becoming more popular ?—I think because banking is now available for the people.

Is the greatest difficulty of there being no bank in a place the absence of remittance facilities ?—That is the main difficulty.

What other important disadvantages are there in a place like Khanewal which is not, I suppose, a very big trading centre ?—No, it is not.

Is the difficulty of remittance the only important difficulty that arises from there being no bank at Khanewal ?—In one way it is. Then if anyone wants to get money on produce they prefer doing it through a big organisation like a bank than through an individual.

Your difficulty there is the difficulty of getting money ?—Yes.

Would that difficulty not be sufficiently met by the ordinary money lending organisations ?—Not at reasonable rates of interest. They do not care to give money under ten per cent whereas the banks—Allahabad, Lloyds, Peoples, Imperial—are giving it at eight or nine.

So that the two main disadvantages of there not being a bank are, firstly, absence of remittance facilities and secondly, higher rate of interest on loans ?—Yes. And the lack of privacy. In the bank they do not have to go to an individual and a man feels freer to go to a bank than to an individual. The other important point with regard to it is that a man can be helped in increasing his credit by dealing with a bank but not by dealing with an individual. When a sahukar lends to a man his credit is not increased but if a bank

does it the credit goes up. If a bank is satisfied with him other people also get confidence and his business tends to grow.

Have you found business expanding since these two pay offices were established ?—Yes it is increasing although conditions have been against it. We have had three bad years.

Do you attribute that increase to the arrival of these two pay offices ?—Yes.

You speak of the necessity of booking cash as being a new charge in remittance ?—Yes. I would like to qualify that now. The point is that if the messenger is travelling 3rd class he can only take fifteen seers. Two thousand rupees come to about 12½ seers. We often have to send 5,000 and have to book the whole sum and do not get any free allowance of fifteen seers.

There is no free allowance ?—No. Whether it is legal or not I do not know.

Lala Harkishan Lal.—Yes they charge for it as it is not personal luggage and they do not allow it to be carried in the passenger carriage, but it has to be put in the brake van. If they allowed it to be carried in the carriage there might be murders, thefts, etc.

Chairman.—What was the rule in your case ?—We sent it with a man. We never send more than Rs. 5,000 in silver. A man might book in order to get a railway receipt as a record of the cash having been carried. It facilitates recovery in case of theft. Ordinarily he would not want to book two or three thousand rupees. Now I believe the allowance is higher under new rules but I have not seen them yet.

As notes become increasingly popular this difficulty is likely to diminish ?—Yes.

Would you say it was a serious difficulty in your case ?—No. But I think it is wrong not to give a free allowance when they insist on booking.

Is that the only change that you recommend in this connection ?—Yes. The man is going merely to look after the silver and is really for the time a sergeant of the railway. If they book it the allowance ought to be freely granted. I have not seen the new rules.

You say that you are selling hundis on Karachi and Bombay. To whom do you sell ?—To merchants who are importing sugar and piece goods.

Have you any difficulty in selling them ?—No, we take cash in Khanewal for money to be paid in Karachi or Bombay. They take the risk. We do not sell many, about four or five thousand a day. We could do with more. It saves us the remittance charges. The Imperial Bank charges ½ per cent.

Do they sell at a premium ?—Sometimes.

Generally ?—No.

What are your charges ?—We are happy if we get par, but if the market is in our favour we charge half an anna.

The bank charges would be about an anna ?—Yes.

So that by negotiating at par you are saved one anna per hundred rupees ?—No, we receive only half an anna as they charge half an anna.

You say that the Imperial Bank will only take hundies bearing two signatures of approved customers ?—That is when they are buying a hundi from a man. Supposing a man wants accommodation in Karachi, the Imperial Bank will not take the risk unless they have the signatures of the two sides.

Lala Harkishan Lal.—It is not for collection but for payment ?—Yes.

Chairman.—You are in favour of reducing the stamp duty on negotiable instruments, but you say the main difficulty is want of reliable parties. What do you mean by that ?—I am referring to Hundies. You are not sure of your parties.

Is that a difficulty that is increasing, from your point of view ?—It increases during periods of bad trade and when people are doing badly. Conditions are bad now.

Is that the result of speculation and heavy losses ?—No. It is more due to bad trade and smaller crops. The ginning industry has been working at a loss for three years.

Is it due to lack of commercial integrity ?—No. I do not think so. I think commercial integrity is increasing because without it you cannot do any business.

About this question of legislation, you are apparently in favour of creating by law a type of instrument which once endorsed to brearer would always remain payable to bearer ?—Yes, I am in favour of it. There are many sides of course.

It would mean that a man receiving a cheque payable to bearer would not have the right of making it payable to order. Are you in favour of that ?—It would be safer. It is difficult to prove with whom you are dealing if a change has been made in the cheque. Anything which facilitates the movement of documents is good in a way but it increases the risk.

Is it desirable to enable a man, other than the drawer of a cheque or a bill of exchange, to alter the character of the bill from bearer to order by merely substituting the word "order" for "bearer" on the face of the document ? Have you any views on that ?—I have not said anything about that. The drawer is the only person who should have the power to alter it.

What is the objection to the holder changing a cheque in his favour without prejudice to the drawer ?—It means that if a cheque is lost after it has been altered you might lose the money.

If it is lost, it is more likely to be fraudulently cashed if it has not been converted from bearer to order?—Your point was that if a man who gets the cheque converts it from bearer to order?

Yes then it could only be paid to him or to his account, otherwise anyone who finds a cheque may cash it?—In one case it is negotiable and in the other it is not.

That is from the point of view of the private individual who has no desire to negotiate cheques, but from the point of view of the trader it must be a disadvantage?—You mean it is a bearer cheque. I think it would be dangerous because it would be possible in case the cheque goes astray for the finder to get the money.

But if it went astray it is easier to cash a bearer cheque than an order cheque?—You could take a cheque like that to a bank and draw out the money by another cheque at the same time. You cannot be too careful with a thing like a cheque. I do not think it advisable to make it too easy to change it.

But in England it can be changed?—There banking is much more advanced than it is here.

You are uncertain then and would perhaps not express a definite opinion?—I am not sufficiently convinced that it is in anybody's interest to allow a bearer cheque to be converted into an order cheque. That is my definite opinion.

Why are you in favour of reducing the duty on bills under nine months?—What advantage would there be to business apart from the fact that people would have to pay a lower charge?—No. I do not know what service Government gives for this charge.

Would it facilitate trade in any other way except in so far as abolishing any tax might facilitate it?—It is in a way an unfortunate tax because trade increases revenue in other ways. You have to think of this some time ahead. I cannot get them stamped in Khanewal, but have to send them to Lahore. The Imperial Bank here does it for me.

Can you get hundi paper at Khanewal?—Yes. But stamping cannot be done there.

Lala Harkishan Lal.—The difficulty is that the denominations are so divergent. If you want paper for twelve annas you have to get ten annas and two annas because all denominations are not always in stock, and you have a pile of three or four papers. Stamping cannot be authorised to be done by anyone. The stamp office is in Lahore. Of course the banks could do it if there is a good demand.

Chairman.—But even if the duty were reduced you would still have this difficulty?—Yes.

Are you advocating a reduction of duty simply to lighten the burden of taxation?—Yes. They do not have to stamp demand bills. I have to pay on three months bills Rs. 75 for a thousand pounds.

Lala Harkishan Lal.—Is there not a charge for bills on sight in England ?—No.

I think it is one pence.

Chairman.—That applies to all sight bills whether internal or foreign.

Lala Harkishan Lal.—No, they have to be restamped in this country with another one anna stamp.

Chairman.—There is no stamp duty apart from that one anna stamp ?—No. There is one point from the point of view of the banks at Home. They prefer you to use a six months bill rather than a sight bill. The rates are more favourable for sight bills.

Is that objection made by Indian Banks as well as by foreign banks ?—It might inconvenience any bank to provide against sight bills. I think the people at Home object not the banks.

Coming now to the question of licensed godowns and warehouses. I gather from your note that you do not think it would perhaps be wise to provide facilities for people to hold up crops in view of the falling prices ?—I do not think it is a sound thing. I do not think there is a demand for these.

It would seem to serve two purposes, to allow people to hold up crops and at the same time enable them to take a loan. Do you think it would probably not pay ?—On the whole in most years the price certainly goes up ; but if you work out the cost of storing and decrease in weight and loss by weevil, etc, I doubt very much whether it would be a paying proposition. I myself store about a quarter of my wheat, but sell three-quarters in monthly relays.

Your main consideration is that there may be a fall in the market ?—Yes.

What do you do in regard to cotton ?—I follow the same principle. I take a view of the market. Sometimes it is wrong, but I store a little cotton and sell more than a quarter if the market is falling.

Have you worked out whether in the last five years you would have done better to sell the whole of your crop as it came in ?—In the case of wheat it would have been better to sell the whole crop. I sold futures against January and February and it paid me every year. This year I did not do it though it would have been very profitable.

Would you say the same of your cotton crop—that it would have been better to have sold it outright ?—Yes. I generally do so.

How much extra per maund would the producer have to get to make it worth his while to hold up his wheat crop over the monsoon ?—Supposing the price is Rs. four unless he gets Rs. 4-6-0 in the autumn it will not pay him.

Any cotton ?—I never advocate storing cotton. You cannot always get rid of it at the end of the season. Every time I have stored cotton we have lost on it.

And what do you find to be the loss per cent. in damage to wheat by weevil or rats ?—It is difficult to say. It depends on the storage and everything.

I am speaking of your case with presumably very good storage conditions ?—In our case it goes to 2½ per cent.

That is with storing under the most favourable conditions ?—Yes.

Then do you not think that warehouses are needed to enable the producer to hold up his crops ?—No. I do not think so. It would be difficult to make them pay.

At the same time am I right in thinking that there has been an increasing tendency to hold up wheat in the Punjab ?—Yes, because when there is an internal demand it is spread over the whole year and if you sell quickly you are bound to lose. When there is an export demand the conditions are different and it is better to sell as early as possible before there is a fall in prices. So far it has been rather an advantage to India to sell at harvest, but these conditions do not obtain now as there is no export. In fact during the last two years there have been some imports.

Is it owing to the strengthening of that tendency that cultivators have shown a tendency to hold up their wheat more freely than they did before ?—Yes. But the cultivator does not hold up so much as the merchant.

Lala Harkishan Lal.—The big zemindars do, *e.g.*, the Tiwanas ?—O, yes. The big men in the colonies do it too.

Chairman.—More than they did ?—Yes more than they did.

Has that had any effect upon stabilizing prices of wheat during the year ?—Bound to have so long as prices are stabilized according to internal conditions.

Is it possible that those who have stored have lost and others who have sold have gained through others holding up ?—Yes.

So it is in the interest of the producer generally that a certain amount should be stored ?—I think the proportion held by zemindars is not more than twenty per cent of what is held up by merchants.

Have merchants shown a tendency to hold up more ? Yes. Facilities are given by the Imperial Bank.

Chairman.—Is that also due to the weakening of the external demand and strengthening of the internal demand ?—Yes, it is a further reason ; it is a sound movement ; had there been external demand I would consider it unsound.

Do you think that the present storage facilities are sufficient having regard to the amount of wheat that is commonly stored now ?—That is a difficult question to answer ; there is still room for more storage facilities.

Are the existing facilities adequate ?—There is demand for financing the storage in mandis, but the zemindar does not require much storage facilities in villages.

Taking the Mandis, would you say that there are sufficient facilities for storage and on satisfactory lines ?—Sufficient they are, but I would not call them satisfactory.

Do you think they are sufficient for the demand or would more wheat come to the mandis to be stored if further facilities were provided ? A certain amount of wheat is stored in the villages by zemindars and local traders, but I imagine, not under satisfactory conditions ; is not that so ?—Yes.

If further facilities were provided for storage in the mandis, would that grain come into the mandis ? It is linking up the storage in the villages with the mandis. Those people who store in the villages very seldom use the banks, while the mandi people store through the banks always.

That is a new development of the last two or three years, which is to the advantage of the trade ?—Yes, it is.

And therefore to the advantage of the producer ?—Certainly. Now godowns are constantly being set aside for storage of wheat by the Imperial Bank.

Is there no difficulty in your part of the country in finding room in the mandis for the wheat that offers itself for storage ?—We meet the demand when it comes along.

Can you say what the loss per cent. is in the case of wheat stored in villages as compared with that stored in the mandis taking the normal conditions prevailing in both cases ?—It is very difficult to say that ; sometimes they store very small quantity in the villages ; they store in a very good condition. I cannot generalise the point ; I am not sufficiently familiar with the people in the villages.

What about the mandis ?—There the conditions are fairly uniform. There they have very small godowns where they store.

In that case what would be the percentage of loss ?—In my own case I have put it at 2½ per cent that is rather high, but I should think about the same.

Have you made any enquiries on the subject ?—No, but we buy a bit from these people and we deal a good bit in grain, and my impression is that the conditions are very much the same as they are in our case.

Do you think that if more storage facilities were required, the best way would be to provide them by a system of licensed warehouses ? It would be very costly, I am afraid.

Would you distinguish between a system of Government controlled warehouses and a system of privately-owned warehouses ? Do you

think that one would be less costly than the other?—The privately-owned warehouses would be less costly, because if the Government would build up on the lines of a big organisation, it might be that half the time they would be lying useless, and then it is difficult for the Government to use them for any other purpose, but for the private individuals it is easy to utilise them for purposes other than storage.

Another point with regard to these warehouses concerns the possibility of grading the produce in a certain way, so that the grades could be stated on a certificate and be relied upon. It has been suggested to us that this is not possible under the present conditions?—I am afraid, it is not; especially in internal trade it is extremely difficult to grade the produce.

So far as financing goes, do you consider that with the facilities now offered by the Imperial Bank the producer and other people who wish to raise money on grain are able to do so?—I do; the facilities may increase in future, but I don't believe very much in storing.

You say that the B. C. G. A. also takes part in the financing of marketing. In what way do they do it?—We advance against produce.

To every body?—To any body who wants to sell through us.

Do you do the same kind of business as the Imperial Bank?—To some extent.

At what rate?—Nine per cent we don't store for a very long time.

Do you do this only for your tenants?—For any one who wishes to sell through us. We advanced five lakhs during this season. It is a new type of business, we started a year ago. We are trying to introduce some other reforms, like cutting down the charges to one uniform item.

What sort of charges?—Commission, storage; we are trying to work them up and include them in the one item of commission. The idea is to make it as simple as possible so that the zemindar when he comes may know that he has to pay so many pice in a rupee.

How do your charges compare with those of the Imperial Bank? The Imperial Bank would not sell the produce; they only store; we sell for the man; that is our main object.

Who are most of your customers, the middleman or the producers?—The producers as a rule.

Bigger men?—All kinds of producers.

Where do they bring their produce?—To Khanewal, Mian Channun, Kachi Khui, Okara and Vihari.

You do commission business as well as storage?—Yes.

Have you got any system of what they call *pucci* Arhat?—Sometimes we do.

What is the lowest quantity that you store at one time ?—I cannot give you the figures ; but we don't store much ; when they bring the stuff, we advise them to sell.

Is most of the produce brought to you sold at once ?—Of course ; in case we store, we advance up to eighty per cent.

Are your selling charges lower than those of the ordinary commission agent ?—Yes.

Has the commission agent reduced his charges in consequence ?—Yes.

What is the difference between your charges and theirs ?—We charge half of what they charge.

Do you consider that the ordinary charges made by the commission agent are unduly high for the services he performs ?—Yes, in some way they are, but it is very difficult to generalise. He gives his customers a good deal of personal attention which we can't. We deal with much more stuff than the ordinary commission agent does and then our accounts are much simpler than his. Our charges are less, because the volume we handle is greater. If a man owes to the man in the mandi, he has to take his produce to him. We clear our accounts at the end of the season.

You do not think that the ordinary charges of the commission agents are excessive ?—I don't think they are, but they are not efficient ; otherwise we could not have chipped in.

Then you think the charges are not excessive, but their efficiency is rather low ?—Yes.

How could they improve their efficiency ?—By joining together ; some kind of co-operation amongst themselves ; I think it is coming.

Having regard to existing conditions do you think that on the whole the producer gets a fair price ?—I do.

Can you say whether he gets an appreciably lower price than the actual market rate if he is indebted to his commission agent ?—Yes, because he has then no choice in the matter.

Does it affect the price seriously ?—To some extent.

Can you say whether debt in your part of the world is increasing ?—Yes, I think during the last three years, if it has not increased, it has at least not decreased.

What is that due to ?—Series of poor crops, especially of cotton.

Is it connected at all with the rise in the standard of living ?—It is purely due to the failure of the cotton crop ; this year it has been better than the previous three years, and prices have been falling too.

One cause given to us is the decline in the productivity of the land ?—I don't think it has been affected at all. Two years ago we had a record yield of the wheat.

Lala Harkishan Lal.—What is the duration during which the land loses its productivity ?—I think twenty years is the maximum.

Chairman.—One of our witnesses has stated that the cultivators are not working so hard now as they used to ?—I think that is also true ; but I think the high prices during the War had a very demoralising effect on the agriculturists.

Do you find that amongst your own tenants ?—Yes.

How many tenants have you approximately ?—Divide the acreage by twelve and you will get the number of ploughs ; about 3,000.

Do you find that they require more control ?—Yes.

How many people in your part of the world purchase land with borrowed money ?—I suppose most of them purchase land with borrowed capital. This system of Government of gradual payment has had a bad effect. It encouraged people to gamble in a way ; it produced to some extent an unhealthy effect on the price of the land.

Do you think that it has led to speculation in land ?—Yes, because land can now be bought with a small part of its purchase price and the person who buys hopes to raise money in due course.

How long has that system been in force ? Has there been any change while you have been in Khanewal ?—I think the Government is following now a new policy ; my recollection is that it has probably been in force during the last five or six years.

Do you find that now people purchase land with borrowed money ?—Yes ; but they have always got enough to pay the first deposit. I don't know much about it, but I think they are required to deposit ten per cent in the first instance.

What do you think would be the net return on land at the prices that have been ruling during the last two or three years ?—At Rs. 10,000 a square you get about four or five per cent on your capital.

That is if you rent it or if you work it yourself ?—About the same if you work it yourself ; because in that case you will improve your land.

Have you allowed for the labour on the land ?—After allowing the return for labour, it would be about four per cent.

If you don't take the labour into account, what would be the percentage ?—I don't think it is fair to express an opinion, because I have not bought any land myself.

What is the common rate of interest in Khanewal for borrowing for an ordinary zemindar ?—It is very high, but fifteen per cent is the average.

Can you say whether in the nine years that you have been there, the rates have gone up or gone down ?—I think the tendency has been

to go down with the bank (co-operative banks, I mean) coming in. More people now ask for money for 7—8 per cent ; when I came there, no body asked for less than 10—12 per cent.

Do you think that the commission agent acts chiefly in the interests of the buyer ?—Yes, I do, but it is a great mistake to consider the buyer and the seller as enemies. The Arhti is really a go-between ; people do distrust him, but on the whole he is impartial as between his clients.

You would not say that he is acting chiefly in the interests of the buyer ?—No ; he has got to keep the buyer fairly happy, and naturally he cannot ignore him.

Does the system of secret settling of rates prevail in Khanewal ?—Yes.

Do you think that prejudices the seller ?—No ; it helps him.

How ?—Supposing there are four buyers, and the Arhti wants to get the best price ; if once one man announces the price, he is not going to bid after that. By doing it under the cloth no body knows what others are giving, and the Arhti would be able to work up the rates without their knowing. On the whole I think it is in favour of the seller, but the custom is disappearing, I think ; that is my impression any way in Khanewal.

The tendency is against it now ?—Yes.

In whose interests ?—I don't know in whose interests it is.

Rai Sahib Kishan Lal.—Do you know why they do it under a cloth ? The idea is to keep the bid of each man secret ; it gives each man several chances.

Does it often happen that deductions are agreed to by the commission agent after the price has been fixed without the consent of the seller ?—Yes, he has got to sometimes if the seller cannot be found and if there is a deliberate mixture or any thing of the sort in the case of cotton, or supposing the merchant has got to store the stuff and by the time the market goes down, he would like to get the stuff cheaper. Similarly if it has gone up and the seller gives him the worst stuff and he has got to take delivery at once.

That is done in the ordinary course of business without prejudice to one side or the other ?—I think so.

Have ginning pools ever been formed in your area ?—Not in Khanewal.

Would it be to the advantage of the producer ?—Yes, in the long-run.

How ?—At present there are twelve or thirteen factories at Lyallpur, of which only four or five work. If all the factories work together and get the whole amount of cotton, their expenses are such that the cost of ginning will go up to thirty or forty per cent.

Have you any experience of the working of these ginning pools ?—Yes.

Are they more efficient in organisation ?—Within limits and under proper control they are efficient.

In actually working them more efficient organisation might be secured, but what would be the advantage to the producer ?—I think in most cases it is ; in well running pools they get very good prices.

Where have you seen well run pools ?—I have seen them in Lyallpur.

In the enquiry made by the Central Cotton Committee in the marketing of cotton in the Punjab it has been suggested that the prices in villages tend to remain the same throughout the year ?—I have said in my note that they are definitely wrong.

We have been informed at Multan that there 42½ seers make a maund and at Pakpattan 40½ seers ; what is that difference due to ?—It is the marketing custom ; you have to take that into consideration. You don't get extra for nothing ; you have to pay for it.

The producer is not prejudiced by it ?—No. In my opinion it is better to have a standard system all round. All these charges give an opening for improvement.

(Witness withdrew).

Oral evidence (Multan).

The following artizans came to give evidence before the Committee :—

9 weavers (5 Punjabees and 4 Multanis).

1 potter (enamel worker).

1 chick maker.

1 carpet maker.

The weavers were examined first. The Punjabi weavers had been many years in Multan. All the witnesses were members of co-operative societies. The spokesman, Chiragh Din, and another witness had been members of a society for about nine years, the others between five and six years.

They all said that they had benefited by being members of societies, in that they had escaped from the sahukars, and where they had formerly to pay him Rs. 10-8-0 for a bundle of yarn they now pay only Rs. 10 (a saving of about 5 per cent.). They could name no other benefit that they had derived as weaving was now dying out. At first when Government took to helping them their work grew but is now getting less. The reasons were that fashions were changing and local silk manufactures were not appreciated so much now, and foreign goods imported from Japan, Germany and other European countries were more in demand. The quality of the local made *daryai* was not inferior to the imported cloth—in fact it was more lasting—but people now seem to care more for the lustre that the imported cloth has and which is lacking in their cloth. In addition the foreign goods are cheaper. The trouble is paucity of demand and not of money. They still have to resort to sahukars in cases where the societies cannot supply the full amount of money needed by them. In such cases they take their finished goods to the sahukars. Co-operative societies do not help in the sales though they did in the beginning, but the shop was closed owing to hostility on the part of the sahukars. They cannot produce silk like the imported article. If there are people who would take their goods and give them lustre like the foreign goods the sales would certainly go up. They stated that some time back they did produce handkerchiefs like the one which was shown to them by Lala Harkishan Lal but the sahukars produced artificial silk goods of the same kind and sold them cheaper and so they had to stop. Sahukars take the new patterns from the weavers and with their resources are able to produce more articles thus flooding the market with the article. Banks do not give so much money as the sahukars give. They once opened a shop in the city to push on their sale but found that the sahukars commanded better market because they sell on credit while the weavers can not. The sahukars do not pay full wages either to their own workers or to weavers who go to them. They know the value of the cloth and make a good profit over it by paying the weavers

the minimum for their labour. They give about Rs. fourteen for sixty yards as wages. If they use their own yarn and take the cloth to the sahukar, the commission agent takes two pice, the middleman 1 pice, and 1 yard the sahukar keeps as *sira* and another for the measuring. For the balance he pays Re. 1-2-0 or Re. 1-4-0 per yard. This leaves about 2½ annas per day for them. The sahukars give credit and run the risk of losing money. The weavers use the old fashioned *khaddi*. With the new *khaddi* they could produce 72 yards per day but they have not the means to get it. On the present looms they make about 4½ yards a day. If they had machinery they could produce cloth which would compete with the foreign material and they would command a market, as the cloth would be both cheap and flowered. They were trained weavers and if they are able to go to the Government weaving factories in Lahore or Amritsar for two months' training they would be able to produce cloth like the imported article. The Inspector present, however, said that the school authorities did not agree with this and thought that at least 2 years' training was necessary before a weaver could learn to work the new looms well.

There were a number of sahukars and they were at liberty to go to any one they want, but all sahukars use the same methods although they all work separately. Chiragh Din, however, quoted an instance in which he took a piece of cloth to a sahukar and when he could not get the price he wanted for it he went to another but the first man sent his servant who told the second sahukar what his master had offered for it and so on to every man to whom he went till he had to return with the cloth unsold with him. If sahukars pay cash they charge interest at six per cent. The real system is to pay after fifteen days and then in two or three instalments either in cash or in kind. Before the societies were opened they worked for sahukars on two methods. (1) They got the material on credit from them and were paid for the labour, and (2) they used to get the material on loan from them, and then sold the cloth when ready to them. The second was more profitable by about two or three pice per yard. There are more weavers who are not members of societies than those who are members. These people deal with only one sahukar and work for wages. They earn about eight or ten annas per day. Plain work fetches about eight or ten annas, flowered about two annas more. A cotton weaver would earn about six to ten annas—on fancy cloth about 12 annas. This represents the earnings of a family of about 5 workers. A cotton weaver's family could earn 8-10 annas per day but now-a-days they are not even certain of earning even four or five annas. In more prosperous days they could afford to keep four or five assistants but now-a-days not more than one man. The spokesman said that he was 55 years old and had been working at his profession for thirty years. His financial condition has steadily grown worse. The reasons were (1) more people came into the district from other parts of the province and (2) competition with foreign goods. This happened during the last 2 years. The remedies suggested by him were—(1) More capital to enable them to compete with the sahukars,

and (2) increased use of machinery. The sahukars were also suffering from the depression in trade. Witnesses were confident that if they get the same kind of machinery as used in foreign countries they would be able successfully to compete in the market as they had raw material nearer at hand. The yarn also should be produced here.

They stated that the weavers were in a very depressed condition. They live on very cheap vegetable "dal and sag and gonglu." They have families consisting of about eight members and have no clothes. They have to pay back the money borrowed from the societies which they find difficulty in doing. Government should come to their help. In old days rajas and others used to buy from them but now no body comes to their help.

About 350 weavers were members of co-operative societies and about 900 or a thousand were not members. The spokesman said that he has been owing the society Rs. 320 for the last 6 years. In days when business was good they were able to pay back their debts but now they find it difficult. In these years he has been working as a labourer and has made no cloth. Those weavers who are not members of co-operative societies get some work as the sahukars command some market for their goods. But even then the members of societies are better off as they cannot get loans from outside while the others can and consequently are more heavily in debt. Sahukars keep on lending money to those who are already indebted to them in the hope that they will be able to get back some of their money. The number of sahukars has decreased by about 75 per cent. About 150 have retired in 6 years and the rest are ruined. Weavers in the city and in the villages are both badly off. The witnesses said that they cannot do co-operative selling as they cannot take the risk of giving dealers cloth on credit. Making of *daryai* has practically died out in Multan owing to lack of demand for this kind of cloth and the hostility of sahukars. The Industrial Assistant Registrar quoted an instance where the sahukars also competed with the weavers by reducing the price of raw material after they obtained their supply. This is done only occasionally and for short periods.

After this the other artizans were examined. The carpet maker said that the condition of his community was worse than that of weavers owing to competition outside India and by the jails, who produce cheaper work. The chick maker said that their business mostly consisted of supplying Government and local body departments but that owing to competition by the jail department they are being ruined. The potter said that their business is getting smaller and smaller owing to foreign competition. Co-operative societies of carpet makers have been formed but have not proved of much benefit as there is no demand for the goods. The potters borrowed Rs. 1,000 from their society but as there was no demand for their goods they failed. The chick maker could not say how much he earned per day. Carpet makers earn about 10 annas a day per head, if there is a demand.

Many are leaving the profession. Potters used to earn about a rupee per family of 5 or 6 persons.

An enamel worker on gold and silver also came to give evidence. They have no co-operative societies. They earn twelve to fourteen annas per day if the price of silver does not change. There are about eight shops in Multan. The demand for this kind of goods is good. They sell locally. They do not borrow. Work is generally done on silver but if orders are given they can also do it on gold. Stocks worth Rs. 500 or so only are kept with them. Fashion for this kind of jewellery is decreasing and demand is getting less. On a cost of Re. 0-8-0 they get Re. 1-12-0 of which wages amount to Re. 0-12-0 and profit Re. 0-8-0. There used to be 40 shops in Multan out of which only 8 are now left. The shops in Bahawalpur have all closed.

Oral evidence of Zemindars (Multan).

Their names were as follows :—

Chaudhri Sande Khan
Chaudhri Nur Ahmad } of Khanewal.

Khan Sahib Muhammad Aslam Khan of Multan.

Khan Sahib Syed Pallu Shah
M. Nur Ahmad } of Shujabad.

Syed Shabir Hussain, Gardezi
Mahr Sultan Khan } of Kabirwala.

M. Jamal Muhammad
M. Ghulam Mustafa } of Mailsi.

Hafiz Din Muhammad of Lodhran.

Of these, four paid more than Rs. 100 land revenue and one more than Rs. 1,000. Only one member was not a member of a Co-operative Society.

They stated that of the three methods of obtaining money—from *sahukars*, by *taccavi* and through Co-operative Societies—the last named was the best.

The member, who was paying more than Rs. 1,000, said that as he had never borrowed any money, he could not say anything on the matter. Sahukars charged more interest than Co-operative Societies, they also called on their debtors to pay back the money after three years and when they could not, made them sign another agreement for three years and so the debt kept on accumulating. In the case of co-operative societies an account was kept of the indebtedness of the members, and nobody could borrow more than he could pay. Co-operative societies too kept better accounts than in the case of sahukars who charged excessive interest and in addition also took dues in kind from the zemindars and in the form of *chilkana*. In the Multan district as the inundation canals do not run all the time it often happens that the zemindars do not get enough water and owing to bad crops are thrown out of their calculations and get into the clutches of the sahukars from whom they have borrowed. In the case of the co-operative societies a strict watch is kept and money is given according to the needs of the members only and nobody can borrow more than he can repay.

In reply to a question as to whether those who are not members of societies are able to get enough money from sahukars, witnesses stated that these days the prices of produce have gone down and sahukars are lending less and less money and people are, therefore, in want of money. Those who have no property cannot get it and those who are safe to deal with cannot get enough. Because of this agriculture is suffering. As regards expenditure on marriages, they stated that people are changing their habits and spend less on this account.

Some witnesses were of opinion that loans given by Government were the best, because (1) less interest was charged on them, and (2) stricter supervision was maintained by Government on the borrower. They conceded, however, that even Government loans were not always spent on the object for which they were borrowed. They did not, however, mean to imply that co-operative societies should be stopped and loans given direct by Government. Other witnesses did not think taccavi loans best, because (1) in the case of the co-operative societies people can get money for any object they want, (2) *taccavi* loans can only be had once in six months, and (3) enough money was not available and was growing less and less. Interest on *taccavi* loans was certainly less, and if co-operative societies could also reduce their rate of interest, it would be of benefit to the people.

In reply to a question whether, if they wanted a loan of Rs. 2,000 they would prefer to take it from Government or from a co-operative society, one member said that he would rather take it from a society because a member who borrows from a society is watched by all the other members and cannot waste the money. Another member did not agree with this and said that he knew of cases where money borrowed from a society had not been returned. In the case of *taccavi* loans, however, the money available was very small. People who wanted to get a *taccavi* loan through favour have to pay bribes, &c., to get the money. Overhead charges in getting a *taccavi* loan in the shape of gratuities, fees of petition-writer, &c., amount to about ten per cent., sometimes seventeen, eighteen or even 26 per cent. Some members, however, said that they could not express any opinion on this point.

In reply to a question as to whether they had ever taken *taccavi* for digging a well, two members said that they had, one about eight or ten years ago and the other about twenty years ago. Illegitimate charges amount to about eight per cent. On a loan of Rs. 800— Rs. fifty or Rs. sixty are spent when getting the money and Rs. ten or Rs. twelve in refunding it to Government in the shape of gratuities to chaprasis. Asked why people do not take this kind of loan more commonly, one member said that people generally do not know the officials and find it difficult to approach them ; also the loan is not given at once. Besides, enough money is not sanctioned, *e.g.*, Rs. 2,000 only were sanctioned for Kabirwala tahsil.

If money can be had in time, then people will take more money.

The general rate of interest is one pice per rupee, *i.e.*, Rs. 1-9-0 per hundred. The rate of interest charged by zemindars who lend money is the same, but big landlords give money free of interest to their tenants, and sometimes seed as well. The loans advanced to tenants are generally in kind, but cash is given too. The representative from Shujabad said that it was true that recovery of money lent by money-lenders had become difficult. The reason was the poverty-stricken condition of the people. The people have become poor on account of smaller crop yields. He thought that nearly fifty per cent. deliberately evaded the realization of loans given to them. But the other representatives did not agree with him. Those from Kabirwala said that only one per cent. people did this. The Mailsi Tahsil representative put it at one to two per cent., the Lodhran at five to ten per cent. There were very few people in the Multan District who did not pay back their debts on account of poverty. The representative from Shujabad was of opinion that recovery of loans was difficult. The others thought it had become easier. In the case of co-operative societies during the last ten years recoveries had become much easier on account of the strict supervision exercised by the officials and members of the co-operative banks.

So far as the purchase and use of ornaments was concerned the opinion was that there was less purchase of gold and the goldsmith shops were decreasing. The custom of wearing ornaments was also gradually changing, and there was also less money. The reason for the decrease was that people were more inclined to wear fancy clothes—ladies also are beginning to wear finer clothes. There was also a tendency to build houses. It was stated that nowadays there was more mortgaging of land. It was done for a specific number of years. The Shujabad representative stated that in his village all had been members of co-operative societies for the last five to ten years. Hindus had also become members. So far as surrounding villages were concerned very few people were members of societies. In the Multan District there are 304 societies and 9,620 members. Women do not join societies, but deposits are placed by women in the societies.

Only about one or two per cent. of women hold land and have to pay land revenue. They are usually very economical and meet expenses and pay land revenue out of the income of their land.

Questioned by Khan Bahadur Chaudhri Niamat Ullah Khan, witnesses said that if *taccavi* loans were paid by Government to societies and distributed to members through them it will be very beneficial indeed.

Witnesses said that sahukars could get back their money from their borrowers more easily than co-operative societies. One member declared that in the case of his societies he had only been successful

in getting money from three out of seventy members who would not pay, another member was successful in three cases out of four. In the case of people who borrowed from societies as in the case of those who borrowed from sahukars there were some who tried to cheat and would not pay, although they could.

Ordinarily people did not deposit small amounts in the banks. Co-operative societies, however, would accept deposits of even eight annas. When the harvest is good and the zemindars have any surplus money they generally waste it or spend it on marriages, etc. and do not try to save it.

Post Office Cash Certificates are not purchased by zemindars. Some buy jewellery, but owing to the fall in the price of gold and silver this habit is dying out.

Members of co-operative societies are indebted only to the societies and very few go to sahukars for money. They agreed that if a law was made that a loan taken by a member of a society from a sahukar will be invalid it would be of benefit.

Asked why the number of banks was not growing faster, witnesses said that in the past people had opened societies blindly and proper supervision had not been maintained to some extent, therefore, confidence has been shaken in them. Supervision is now being maintained.

Replying to Rai Sahib Lala Kishan Lal, witnesses said that sahukars do not have dealings with zemindars to the same extent as formerly because of (1) the Land Alienation Act, (2) Co-operative societies and (3) increased difficulty in getting back their money. Sahukars do not usually lose money lent out by them.

In reply to Rao Sahib Pohap Singh, witnesses stated that one benefit of dealing with co-operative societies was that they did not charge compound interest, while the sahukars did. Sahukars usually give loans in kind, except where money is needed. Approximately about half the loans given by sahukars are in kind. For such loans they charge a higher rate than the market price of the article loaned. A profit of about twelve per cent. is charged. The loan is returned in kind. The sahukar takes possession of the produce and when the harvest is taken up he deducts twelve per cent. from the market value of the article. Sahukars prefer to make recoveries in kind. So that a loss of 24 per cent. is suffered by the zemindar in taking and refunding a loan. Sahukars do not usually comply with requests for loan in cash. There is a general complaint that sahukars make wrong entries in their books. This is usually done to ensure return of their money if they have to resort to courts.

With a view to threaten debtors false entries are made in bahis. No stamp is put in bahis. There is no custom to take receipt from the sahukar on repayments. He simply says that the

necessary entries have been made and zemindars trust him. There are many instances in which the debtor says that he paid the money, but the sahukar denies it. Zemindars have not the courage to ask for a receipt. Any scheme by which the chances of irregularity in the accounts of sahukars can be minimised will be welcome to the zemindars. Sahukars are no doubt very much annoyed at the opening of banks since the benefit that used to accrue to them by way of interest, compound interest, *jins*, etc., now goes to the banks. People naturally go to banks as they have to pay less interest.

Oral evidence of Cloth Merchants, Bhiwani.

(1) Mohar Singh, Jat.

(2) Ram Partap, Brahmin.

(3) Phul Chand, Aggarwal.

(4) Dwarka Dass, Aggarwal.

All cloth merchants, and all are wholesalers except the first.

There are about sixteen wholesalers in Bhiwani. Ten years ago there were about fifty shops. This decrease is due to a fall in market and to the opening of other markets in the Bagar and Bhatinda tracts. We import cloth from Bombay, Ahmedabad, Calcutta, Karachi, Delhi, etc.

We pay by hundis and by means of notes. We borrow money also for business. We borrow for two months.

The present rate of interest is five annas a month. It may go up to about ten to eleven annas. In the monsoon it is two annas. This is due to slack business. Business is brisk in winter and summer excepting in the monsoon. In the slack season we do not invest at other places even though we might get more interest elsewhere, because we do not know. There is loss in cloth business. It is due to low demand and this is due to famine. The prices of cloth have fallen down. We purchase goods from outside on credit and we repay as and when we can. Those we deal with do not mind even if we do not send money for a year, but this is likely to affect our credit. To maintain our credit we must send within two months. About four or five lakhs of money is in use from foreign markets. We have always to pay ten annas interest.

We retail to agriculturists and to shop-keepers, on credit and we charge eight annas. Wholesalers have now cloth worth four or five lakhs in stock. Nearly half of the money in the t rade is borrowed There are no direct importers of goods from foreign countries.

(Witnesses withdrew.)

Oral evidence of Sarafs, Bhiwani.

1. Maru Singh, Rajput.
2. Ganga Ram, Rajput.

There are now ten shops of sarafs ; ten years ago there were twenty. It is due to famine that others have left this trade. Some two or three have gone to Delhi and started the same business. Others have taken to other business. During the war, ornaments were much in demand : since then there has been no demand.

Zemindars now sell back lots of ornaments. For the last two years there have been many to sell but few to buy. We do not get gold bars from villagers who come to sell, but ornaments. Villagers have not enough to buy. We rarely get gold mohurs. We do not get mohurs of old kings. Nor do we get ornaments of old times.

(Witnesses withdrew.)

Oral evidence of Lala Lachman Narain, Commission Agent, of Beri.

I am also a money-lender, but most of my work is *arhat*. In Beri I have some little money-lending business with agriculturists. Rate of interest with shop-keepers is annas eight with those shopkeepers who have no dealing with us it may be a little more. We have now very little dealings with zemindars, they borrow from among themselves and banks. The sahukars have good relations with zemindars. There may be some strain in villages because of famine. There is great difficulty in realization because of no attachment of land and physical opposition. Zemindars are very bold now, because of the times and also of the support of the Government. Famine is only for the last two years, but even in good times realization was difficult. Its remedy rests with Government. Attachment should be facilitated even now. The profit of an agriculturist money-lender is annas twelve to a rupee.

Now the ordinary rate is Re. one. Sahukars will only pay Re. 0-12-0. Rate is fixed in every case. A good zemindar will not pay more than Re. 0-12-0. Ordinarily a zemindar would not borrow from sahukars. I will take fifty per cent if I were to be given all my old debts from zemindars. Generally realization is difficult. We have to pay court-fee, then run the risks of a trial and then attachment is difficult. It therefore only pays fifty per cent.

I mean by old debts, debts of five or seven years' standing. We go to courts when we do not get anything now or hope to get it in future. There are cases in which people refuse to pay. There are people who have nothing, and there are others who want to pay as little as they can. The percentage of the first is five to ten. There is not much difference in the rates on which we purchase from zemindars and sell. Zemindars are now cleverer than before, and they themselves keep accounts. Formerly there was much faith in sahukars. There is a great custom of having receipts for repayments. This has come about from the last ten years. There are ninety per cent who take receipts. Before ten years they did not ask for receipts. There are one or two per cent true cases in which payments were made, but not recorded. We will be glad if some arrangement to control accounts were made, but this should be a good arrangement from all points of view. I am a member and a Director of Central Bank, and I have often deposited money both here and in Beri.

In the beginning many sahukars deposited in these banks. There is difficulty in realization from these banks also.

A trader benefits by investment in trade. Otherwise he will deposit in banks. But advancing to zemindars is not profitable for lack of realization. Trade is more profitable than investment in banks. People do not hoard these days. This has come about for the last five or six years. Formerly they hoarded. Now they do not, for they lose interest and there is fear of thefts.

Beri has a post office and also a savings bank in the post office. They use it, but the interest is low and total withdrawal is difficult and a lengthy process. There are no cash certificates holders in Beri. I purchased them during the war. Only those would purchase who want to take interest, but those who want to invest in business would not purchase these.

(Witness withdrew.)

Honorary Lieutenant Rai Bahadur Chaudhri Lal Chand, O.B.E., Rohtak.

PART II.

Marketing of agricultural produce is generally done by the village bania. The process is very simple. He purchases from the producer at a rate which may leave him some profit if he carts the same to the nearest mandi. There he sells the goods at once through a commission agent who is responsible for payment at once. The producer has thus to wait for a few days for his price. There are no large godowns here. The village sahukar ordinarily keeps a store according to his means.

The cultivators generally dispose of their produce at harvest time as they have to square their accounts with their creditors.

The producer loses heavily no doubt because he has to sell his produce when the rates are least favourable to him. If a system could be evolved by which he could be advanced $\frac{3}{4}$ths of the price, with option of final disposal at some future date, that would be of great help to him.

SECTION II.

The South-East Punjab is a tract of small landholders with little or no education. Being far removed from the capital of the province, it does not receive the attention it deserves. Even co-operative societies here are of recent growth, and the peasant proprietors are still in the clutches of the village money-lenders. Artificial water-supply being very little, people depend upon rain; and agriculture is a gamble as the monsoon is not always certain. The only canal in this tract is just a guarantee against starvation and serves as an insurance against famine. So people do not cultivate for *profit*, but for a *living*. If the committee were to examine the revenue returns of barani tracts, it will be clear that even Government dues have not been regularly paid, and the outstanding liabilities in these tracts, particularly in Gurgaon District, are an index of the helplessness of the zemindars.

Such being the conditions, it is but natural that the credit of the zemindars is low and the terms on which they have to borrow are very unfavourable.

Every shopkeeper in villages is also a money-lender. His capital is small, but his clients have nobody else to compete with him and so the rate of interest he demands is simply *killing*. This money-lender has been doing this business since ages and is very well versed in sharp practices.

The peace resulting from a settled government turned agricultural land into a saleable commodity, and after the settlement of 1880 the village money-lender began to accept land as security. The result was that land began to pass into his hands rapidly, and, if the progress

had not been checked by the Land Alienation Act, the present-day peasant proprietors would have been only agricultural labourers, with money-lenders as proprietors.

2. But the money-lender's hold upon his debtors in villages is still very great and, besides the high rate of interest, the cultivator is required to sell his produce through him and all purchases have also to be made through him. The rate of interest varies from 12 per cent to 36 per cent. But this is not all. The borrower is an illiterate person, and as he is also anxious to have his accounts kept secret, he very often thumb-marks entries in bahis of the *bania* without the same being read over to him. Very often he finds his thumb-mark put on items which were never advanced to him. The present law and practice of civil courts, of course, turns all items on which there is the thumb-mark of the defendant into cash, even though the witnesses who support those advances may give divergent versions. The way in which money-lenders co-operate with each other in appearing as testifying witnesses in each other's suits is the greatest farce in law courts to-day. The Regulations of Accounts Bill in its present form is only a very poor consolation and, unless strict measures are taken to provide a guarantee against the sharp practices of money-lenders, the cultivators will never prosper. Their land is safe no doubt, but the whole of the produce of *that land* goes to the village money-lenders' shop, and proprietors for all practical purposes are only agricultural labourers.

Painful though it may be, here I have to refer to the extreme helplessness of the debtors. In some cases the latter have committed murder as life was made intolerable by these money-lenders. The murder of Ghasi, Mahajan of Sasana, Mani Ram, Bohra of Khidwali (Rohtak District), Rameshwar and Bansi, Mahajans of Dinod in Hissar District and many others like these are instances to show that Government is under an obligation to safeguard the interests of the poor zemindars by legislation whereby the sanctity of the *thumb-marks* on irregular bahis may be done away with. It may be argued that even zemindars are doing money-lending nowadays. To this my reply would be that they have been forced by circumstances, otherwise they would invest that capital in the improvement of their land. They have to save their brethren from the jaws of these sharks. Banias have earned an age-long reputation for their sharp practices, and the proverb here is "*Jis ka banya ho yar us ko dushman kiya darkar*," *i.e.* "A man who has a Bania as a friend needs no other enemy." So lonn as these bahis are held sacred by the civil courts, no rules or remedies of the executive will do any good. It will ultimately be in the interest of the money-lenders also if the system is regularised and malpractices stopped and penalised. Further, at least 66 per cent of our sub-judges should be zemindars.

3. Money-lending showed signs of decline during and after the war, but it is on the increase again, and it seems most of the people have

borrowed beyond their means. Clever people are taking advantage of the situation, and in course of time property will change hands. Zemindars are parting with their silver ornaments freely nowadays. The other day I was simply surprised to find three maunds of silver ornaments pawned with a bania who, by appearance, looked as poor as his neighbours. The reasons for this increased indebtedness are given below :—

(1) the standard of living has gone up, without a corresponding increase in the earning capacity of the people ;

(2) agricultural labour is moving to towns, thus making labour more scarce and dearer in villages than before, and thus adding to the cost of production ; the margin of profit is thus reduced ;

(3) for some years crops have been failing for want of the last shower of rain to ripen them ; and

(4) for some time past the civil courts have shown a tendency to favour the money-lenders, and the latter are now encouraged to spread their nets against poor agriculturists as they feel sure of a decree and the sympathy of courts in execution proceedings ; so the money-lender encourages the debtor to spend lavishly in order to hasten the day of getting a decree against him.

4. The rate of interest could be lowered and malpractices stopped if the registration of money-lenders and strict regulation of accounts are enforced. Government taccavi rules also need a change. The other day I was talking to a revenue officer who was prepared to advance taccavi for fodder, but insisted on fodder being actually purchased. He would not allow the money to be utilised in purchasing grain for his family who would feed the cattle on leaves of trees and blades of grass picked up from the fields. Taccavi should be liberally given, and the sympathy of distributing and realising officers should be ensured.

5. There is no better class of money-lenders here. If the co-operative bank could take the place of village shopkeepers, everything will be all right. But for this a huge staff will be needed, and Government should demonstrate this intensive banking in a selected area to begin with.

7. Enough has been said above under head 2. Legislation to stop malpractices is the chief remedy.

Education is spreading in rural areas and, if equal opportunities are offered to this new class coming into field in all walks of life, the ignorance of the cultivator who has been exploited by the money-lenders so far, will diminish.

8. No ; the money-lenders do other work also.

9. I would not allow the two systems to compete with each other. Unlicensed and unregistered money-lenders should go. No court should recognise them.

As regards facilities, the increased weight to their records in law courts is all that will be needed.

As regards restrictions, I would suggest that malpractices should be penalised.

PART VI.

1. No ; the village money-lender is not a safe person to receive deposits, and hence, whoever saves something, is tempted to start his own business in money-lending, rather than deposit his small saving with some one else. The co-operative societies need better attention, and they can supply the deficiency.

Post office cash certificates are not known to the ordinary villager and their terms are not sufficiently attractive for him.

8. Everybody has the ambition of becoming a money-lender, and loses everything he lends in course of time.

10. (*i*) In prosperous years farmers pay off their old debts and, if something is left over, they spend it in building a pacca house, making ornaments and celebrating marriages on lavish scales.

(*ii*) and (*iii*) Yes ; they are increasing in number. All castes are equally taking to it.

11. Yes ; I would attribute this to want of proper education. Co-operative societies can help in this direction if more staff could be employed to control them.

Oral evidence of Rai Bahadur Chaudhri Lal Chand, Advocate, Rohtak.

Chairman.—Are you a land-owner and Advocate practising in Rohtak?—Yes.

Are you also a co-operator?—Yes; I was the secretary of the Rohtak Central Bank from 1913 to 1923.

Are you a member of any co-operative society?—I was a member for about 12 years. I am not now.

Are you now a Director of the Central Bank?—No.

Have you any connection with any co-operative society?—No except that I am a shareholder of the Central Bank.

You say that Government dues have not been regularly paid this year. Have you any figures to prove that?—I have said that, if you look at the revenue figures, you will find that.

You speak of the helplessness of the zemindars. What is your remedy?—Of course this committee cannot add to his resources. But it can help his financial condition by helping him to get better terms in respect of loans.

How will you do that?—At present he has to pay a high rate of interest, and not only interest, but he has to pay his creditor in many other ways. He has to sell his produce through the creditor, and thus he loses some money. He has to make all his purchases through the creditor, and there also he loses something. Thus he is dependent upon the money-lender for everything. The committee can make these co-operative societies take the place of the village money-lender.

What is the prevalent rate of interest in the case of rural money-lending?—*In these districts it is from 12 to 24 per cent.*

What does the variation depend upon?—It depends upon the paying capacity, and of course on the competition of money-lenders. In some cases the bigger the zemindar the higher the rate of interest.

Why is that?—Because the big zemindar is an influential man in the village, and consequently it will be very difficult to realize debts from him. So he charges a high rate of interest.

So the rate of interest varies with the prospect of repayment?—Yes; it depends also upon the punctuality with which the loan is repaid. There is another reason also for the high rate of interest, and that is secrecy. A debtor is naturally anxious to have his debts kept secret, and for that he has to pay a high rate of interest.

Is there a big difference between the urban rate and the rural rate?—Yes.

Is that mainly due to the fact that in towns people pay more punctually than in villages?—Yes; that is true.

Therefore, if the zemindar can be made a better dealer, he would get his money cheaper?—Partly.

That, I take it, is one of the chief objects of co-operative societies, to make the zemindar a better dealer?—Yes.

Is it a fact that the rates charged by money-lenders are due to the special circumstances of the business?—In the first instance, his capital is very small. Secondly, in village money-lending there is no competition practically, and so the lender tries to extract as much as possible.

You say that a debtor is bound to sell his produce through his creditor?—Yes; but this system is on the decrease nowadays.

The Board of Economic Inquiry has held a survey of the village of Gijhi in this district, and the investigator reports that a cultivator in debt who sells his produce to his creditor usually gets as good a price as a cultivator who is not in debt. Do you agree in that?—No; I do not agree.

Is there a large number of agriculturist money-lenders in this district?—Yes; there is. They are increasing in numbers.

From what class are they drawn?—They are drawn from all classes.

But there must be more of one class than of another?—No; because in each village there is only one class, thus there are Rajput villages, Jat villages, Brahman villages and so on. In the Rajput villages there are Rajput money-lenders, in Jat villages you have Jat money-lenders and so on.

Do you find many agriculturist money-lenders amongst military pensioners?—Yes; but they are losing money in the transaction because they are not trained in the art of lending and recovering loans which the professionals are specially trained for.

Is it a fact that, though agriculturist money-lenders are losing their money, their number is increasing?—Yes; because the man has, by force of circumstances, to advance money. His relatives know that he has got money, and they force him to advance that money. If he makes a bargain by lending money once, he is tempted to advance loans to other people also. Besides, the agriculturist who labours in the fields does not earn much, while the bania grows very rich by simply lending money. So the agriculturist who has money is tempted to take to the profession of money-lending, while he has not got the same intellect as the professional money-lender.

Do you know of many cases of agriculturist money-lenders who have lost by money-lending?—Yes.

Is it the case that most of the mortgage debts are in the hands of the agriculturist money-lenders in the district?—Yes; it may be so.

Why is so much money being advanced by agriculturist money-lenders when they are steadily losing?—It is because he hopes to acquire land in the village somehow.

Other things being equal, will an agriculturist money-lender advance more per acre than the ordinary money-lender in the case of mortgage?—Yes.

How much more would he advance?—Sentiments apart, he would advance, say, double the amount which any calculating man would advance.

Why does the agriculturist money-lender advance more?—Because land is a better security, and besides land gives him a better status in the village.

What would you regard as a fair return on land taken on mortgage?—I think 6 per cent would be a fair return.

Do you think that the ordinary mortgagee gets 6 per cent.?—Yes; he can get 6 per cent if he himself cultivates the land; but, if he lets it out to the tenant, he will not get so much.

So far as money is advanced against land taken on mortgage, would you say that the rate on that money will not average more than 6 per cent.?—Yes; that much of the money that has been invested practically earns 6 per cent. It cannot bring more than that.

That means that, if a cultivator is prepared to mortgage his land to an agriculturist, he can raise money at about 6 per cent.; is that so?—Yes.

On the other hand, if he wishes to have an unsecured loan, he has to pay between 12 and 24 per cent.?—Yes.

In your note you say "Very often he finds his thumb-mark put on items which were never advanced to him." Have you come across many such cases?—Yes.

How many approximately?—I cannot give figures, but it is fairly common.

How many clients have you had in money-lending cases?—Probably about a hundred every year.

Do you think such cases are decreasing in number?—Such cases, where fraudulent practices prevail, I think are increasing in number.

Do you then think that the money-lender is becoming more fraudulent?—Certainly not less.

Does that apply to the agriculturist money-lender?—No; an agriculturist money-lender is harder upon his debtors in other ways. He himself cannot write, and he has to borrow the services of a mahajan who can read and write for him, and the mahajan would not commit forgery for the sake of a neighbour; whereas, in the case of the sahukar money-lender, he himself is the writer and gets the debtor's thumb-

mark. This sort of practice is not common among agriculturist money-lenders, but what is common is this : that the agriculturist money-lender does not leave a pie. He exacts his full pound of flesh. He is not fraudulent.

Would the ordinary borrower rather deal with the agriculturist money-lender or with the professional sahukar?—He would prefer the agriculturist money-lender if he can get one.

Why is that?—Because he knows that the sahukar would one day land him into difficulty.

Is he not afraid of losing his land to the agriculturist money-lender?—That idea will never occur to him that he will not repay. He always wants to repay. The non-agriculturist money-lender also gets his land mutated in the name of a friend, and the Alienation of Land Act is frustrated. So there is no difference on that score.

Is that a common thing in your experience?—Not very common, but there are cases in Rohtak itself.

You say the whole of the produce of the land goes to the village money-lender's shop. Do you mean that literally the whole of the peasant's produce is taken away and he is left nothing for his subsistence?—Yes ; this is the case with those who deal with non-agriculturist money-lenders alone. Of course, as I said just now, some people do bring their produce to the mandis direct, but those, who are under the thumb of the bania money-lender, have generally to give everything to the bania.

Does that apply to the whole of their produce or to that part of it only which they would normally naturally wish to sell?—He would keep not what he would consume through the whole of the year, but he would keep only what he would consume in the next month or so. Otherwise the whole of it goes to the bania.

Is that the case with most of the borrowing zemindars in this district?—This is the case in nearly all those villages where there is no co-operative shop throughout the district. Where there are co-operative societies, the case is a little different.

Why is that?—Somehow, so far the co-operative societies have done this service to the people that they have brought about a natural awakening.

Approximately what proportion of advances and recoveries are made in grain in this district?—It is very difficult to say, but I think about half of it must be in grain, but it is a very rough estimate.

What proportion would be repaid in cash?—It is very difficult to say. Every agriculturist here is a cattle producer also, and so, when he sells his cattle, he gives that money to the money-lender.

You said that in some cases murders have been committed ?—Yes.

How many in the last five years in the case of money-lenders?—There was one case which I conducted in the sessions court. It was purely on account of the exacting nature of the man that he was murdered. This was about eight or nine months ago.

Is that the only case in the last five years of a money-lender being murdered on account of his severity ?—There has been another case in the Hissar District. Then there are the well-known cases of Ghasi Mahajan and Mani Ram Bohra. But they are rather old cases.

How many years ago were these murders committed ?—It was about thirty years ago. Bohra was murdered about twenty years ago. This Ghasi Mahajan of Sisana, as one of the chief money-lenders, was the first to introduce these malpractices. Before that, people generally thought nobody could write false accounts in bahis and they attached very great importance to the bahis and very few cases came to the courts. Ghasi was the chief man to start making forged entries in the bahis. Getting of decrees was not so difficult because in those days there were no thumb-marks even. Desperate people became tired of their lives because it was very intolerable for them to live, and they murdered him in the village. There were a series of murders in those days.

Are relations between money-lenders and their clients unsatisfactory at present ?—Yes, they are.

Since when ?—The tension has been increasing during the last twenty years, owing to the sharp practices having increased, and people having come to know ; there may have been sharp practices before too, but people were very ignorant and they did not know it. There has been some awakening among the people and they resent these sharp practices.

Is it at all due to propaganda ?—It is partly due to propaganda.

Are these relations getting very strained ?—Yes.

The situation is steadily deteriorating ?—Yes.

You have remarked that the agriculturist money-lender has to save his brethren from the jaws of these sharks. Do you think that the agriculturist money-lender is acting partly from motives of philanthropy. Is he not acting only for his profit ?—Yes; he makes his profits, but that is not the only thing. He is forced by circumstances also to go in for money-lending. There are people who have to lend money, but they would rather deposit it in a bank. When we speak to them and ask why they do not deposit it in a co-operative society and thus help the co-operative movement and thus save their brethren, the reply is " we have some money, but our relations sit *dharna* and force us to advance money to them."

If they were acting from motives of philanthropy, why do they then exact the last pound of flesh ?—This is because they know they have advanced every pie and they must realize. He is generous in other ways. He would advance whatever he can, but he would try to recover every pie. He would, however, try to help his relations in other ways.

You mean to say that he is generous in advancing, but exacting in recovery ?—He is exacting in recovering his loans, but he is generous in his gifts to his relations.

Then he makes these gifts to his relations alone. But agriculturist money-lenders deal with other people as well ?—Yes.

To what extent do money-lenders advance against ornaments in this district. Do all money-lenders do it ?—Nearly everyone does so, but it does not mean that the whole of their advances are secured by these ornaments.

What proportion of advances are secured by ornaments, taking the district as a whole ?—That depends on the condition of the harvest. When there is a bumper crop, they would not ask for any ornaments but, when there is no crop and there are no prospects of early repayment, they would ask for some security.

What proportion would be advanced now ?—Now that there is famine, about ⅓rd of the loans must be on ornaments. I have one example. I was simply surprised to find that an ordinary bania had about three maunds of silver ornaments pawned to him.

Are the rates of interest lower when ornaments are pledged ?—Not necessarily.

Do people willingly pledge their ornaments ?—Nobody would part with ornaments unless he is forced and has no other means of raising loans.

Would he rather pledge his land or ornaments ?—I think ornaments first then the land. He will exhaust all his ornaments before he touches his land.

We were told yesterday by Hissar people that they regard the pledging of ornaments as *beizzati* (disgrace). Is that so ?—Pledging of anything is *beizzati*.

Then to some extent a zemindar pays a higher rate of interest to maintain his *izzat* ?—Certainly.

If he were prepared not to consider his '*izzat*' he could get his money, or a part of it, at a considerably lower rate of interest by mortgaging his ornaments ?—Yes ; but then he will lose in other ways. If he mortgages his land, he will remain idle. Silver ornaments do not fetch much.

You stated that the standard of living has gone up without a corresponding increase in the earning capcity of the people. Why should the standard of living go up beyond the capacity of the people

to support it out of their earnings?—There is not enough work for the people to keep them occupied throughout the year.

I can understand the standard of living going up in the case of people whose income is increasing, but why should it go up in the case of those whose income is not increasing?—This is the general outcome of the people having gone out to other countries and having seen other people during the war. When they came back, they naturally influenced not only their own people, but also others. War meant a good deal. Military people brought new ideas and they influenced other people.

Do you mean that the standard of living is to some extent a matter of fashion or imitation?—Their circle was limited before the war. They saw other countries and other people during the war, and they thought why should they not live in the way other people were living. This raised the standard of living of the people who had actually seen other people. When the standard of living of these people was raised, others followed their example, though their income had not really increased. Improvements in the means of communications have also widened the circle of acquaintances. For instance, formerly a man had his relations within ten or fifteen miles; now he has his relations in other districts as well. He goes about freely. He goes to the town freely and he frequents mandis and sees people there and does more travelling and comes into contact with all sorts of people and there is naturally a desire to have his own living according to the standard of others.

You say that money-lenders can be sure of the sympathy of the courts in execution proceedings. Is it not a fact that money-lenders have considerable difficulty in recovering what is decreed to them through the courts. The civil justice reports of the last few years suggest that only 25 to 26 per cent of the amount decreed and sued for recovery is made in this way. That is not a large percentage?—No.

The reports also say that a certain amount is recovered outside the court. Is that so?—This is true.

Could you as a lawyer attempt any estimate of the amount recovered outside?—It is very difficult to say, but it may be about the same as recovered through the courts. I am talking of rural areas.

What happens to the rest of the amount if only as much is recovered outside the courts as is recovered through them?—This keeps on hanging over the neck of the debtor.

But is it ultimately recovered?—Not the whole of it, but a part of the amount is recovered.

How much more is ultimately recovered?—I think more than what was advanced to the judgment-debtor.

I am speaking of the actual amount decreed ?—It is very difficult to say.

But would you agree that money-lenders have incurred a certain amount of bad debts ?—I would not call them bad debts because they were no debts at all. Money-lenders would never advance more than the capacity of the borrower. He knows his capacity and he will never make advances more than that. When he goes to court, he floods his bahis with fictitious items and then goes to court. Unrecovered items would be more than covered by these fictitious items. So he is not losing everything.

You speak of taccavi. Is it popular in this district ?—No.

Why not?—Because of the difficulty in getting it, and because of the fact that the whole of the amount never reaches the borrower. There is so much jobbery going on.

What proportion do you think does not reach the borrower.? —It varies with the sort of officers distributing it; some officers are more sympathetic and they do not allow their subordinates to extract as much as possible, but I was told by a revenue officer, when he was distributing taccavi in the Fatehabad tehsil, that a cultivator was given a chit for Rs. five. He went in to get money and of course he had to pay everybody from the patwari, kanungo, etc., till the man was left only eight annas out of the five rupees that he got as taccavi. This he placed on the table of the officer, saying that this was all that was left to him.

But this was presumably an exceptional case. What proportion do you think is ordinarily withheld in this district ?—Generally people say 10 per cent is taken away.

Which would people prefer : to go to a co-operative society and borrow at 12½ per cent., or get taccavi at 6¼ per cent. ?—To go in for 6¼ per cent taccavi is in some respects better because the loan from the co-operative bank will never be remitted, whereas, in the case of taccavi, if the crops fail, there is a hope of the loan being remitted.

That is to say, if he has to pay 10 per cent at the outset, he may perhaps get 50 per cent remitted at the end ?—Yes ; about Rs. 33,000 were remitted this year in this district.

If that is the case, why then is it not popular ?—Because the recovering part of it makes it so unpopular. They insist upon a certain sum being paid by a certain date, otherwise the chaprasi or the kanungo will go and proclaim his insolvency in that village and so on.

Under these circumstances, would you advocate the extension of taccavi ?—Yes; provided the other thing I advocate is granted ; that is, that sympathetic officers should be appointed.

You say " If the co-operative bank could take the place of village shopkeepers, everything will be all right." Is your remedy

then for the present difficulties in regard to rural finance the extension of the co-operative movement ?—Yes ; a very great extension, not an ordinary extension. I would have everybody become a member of the co-operative society, and the co-operative society should not be a sleeping body for one month and work for one day and so on. It must go on working every day. Besides you must have honest and enthusiastic office-bearers and a good staff. You must also have a huge staff to deal with malpractices if any.

How would you find the money for the large staff required ?—Government should find the money. It may impose an extra tax upon the whole society.

Do you favour a special tax to develop the co-operative movement ?—Yes, and at a very rapid pace. To begin with, I would suggest that intensive work should be undertaken in particular areas; about fifty villages may be selected and enough staff may be employed to develop the co-operative movement there, in order that it may take the place of sahukars. By this means in the course of five or six years it would be possible to demonstrate the usefulness of the movement and people will get into the habit of making punctual payments. This will serve as a demonstration to other people of the usefulness of the co-operative movement and they will take to it of their own accord at less cost to Government.

Can you suggest any other remedy for dealing with the problem of rural finance ?—I have suggested the registration and licensing of money-lenders. The present Money-lenders' Bill is no remedy at all, because it affords only a very small solution. Nobody but a registered money-lender should be allowed to do business in money-lending ; and, if he does, the court must not entertain his cases. As for registered money-lenders, they should be compelled to keep bahis, duly paged and signed by some authority in the district.

Would you give the same facilities to registered money-lenders for the recovery of loans as you would give to the co-operative societies ?—I will not grudge those facilities to them.

You say that post office cash certificates are not known to villagers and their terms are not sufficiently attractive. What terms would be attractive ?—The rate of interest is only $5\frac{1}{4}$ per cent., which would hardly attract the village depositor. I think $6\frac{1}{2}$ per cent would be a fair interest to attract the village depositor.

Does that mean that he can make 5 or 6 per cent on his money in other ways ?—Yes ; there is the co-operative bank where he can deposit at a higher rate.

From the point of view of co-operation, would you encourage cash certificates in rural areas ?—No ; I would encourage co-operative deposits rather than postal deposits because the profits in co-operative deposits go to the members thereof, whereas, in the case of postal deposits, the profits go to Government.

You say, "Everybody has the ambition of becoming a money-lender, and loses everything he lends in course of time." Does that apply to both professional and non-professional money-lenders?—It is not so much in the case of professional money-lenders because they make money otherwise. That remark applies to the new agriculturist money-lenders.

It is sometimes said that the agricultural cultivator suffers for want of capital. Does he get enough capital in this district for his real needs?—No; he does not get enough capital. He can produce more if more money is available.

Are you sure he would produce more. Is it not likely that he will spend more?—Yes; he will spend more too, but will produce much more than he spends.

What assurance have you that, if he had more capital, he would make productive use of it?—He will certainly make productive use of it, but he will spend it on luxuries too.

In so far as he spent it on luxuries, it would be a disadvantage to him to have more capital; and, so far as he spent it on productive services, it would be useful to him. Which way do you think the balance of advantage lies?—It is true that, if more capital is available, cultivators may leave cultivation and take to other professions which they consider more profitable than cultivation. But some cultivators may improve cultivation by sinking wells, and thus increase their income from land.

Government lends money for sinking wells. Have many people taken advantage of that?—Yes; people are taking advantage of it now.

Do they take advantage of it as freely as you would like?—Not as freely as I would wish because there has not been enough propaganda. Many people do not even know that taccavi can be had for sinking wells.

You say that people are taking advantage of the facilities offered by Government for improving their land. That being so, may it not be said that people who want to improve their land can get the necessary capital for the purpose?—Not for all needs, but only for sinking wells.

What are the other needs for which they require capital?—Some of them are enterprising and want to use power, instead of bullocks, for lifting water. For this capital is required.

Is there a desire on their part to do that?—Yes; people are actually talking about it.

Do you know how many people have obtained loans from Government under the Land Improvements Loans Act?—No.

The figures I have got with me show that very little advantage has been taken by people in Rohtak under that Act during the

last five years?—That shows the apathy of the staff. The terms on which Government advances loans are not even known to agriculturists.

Is the absence of joint stock banks here a source of difficulty?—Yes; because people cannot borrow easily. They have to borrow from some local firm, which is more exacting than a bank would be. The main difficulty is the lack of borrowing and depositing facilities.

Have traders complained that their business suffers from the absence of a bank?—Not particularly to me.

Have you any knowledge about hoarding in this district?—There is very little hoarding. During the war there was some hoarding, but not now.

Rai Sahib Lala Kishan Lal:—What are your suggestions for relieving the zemindars from the money-lenders?—I have suggested the extension of the co-operative movement on a large scale, the registration and licensing of money-lenders and the education of the people.

You said that three or four murders were due to the grant of loans?—No; it is not a question of money that compelled people to commit murder. If the bania gets a decree against a borrower, he cannot recover it easily. So he gets the house or buffalo of his brother attached, and it is very difficult to prove by documentary evidence that the house or the buffalo belongs not to the debtor, but to his brother, and the courts generally act more sympathetically towards the decree-holder and decide the cases in their favour. This is what happens in execution proceedings.

So the root cause of the murder is money?—Giving of money is not the root cause. It is the desire of the bania to live upon the earnings of the poor debtor derived from his small capital. The creditor has got only Rs. 2,000, and he wants to earn Rs. 2,000 a year with that capital. The cause of murder is not the lending of money, but the exacting nature of the money-lender.

You say that the sahukar's business is decreasing nowadays; is that so?—I do not say so; it is increasing in some areas and decreasing in others.

Have the co-operative societies ever suggested that there should be commercial shops to relieve the zemindars from taking things from the sahukars?

No. some village supply societies were opened but so far as I know they did not do well because we could not get trained men.

(Then the witness began giving evidence in vernacular as questions were also in vernacular by Chaudhri Niamat Ullah Khan, member).

I regard a mortgage as a good investment if the profit it brings is 6 per cent. But the income on the amount advanced varies on whether the mortgagee cultivates land himself or through tenants.

Co-operative Societies should lend on 7 per cent interest when they take land as security, otherwise they will not be popular.

Taccavi rules need amendment. A peasant needs food for himself and his family as well as fodder for his bullocks. But the rules lay down that he can get taccavi for fodder only, and no food-grains can be purchased out of this sum for the farmer or his family. This is mischievous, as under this rule the farmer should sit idle and feed his cattle on fodder purchased with the money he gets. Will it not be better if he purchases food-grains for his family and they all bring green branches of trees and green grass from the fields and in this way keep themselves and the bullocks going with the same amount of money.

The recent rulings of the High Court, whereby a creditor can get a zemindar declared insolvent and then to get his land attached and sold by an Insolvency court are a great menace to our lands. Registration and licensing of money-lenders should both be introduced. Education is equally necessary if the borrowers are to be saved from the sharp practices of money-lenders. Cheques are not prevalent here in co-operative bank.

Rao Pohap Singh.—You stated that 50 per cent of the loan is in kind. Would a moneylender give in cash if the borrower wants to buy from other shop ?—An ordinary village money-lender would not do so.

Do you think he gets as much from the money-lender when he takes his loan in kind as he would take if he were to buy from the market. ?—No certainly not. What he does is this. There is the wheat harvest. Wheat is ordinarily selling at eight seers a rupee. The bania would generally give him credit for much less than one rupee if the borrower gives him wheat weighing eight seers. But if he advances him wheat he will advance him less than eight seers.

Do you think that a money-lender goes to court when he finds that he had advanced up to the maximum capacity of the borrower and that he has taken everything from him and there is no further prospects of gaining anything by advancing anything more or does he go at any other stage ?—Before he goes to court he sees that enough items are entered in the bahi to cover all expenses of the litigation and also that the margin that will be left uncovered in execution proceedings is covered too. He manages by hook or crook to have his thumb mark put on such items. Ordinarily he would not go to court so long as the loan is only up to the paying capacity of the man. Of course there are cases where a well-to-do zemindar is duped in this way. I came across a case only a few months ago. A man from the Karnal district was sued in this district for an item which he said he had never received from him nor ever borrowed. There was only one item of 700 or 800 and there was only one item on that bahi. The bania belonged to this district and the thumb mark was clear enough. It was proved in that case that the plaintiff bania had

some relative in that village to which the defendant borrower belonged. He lent his *bahi* to that relation of his and secured his thumb impression. The zemindar borrower was a well-to-do man and he came to court and he raised this plea that his thumb mark must have been secured through the help of his relative. Ultimately the sub-judge dismissed the suit even though the thumb mark was proved.

Do people take receipt for repayments of loans ?—Not generally ; in very rare cases do they take receipts.

Do people complain ? Do these agriculturist borrowers complain, that they paid certain items which have not been credited ?—Nearly in every case. But the tendency of the civil courts is this that they would not accept oral evidence to prove repayments and it is coming to this that where oral evidence produced in criminal cases would be enough to hang a man, in civil cases that evidence is not taken as reliable.

In your opinion the plea that repayments have been made are generally true and correct ?—I would not say in every case, but generally they have some truth in them. I can quote one case in which I was engaged, that was sometime ago. The man said he had repaid everything but the *bania* produced his *bahis*. He in fact had three *bahis* and after going through his account we found that there was nothing wrong in the accounts. But as the man said he had really paid everything we went into the matter a little more deeply with the result that the suit was dismissed because we definitely hunted out cases in which that man had been present in Rohtak on the day when the loan was said to have been advanced.

Have some *banias* been proceeded against criminally for such sharp practices ?—Yes, last night the Sessions Judge told us that a *bania* was sentenced for two years' rigorous imprisonment for such practices. There are many other examples in this district.

Do you think that money-lenders oppose these co-operative societies and why ?—Yes, the reason is that they cannot get clients so they add to their incomes by these sharp practices. The moral effect of these co-operative societies has been a general awakening among the borrowing classes and the money-lenders fear that much, so they oppose these societies.

Do you think that this money-lending by individuals affects the morality of the borrower ? Is he not very much subordinate to the creditor ?—Certainly.

But in the case of a co-operative society this subordination is not one of the ingredients. He borrows from a society ?—In practice it is not so much as that but he is in some sort of subordination because the president or the secretary does dominate. But not so much as an individual.

Do you think that the change from individual money-lending is a change for the better morality ?—Yes.

Then you have also said something about these mandis. Do you think that co-operative commission shops would solve the difficulty or would be better marketing system than the present system ?—There should be a net work of co-operative commission shops in order to make the movement a success. They will certainly be better but solitary commission shop in a mandi with no corresponding business firm at Karachi or at other big place will not succeed, because every body will try to *badnam* it and to put all sorts of obstacles in its way.

A co-operative commission shop was started at Rohtak and was subsequently closed down, was it on account of lack of intelligent management ?—I have no personal knowledge.

Cotton from these parts goes to Hansi ?—Yes.

Why does it go to Hansi ?—Because here there are only two ginning factories and they generally pool with the result that they pay less than what a man can get at Hansi even after paying eight annas a maund for carting it. There is enough cotton in these parts and a co-operative cotton ginning factory would pay very much.

(Witness withdrew.)

Chaudhri Duli Chand, Member, Legislative Council, Rohtak.

SECTION II.

9. *Licensing of money-lenders.*—Individual money-lending and money-lending by a firm consisting of members of the same family are highly undesirable. They result in exorbitant rates of interest and fraudulent charges from borrowers. There should be a class of registered money-lenders. There should be no objection to this. There are registered money-lenders even in civilised countries like England. When lawyers and doctors are required to register themselves, and even title-holders are registered, why should there be any objection to the registration of money-lenders? The Regulation of Accounts Bill passed in its present form by the Punjab Legislative Council is a poor consolation for borrowers. There should be four provisions in a bill for the protection of helpless and ignorant village borrowers—

(*a*) registration of money-lenders ;

(*b*) maintenance of regular account books in prescribed forms and scripts ;

(*c*) periodical supply of accounts to borrowers ; and

(*d*) the penalty for non-registration and for failure to supply accounts periodically and not keeping accounts as required under legislation.

NOTE.—Non-suiting in such cases would be the best penalty.

PART VI.

15. *Scripts.*—Money-lending banias keep their accounts generally in Lunda scripts, which have no vowels practically. They are intelligible to men of the Bania class in their immediate neighbourhood. Hence writings in such scripts may be read differently, *e.g.*, Tel (oil) may be read as Til (oil seed) ; Bahi (account book) may be read as Bahu (wife) ; and "Ajmer gye" (went to Ajmer) may be read as "ajmar gaye" (died to-day). The following saying is proverbial about the different readings of Lunda scripts : Lala Ji Ajmer gaye, bari bahi bhej do (Lala ji has gone to Ajmere, send the ledger). It was read as Lala ji aj mar gaye. Bari bahu bhej do (Lala Ji has died to-day. Send elder wife). The use of Lunda scripts in accounts must be stopped by legislation in the interest of borrowers.

Oral evidence of Haji Ghulam Muhammad, Municipal Commissioner and Cattle Dealer, Rohtak.

My relatives are all cattle dealers. They export cattle, including cows and buffaloes, to Calcutta and Poona. Approximately fifty lakhs worth of cattle are exported annually from the tahsil of Rohtak. My share in this is one lakh only. About 250 persons of this tahsil are engaged in this trade. Most of the cattle are exported to Calcutta. The money is partly our own, and partly borrowed. We borrow from mahajans. We pay interest at the rate of twelve annas. Money is borrowed on the security of property or jewellery. People of substance also get loans without any security. Sometimes loans are repaid even in a year's time. Rate of interest is from twelve annas to a rupee. We get money from Calcutta by means of money order or insured packets. We do not get it by means of hundis. Here currency notes are quite common. Zemindars take cash in return for the cattle. There are a few who object to currency notes in repayment of their dues. We put our profits back into the trade. We keep cash with ourselves in the form of notes or rupees. We do not deposit with banks or sahukars. If banks were opened here, and we could get facilities for getting money, we would be prepared to pay two annas per cent. There is a great demand for money. We keep our money in iron safes. We do not lend money to each other. Rohtak exports about 20 to 25 wagonsful of cattle a day. A wagonful will contain cattle worth from Rs. 1,500 to Rs. 2,500. Cattle is sold in Calcutta at Rs. 350 a head.

(Witness withdrew.)

Lala Dalip Singh, Treasurer, Karnal.

PART I.

1. (*i*) No special facilities are available to the public including banks and bankers for obtaining cash when and where it is wanted.

(*ii*) Cash is not obtained in the market sometimes and the Government treasury also cannot exchange up to the full public demand owing to the heavy rush of other Government work. Therefore special cashiers for exchange work only may be engaged in each treasury according to the full public demand.

2. (*i*) Little part is played here by the negotiable instruments in the internal trade of the province.

(*ii*) If the stamp duty be reduced it will certainly encourage the trade.

3. No type of instrument is required as the business in oriental fashion is very simple and cheap.

4. There is no branch of the Imperial Bank of India here therefore little is known about the supply bills here.

5. A great difficulty is felt in obtaining currency notes of the desired denomination. If all Government Currency notes may be made universal this difficulty can be removed very easily.

6. (*i*) The duty on bills of exchange may be reduced by one half.

(*ii*) No distinction should be made between bills of exchange payable not more than one year after date or sight and those payable more than one year after date or sight.

(*iii*) Generally no hundies are drawn for trade purpose. It is a sort of loan on hundies and usually the period varies from 31 to 91 days.

(*iv*) No. If any slight difference happens in the duty on bonds it will counterbalance by the increase of duty on hundies.

7. If money order charges may be reduced to one half or a special concession be allowed to traders for collection of bills and cheques; the trade for internal remittance will be much improved.

8. The Hundi business is very little here.

9. (*ii*) No difficulty is experienced in using such instruments; as it depends on the credit of the person holding the railway receipt or invoice.

PART II.

1. (*i*) The principal crops of this district are brought to the market by road through carts or by loading on mules and asses.

(*ii*) No.

2. The grain is stored in kothas not in large amount as there are not sufficient suitable buildings or bank godowns for storing the grains here.

3. No. As there are small holdings in this country and the cultivators have a little to sell.

4. No. There are no special facilities for marketing the crops.

PART V.

1. (*a*) Storing of grains, cotton, sweets and selling gold and silver, etc.

(*b*) Banking is secondary.

(*c*) (*i*) Agriculture and trade are financed.

(*ii*) About 20,000 rupees.

(*d*) (*i*) About half of the capital is borrowed.

(*ii*) Some of it is received as deposit and the other borrowed as loan.

(*iii*) Interest is generally paid at 6 per cent per annum on deposits and 9 per cent to 12 per cent on loans.

(*iv*) No further charges are generally paid except stamp duty.

(*g*) (*i*) Jewellery and property.

(*ii*) The security is valued at the current market rate.

(*iii*) About three-fourth is advanced.

(*iv*) About ten per cent.

(*h*) It depends on the credit of the borrower.

(*i*) Generally cash credit is allowed on pro-notes.

(*j*) (*i*) Sureties are taken only in those cases when the borrower is not well known to the lender or has no good credit in the market.

(*ii*) The loans are generally needed for domestic and trade purposes.

(*k*) About ten per cent loans are made for productive objects.

(*l*) (*i*) No definite period is fixed.

(*ii*) The loans are renewed annually or on limitation date.

(*n*) (*i*) About twenty five per cent.

(*ii*) Usually the loans are renewed.

(*iii*) When loans cannot be renewed on the limitation date.

(*o*) The charges of Law Courts are too heavy and the recovery too difficult.

(*s*) The information given above is generally typical of indigenous banking in this district.

3. The indigenous banking has much declined and the Punjab Land Alienation Act is the chief cause of it.

4. The rate of interest cannot be reduced unless the people have plenty of money with them by different sorts of trade and industry.

6. Yes. If special concessions be allowed to the indigenous bankers by advancing money on low rates of intrest and giving facilities in recovering the loan the banking business can flourish again.

(*ii*) In the interest of lender.

8. (*i*) Yes. The money lies idle in the hands of bankers during some idle months of the year. No definite figures can be given.

(*ii*) No. The money is not invested in any other business, as it cannot be easily obtained when required urgently for the same business.

9. (*ii*) I would prefer No. (3) the establishment of agencies of the Imperial Bank of India.

SECTION II.

(*a*) Dealers in sweets, cotton and grains.

(*b*) Money-lending is secondary.

(*c*) (*i*) Agriculture and trade is financed.

(*ii*) About ten thousand in each.

(*d*) (*ii*) Deposits from small dealers and loans from big merchants.

(*iii*) Generally interest is paid at 6 per cent per annum on deposits and 9 per cent to 12 per cent on loans.

(*f*) About 10 per cent is deducted for bad debts and other expenses from the total income for calculating net profit.

(*g*) (*i*) Jewellery and house property.

(*ii*) The property is valued at the current market rate.

(*iii*) About 75 per cent is advanced on the current market value of the mortgaged property.

(*iv*) About twenty five per cent.

(*h*) It depends upon the credit of the borrower.

(*i*) (*i*) Only those clients have to produce sureties who are not well known to the lenders.

(*ii*) The loan is needed for trade, agriculture and other domestic purposes.

(*j*) About twenty-five per cent of the loans are made for productive objects.

(*k*) (*i*) Generally for six or twelve months.

(*ii*) The loans are renewed every year—sometimes before the limitation date.

(*m*) (*i*) About 33 per cent.

(*ii*) The loans are renewed.

(*iii*) The judicial proceedings are generally taken when the loans cannot be renewed on the limitation date or when the credit of the borrower is lost.

(*n*) (*i*) Too many difficulties have been experienced in recovering debts through courts of law inspite of wasting time and money.

(*q*) The information given above is typical of money-lending business in this district.

3. The money-lending has much declined during last thirty years on account of want of capital and loss of trade.

4. Yes it can be done easily if the money-lenders may be allowed a special concession to get loans on the low rates of interest by any means.

7. No defects in the present system.

9. No. It is not desirable to set up a class of licensed or registered money-lenders. It will prove injurious or ruinous to trade and country, because money-lending is the natural habit of every Indian.

PART VI.

1. The existing banking resources are adequate here in this city.

2. (*ii*) They can be made more popular by increasing the rate of interest.

(*a*) Up to 6 per cent per annum.

(*b*) The terms of issue may be changed and the period of completion may be fixed three years instead of five years.

3. (*ii*) The rate of interest may be increased.

(*iii*) At present the educated persons only take advantage of them.

(*iv*) Enhancing the rate of interest and giving more facilities to the public.

6. No facilities are at present afforded here.

7. (*i*) Educated persons having large means of income and small expenses.

(*ii*) Generally not.

8. (*i*) Such money is invested in any business or deposited with a banker or bank or sometimes kept under ground.

(*ii*) Do.

(*iv*) It is kept for domestic purposes such as marriage, purchase of property, house building and other emergent purposes of great need.

9. (*i*) Yes. There are two banks in this city. The Central Co-operative Bank, Limited, Karnal and a branch of the Peoples Bank of Northern India, Limited.

(*ii*) Rs. five.

10. (*i*) Generally the farmers keep their surplus funds with them.

(*ii*) Yes. But it is not confined to any particular class.

Chaudhri Achhru Ram, B.Sc. (Hons.), Merchant and Mill-owner of Kaithal Mandi (District Karnal).

Part I (1).—There is no bank worth the name in the Karnal district, with the exception of a branch of the Peoples' Bank of Northern India, Ltd., and the District Co-operative Bank, Ltd. There are no banking facilities for internal remittance, except by way of hundis issued or sold by the local trading firms or sahukars in every locality.

(8).—There are only two kinds of hundis prevalent in the district, namely, *darshni* and *mudati*. Darshani hundi is payable immediately on presentation, while mudati hundi is payable after the expiry of the number of days stipulated therein. The wording used differ from town to town. Hundis on Delhi in this area are generally held by shroffs, merchants and commision agents, while hundis on Bombay or Karachi are held mostly by cotton merchants and factory-owners. Hundis of firms of good repute and whose financial condition is known to be sound pass freely from hand to hand in the locality, but in other areas on the endorsement of another merchant of that area or locality. By far the largest portion of this business has to be transacted from Delhi or Ambala.

The defects of the present system are as follows :—

(1) Want of confidence in the persons selling hundies and uncertainty as to their financial position.

(2) Limited nature of the business in the market. It is difficult to sell or obtain hundies for any large amounts.

(3) Unfixed nature of the discount or premium rates of such hundis.

In my opinion a branch of the Imperial Bank of India is long over due in the district. The most suitable place for it is Kaithal, a tahsil town which has one of the biggest market mandis.

(9).—Advances are generally made on the security of Railway receipts, if there are, otherwise, no grounds for doubting the genuineness of the same. Cases of fraud are not infrequent where forged Railway receipts have been used to obtain advances.

(10).—Railway receipts pass from hand to hand with endorsement generally. Bijaks of Kothas of gram in Kaithal mandi alone change hands with endorsement and are saleable in the market. It would, undoubtedly, be helpful if Railway receipts and bijaks are made negotiable by law with proper safeguards.

Part II (1).—The principal crops of the district are gram, wheat, cotton, gur, rapeseed and other oilseeds. The raw produce is brought direct by the cultivators in carts, by camels or asses, the means of conveyance differing with the nature of each commodity to the nearest mandi, where the same is sold by auction. Some times the village Mahajan buys the produce from the cultivator and brings the same to the market at his own risk.

(2).—Considerably large quantities of gram and rapeseed are stored in Kothas in Kaithal mandi, and to a smaller extent in other towns and small villages, but there are no bank godowns in the district and such Kothas are hardly ever used as security for obtaining credit.

(3).—The system of licensed warehouses pravelent in the United States, America, would not only be feasible in India, but decidedly beneficial provided that the entire control is left in the hands of private agencies instead of Government officials. If the control is left in the hands of Government officials, in the present state of India, the system would prove extremely injurious to the advancement of trade and commerce for various reasons. On the whole there is a general apathy to Government control, and the fact that usually the work is entrusted to the hands of low paid staff results in corruption and other malpractices. In my view, local associations should be formed in each market, where such warehouses exist or are expected to exist, and the members of such association should be elected by the traders, merchants and dealers of the locality from amongst themselves and the entire control should be entrusted to such associations. It would not at all be difficult to evolve a system on these lines suitable for the special conditions prevailing in India.

Part III (1).—The idea that prices of raw produce are controlled by exporting firms and companies is based upon a misapprehension of the factors upon which the trend of prices depends and must be held to be fundamentally wrong. The world, to-day, is one whole unit and fluctuations in one market cannot but affect other markets, no matter if they are poles asunder. Speculation too undoubtedly has its effect upon prices, but its sphere is essentially limited and the effect is temporary and ultimately the course of prices must depend upon supply and demand and world-trade conditions in general.

In my humble opinion it is a fact that the growers of produce do not usually get full value of their produce, but the reasons for the same are essentially different from those alleged :—

(1) The inefficient methods employed by the cultivator in collecting his produce from the field, which result in impurities getting mixed up, thus lowering the quality of the produce.

(2) The financial weakness of the cultivator—the result being that the mandis are flooded with raw produce at the time when land revenue or *abiana* demands have to be paid or a marriage occurs in the family, there being hardly any other agency to finance him, except the village money-lender. The poor cultivator has no other course but to sell out his produce at whatever price he can get.

(3) Ignorance of the cultivators, whereby they fall an easy prey to the frauds of dishonest people.

To my mind, an organization such as the Federal Farm Board of the United States of America, which affords credit facilities to producers

and ensures them a definite return for their produce, the spread of education and better co-operation amongst them, would help the cultivator a great deal in this direction.

(4).—The rate of interest generally charged on the security of produce in the district varies from annas 8 per cent to annas 15 per cent per mensem according to the capacity of the financing agency and the range of fluctuations in the price of the commodity.

Small Industries.

Part IV (1).—There are a number of cotton ginning and pressing factories in the district, namely, three at Kaithal, one at Karnal and two at Panipat. The financial condition of these factories generally was good, but of recent years they have suffered heavy losses owing to the depressed condition of the cotton market. Distribution of better seed, provision of credit facilities on the security of their produce, so as to relieve the producer of undue pressure to sell out his produce would improve the situation a great deal.

(2).—There is hardly any cottage industry worth the name in the District. Wood-work to a small extent in tahsil Kaithal, knife-making in Shahabad and gur-making in tahsil Panipat are carried on, and are mostly financed by indigenous bankers and village money-lenders.

Indigenous Banking.

Part V, section (1) (2).—Indigenous banking business is generally carried on as a secondary business by shroffs, merchants and commission agents or arhtis along with their respective trades.

The nature of such business covers the following lines :—

(1) Sale and purchase of Darshani Hundis.

(2) Making advances on the security of landed or house property, jewellery or ornaments.

(3) Making advances on consignments of produe.

(4) Purchase of Government securities.

(5) Giving cash credit facilities to their customers which is allowed in cases where the borrower possesses a good business reputation, is known to possess sufficient immovable property and is otherwise a man of means.

Sureties are seldom required and loans are generally advanced for the payment of a former debt or meeting the expenditure of a marriage, and unfrequently for productive purposes. Considerable difficulty is experienced in the recovery of loans. A high stamp duty and the inordinate delay in obtaining decrees and their execution, and otherwise expensiveness of litigation present considerable difficulties in recovering loans through the agency of law courts.

(3).—The Punjab Alienation Act and the newly passed Regulation of Accounts Act also offer a great obstacle in banking business. If these difficulties are removed, indigenous banking would obtain a great impetus.

(8).—During the monsoon season considerably large amounts of money lie idle in the hands of the indigenous bankers, as their investments in cotton and other produce is considerably reduced. This is remitted to Delhi, Bombay, Karachi or Calcutta usually on very low rates of interest varying from annas 4 per cent to annas 6 per cent. per month. The starting of new industries or keeping larger stocks of produce in the up-country markets alone can relieve this situation and keep the funds employed in the district.

Part VI (16)—If a branch or agency of the Imperial Bank of India is opened in the district it would offer encouragement for keeping stocks of produce in the district, and the surplus funds thus would find investment in the district itself. In my opinion there is enough work for a bank to open its branch in the district, more especially in Kaithal.

The opening out of the new branches of the Imperial Bank of India in the districts has facilitated remittance from one place to another in the country, provided better credit facilities, but the discount rates charged for hundis are rather high and do not often compare favourably with the Delhi market. The discount rate of 1-3 pies for Karachi hundis and 1-6 pies for Bombay hundis is very high. This should be reduced.

Rai Sahib Lala Tara Chand, Honorary Magistrate, Jullundur City.

PART V.—SECTION I.

1. Private firms or persons (money-lenders) do this sort of business but there is hardly any such firm about whom it may be said that it is dealing like an indigenous bank in a regular manner hence it is almost impossible to reply this question in detail.

3. (*i*) Yes. Joint Stock Banks are the cause of such decline as far as I think.

(*ii*) Competition of the Joint Stock Banks is the cause of decline as the depositors do generally prefer (as far as I think) to deposit their savings with the Joint Stock Banks.

(*iii*) Yes. In case of revival of this form of banking, my opinion is that there should be a regular check of the Government on their dealings with the public so far as the question of receiving deposits and that of advancing loans to the public is concerned.

4. Yes. I think the rate of interest could be reduced by better organisation on the part of both money-lenders and borrowers, and the improved organisation should be of such nature as the Government may be in a position to interfere in it.

5. (*i*) Yes. Their unbusinesslike treatment.

6. (*i*) Provided there is some better organisation under the control of the Government as explained in No. 4 some legal facilities in my opinion may be extended to indigenous bankers for the purpose of consolidating and improving their system.

(*ii*) Both (borrower and lender).

7. (*ii*) Government should have control over the dealings of such bankers with the public.

8. (*i*) I think so. It is almost impossible to give figures.

(*ii*) Bankers keep the money with them when it is idle, tendency there is, but the bankers do not part with such money generally if they do not think it profitable.

9. (*a*) and (*b*) I consider the connection possible.

(*ii*) The establishment of a local Joint Stock Bank with a local directorate in every district where there is at present no branch of a Joint Stock Bank.

(*iii*) It is almost impossible to avoid the danger as referred to in No. 1 to 4 but as far as I think if some indigenous bankers of good experience may be taken as Directors on the directorate there is hardly any possibility of the said danger.

(*iv*) I do not favour the 4th proposal made in No. (*ii*).

(*vi*)

(*ii*) Directly.

Lala Kunj Behari Lal, Managing Proprietor, Lala Ram Rattan-Kunj Behari Lal, Roora Mal Street, Ludhiana.

Part I (ii).—Credit of the society is rapidly dying out and without credit no agriculture, industry and trade, etc., can flourish. Credit is the mainstay of business. Means should be devised to establish credit of the society. To achieve this object and for the betterment of Banking in India following suggestions are submitted :—

(1) A change of policy by the Government.

(2) Such laws and acts as are detrimental to indigenous banking, *i.e.*, Insolvency Act, Usurious Act, Land Acquisition Act, etc., should be repealed.

(3) Nefarious propaganda of creating hatred and contempt against the indigenous banking system by so-called Co-operative and Agriculture Uplift Societies should be stopped.

(4) Administration of justice should be made definite, simple, speedy, cheap and certain.

(5) There should be no attempt to limit the rate of interest. The rate of interest has not risen in proportion to the rise in rates and prices of other commodities, necessaries of life, litigation expenses and risks in recovery of loans, etc.

(6) Protracted and vexatious methods of litigation should be remedied.

(7) Banks and bankers should not be allowed to speculate.

(8) Imperial Bank of India should not be allowed to give monopoly of guarantee or endorsement to any particular favourite of the Government. Some definite rules should be framed and acted upon ; no favours should be allowed.

(9) The use of the word " bank " or " banker " should be restricted. Those individuals, firms and companies who have no capital or assets of their own to advance, and those who do business of the nature of speculation, lottery, ticket system, etc., should not be allowed to use the word " bank " or " banker."

(10) The so-called loan companies of the present day, who have no capital or assets, are running in the name of " bank " financiers and " loan companies ", etc., merely to cheat the society under very tactfully drafted rules and terms under the management of persons having no status but convicted more than once.

(11) Those who unjustly attack on the stability of a really stable bank or banker should be dealt with summarily and

speedily and they should pay heavy damages and be liable to fine and imprisonment of both kinds.

(12) To deal with banking or commercial claims and disputes there should be special courts known as " business courts." The presiding officers and the ministerial staff of these " business courts " should be recruited from the banking and commercial community and should possess some qualifications and practical experience of business for at least five years.

(13) I would recommend no special concessions in respect of any particular classes of banks as it would mean to give one undue preference over the other.

(14) There are given practically no facilities for banking or business education in schools, colleges and Universities. The Universities and the Education Department should open Schools and Colleges to educate and train Indian youths in theoretical as well as in practical methods of business suitable to every Province according to the present needs and circumstances.

(15) Sons and relatives of the indigenous bankers should receive scholarships, stipends, facilities and encouragement in other ways to get suitable banking business education and training both practical as well as theoretical.

(16) It should be obligatory for the registered and limited business companies to employ well trained and qualified hands as their responsible officers, without which no company should be recognised by the Government.

(17) There should be good and attractive prospects of career for really qualified and trained hands. There should be some fixed grades and regular increments for such qualified and trained hands.

(18) Joint Stock Banks in India and banking firms should also be afforded similar facilities, privileges and concessions as the Imperial Bank of India has enjoyed or will enjoy in future from Government, District and Municipal Boards, Courts of Wards, and Courts of Justice and Indian States.

(19) There should be no conflicting rulings, but there should be a Code for the guidance of the special " business courts " mentioned above. Such a code should have the force and weight of law.

(20) Government should co-operate in patronising the Indian Banking in various ways.

(21) Law courts should award substantial justice to the litigants without putting them to various inconveniences and expenses and a lot of trouble and loss in unnecessarily protracted procedure.

(22) The Imperial Bank of India should not charge a rate of interest higher than its Bank Rate.

(23) Means should be devised to make agriculture, trade and other industries more lucrative. There should be created more openings and careers for Indians in India to face and check rapidly increasing unemployment and dullness of the market.

(24) Effective means should be adopted to check the exploitation of Indian capital, and the use of luxuries should be discouraged.

Owen Roberts, Esquire, Managing Director, Messrs. Owen Roberts & Co., Ltd., Lahore.

SOME of the points raised in the Questionnaire are of considerable interest to persons handling produce in quantities and requiring money in substantial sums in places where money is not available in the ordinary way.

There are three broad stages involved in financing produce in quantities—

(*a*) the provision of funds in a large way at a convenient centre ;

(*b*) payment of produce previous to placing it on rails and obtaining a railway receipt ; and

(*c*) financing negotiable instruments in the form of railway receipts.

Before going into details that arise out of the stages mentioned above, a few remarks as to the importance of financial facilities to the trade may be of use.

In 1904, when the writer first came to the Punjab, the chief centres of the grain trade were Multan, Amritsar, Ferozepore, Ludhiana and Ambala, and each of these centres owed its importance to the facilities existing for financing the trade. Amritsar was at the time the best centre ; bills could be negotiated there more freely than in any of the other centres and, realising this, the writer shifted the headquarters of his business from Ludhiana, where it was situated when he took over, to Amritsar. Before his principals would accept his judgment as final, he was required to spend a season (1905) in Multan, where there was at that time not only a large local trade, principally river-borne, but, owing to the financial facilities it offered, most of the business that was then developing on the colonies (Lyallpur principally, and to a lesser degree Sargodha) was financed through Multan.

The trade, however, outstripped the resources available and during 1905 it was frequently necessary to sell bills in Amritsar and bring silver down to Multan itself to effect payment—a very costly business.

The result of this experience was the transfer of the headquarters of the business to Amritsar, and this arrangement continued till 1908. In the meanwhile currency transfers had been instituted and Telegraphic Transfers for unlimited amounts could be obtained through Government at a fixed rate, and in practice this became the principal means of financing the trade.

Money would be obtained in large quantities from the Currency Office and trained to the various centres. For some time this was carried on from Amritsar, but eventually the headquarters of the business was transferred to Lahore in 1908 and the writer has been here since.

These remarks have been introduced to emphasise the importance attached to financial convenience, and the only substantial difference that exists to-day differing from pre-war conditions is the substitution of currency notes for silver as the medium for making payments and, as will be explained later on, the utilisation of the Post Office as a carrier in lieu of Railways.

One interesting phase of the subject that may be noticed in passing is the position that gold occupied immediately prior to the war in financing the produce trade.

It is a very great pity that the war should have interfered with a very promising experiment. A great deal is heard of the quantity of gold absorbed during the short period when it could be freely obtained, but a close acquaintance with the classes using it and, as the result of careful observation at the time, the writer is convinced that, had the conditions not been interrupted by the war, gold would have entered freely into currency and hoarding would have disappeared ; the result on the trade done by banks in brick gold must have been considerable had this come about, but this is by the way.

The problem to-day is exactly the same as it was ten years ago with the exception of the substitution of notes for silver, and the three stages are dealt with as follows:—

(1) Money can be brought up from Bombay or Karachi by means of currency transfer at fixed rates through Government or through the banks, though the charge that can now be levied by banks is controlled by the Government rate.

(2) The next stage is to meet the case of having to pay for produce before it is placed on rails and a negotiable instrument created. Payment in these cases must be made in cash and involves obtaining funds on the spot either through banks by purchase or sale of drafts or by actual remittance of notes. The price charged by banks for this service is, as a general rule, so high that it is far more economical to resort to remittance of actual notes, and it is in respect of this class of remittance that assistance could be forthcoming from Government, especially in cases where surplus balances are available, either in treasuries or sub-treasuries. In such cases it would pay to issue supply bills or something of the same sort at par and get rid of money from places where it is not wanted in exchange for cash in Lahore or at other treasuries where funds are required. The writer has at times bought supply bills in years past, but the procedure is cumbersome, and to popularise it, a simpler arrangement than that in force at present should be devised. The point will be dealt with later when the question of the scale of charges levied for remittances is under discussion.

(3) The third stage, the financing of negotiable documents, particularly Railway receipts, is entirely in the hands of banks and from enquiries made no difficulty is experienced and the charges recovered are kept to a moderate scale owing to the competition between banks to secure this class of business.

Charges on remittances.—A clear distinction must be observed between the classes of remittance involved in stages 1 and 2 and that involved in 3.

In every case in stages 1 and 2 the person desiring to remit money deposits it with Government or a banker and receives in return a document entitling the holder to receive an equivalent sum (remittance charges being separately recovered) at the place where the money is required or the transaction is covered by telegram, in which case the facts are the same except that the money is often payable sooner and this class of remittance requires looking into.

In stage 3 money is advanced against a security and recovered some days later.

The distinction is clear; in one case the bank or Government enjoys the use of the remitter's money for a period, and in the second case the bank loses the use of its money for a period. The right of a bank to get what it can for the convenience of a service is not questioned, but the position of Government is entirely different and the question whether it is politic or proper for Government to charge for remittances of this sort requires careful examination, the more so as the mere fact that Government does make a charge for a service of this kind places the banks automatically in a position to charge also.

The revenue accruing to Government from the monopoly of currency is enormous and out of that advantage arises, generally speaking, an obligation to make money available for the public where it may be required. It is not suggested that Government is responsible to produce money wherever and whenever any particular individual or firm may require it, but that fact does not detract from the general obligation referred to above.

When silver formed the basis of all payments the cost to Government of bringing silver from the mint or centres where it was not wanted to centres where it was required was extremely heavy and the rate fixed, for instance, for Telegraphic Transfers from Bombay to Lahore, left Government with a much heavier loss on a remittance in silver from Bombay to Lahore, even after allowing for the amount collected from the remitter, than would be the case if, as were now, Government was to remit notes and charged nothing and it is therefore suggested that Telegraphic Transfers on the headquarters of provincial Governments should be given free of charge from certain selected centres such as Calcutta, Bombay, Karachi and Madras. This may be taken as my first suggestion.

The next relates to movement of money within the province. There are, as we all know, many surplus treasuries, and it is suggested that, where there are surplus treasuries, supply bills or some equivalent form should be issued free of charge on such treasuries against payments made at centres where there are deficit treasuries. Such remittances would only be given where funds are available and from centres where they are required. The scheme ought to be worked in conjunction with the Currency Officer and, at stations where there are branches of the Imperial Bank of India, all Government balances over certain fixed amounts are to be transferred to a currency reserve and held at the disposal of the Currency Officer, under whose directions payment orders on these balances would be issued.

The writer is aware that something of the sort has been done in the past, but so much depended on the keenness of the individual officer. He can recall one particularly complicated transaction that he once arranged with a very keen Currency Officer in Lahore when a supply bill was obtained on Toba Tek Singh against payment of silver in Amritsar. The unusual character of the transaction caused quite a sensation among the local officials. This class of exchange transaction ought to be regularised and brought into general use.

The whole system of charging for remittances is not in keeping with modern ideas ; and, if Government set an example, banks would be obliged to follow suit. The importance of fluidity of money to business is not to be overlooked and in a smaller way the system prevailing in the Swiss Post Offices excites one's admiration. Persons in a moderate way of business have an account number with the local post office and can both make and receive payment with other towns through this means.

It is possible for a person in Berne to pay an account due in, say, Lausanne, by the simple device of paying in the money to the Post Office at Berne to credit of postal account in the Lausanne Post Office without a charge of any kind.

It must be realised that all these remittance charges in the case of produce are ultimately realised from the grower.

It will be pertinent to draw attention before leaving this matter to the fact that the Imperial Bank has quite recently withdrawn from its clients the right to remit up to Rs. 5,000 between branches free of charge, and a copy of a letter dealing with the subject is attached.

Turning to part III of the Questionnaire, what has already been written deals to some extent with question (1) (*a*) Export Trade in Grains and Cotton and Oil Seeds and also partly with 2 (1), and certain suggestions have been made bearing on these questions.

As regards (3), opinion is likely to be sharply divided, but after a very careful consideration of the whole subject it would appear that the grower does not get full value for his produce.

The writer would be the last to decry the importance played by trade and business houses in the general scheme of things, but when considering the matter from the point of view of the questions asked, *i.e.*, from the producer's point of view, the questions must arise as to the correct point at which produce should pass into the hands of the trader *qua* trader. The ideal point would be where distribution begins, with the further proviso that there should be no doubt that when the bargain is made the two parties to it should be in a position of independence to each other, and the merits of the transaction reduced to simple terms of value only. To achieve this it is necessary not only that there should be financial independence between the parties, but also that the knowledge necessary to form a correct opinion of value should be more or less equal. Even given this equality, the capacity of individual judgment and temperament must still survive to give a speculative flavour to every transaction, and to this no exception can be taken.

The writer's view is that these conditions can only be brought about by co-operative marketing; he has already expressed himself very fully on this subject in a note to the Punjab Government, of which unfortunately no spare copy is available, and has no intention of repeating himself here; but there are certain facts which give strength to this opinion which may perhaps be of interest.

Attached to this note a statement will be found marked "A"; the statement is an attempt to show the quantities of wheat retained in Northern India (Punjab and North West Frontier Province) annually between the years 1907-08 and 1918-19. Absolute accuracy is not claimed for the figures; they were compiled some years ago on the basis of the "Season and Crop Reports" and the "Reports on Inland Trade," and a conventional figure adopted to convert "wheat flour" to "wheat." The study of the movement was brought to an abrupt close by the discontinuance of the "Reports on Inland Trade," the resumption of which has been universally pressed for, but to no purpose, even the definite undertakings of the provincial Government to press for their renewal having proved fruitless.

As it is proposed to draw certain inferences from these figures a word as to their general reliability may not be amiss. Figures similarly prepared for the United Provinces show very similar results and close correspondence of movements, and, carried still further, to include all food-grains; the resulting *per capita* consumption worked out for Northern India in two groups, the Punjab and the North-West Frontier Province being grouped together and the United Provinces, taken separately, the two figures came very close together, the difference being a few pounds only, so that it is concluded that the figures do offer a reasonable basis on which to establish deductions.

A reference to the statement will show that the problem of financing the wheat crop only involves carrying over 12 months not less than $2\frac{1}{4}$ million tons for provincial consumption in the North-West

Frontier Province and the Punjab, and of this total the quantity held in store in mandis, and which banks can finance, is probably not more than 250,000 tons. The balance has to be held either by producers themselves, or secure finance through the village money-lender. The immensity of the problem can only be appreciated when allowance is made for the fact that this is one variety of grain only and oil seeds and cotton are excluded. It would appear to me therefore that the problem divides itself into three distinct groups—

(1) financing reserves prior to their disposal or inclusion into groups (2) and (3) ;
(2) financing visible reserves and stocks in mandis, etc.; and
(3) financing the exportable surplus from the moment of separation from (1) or (2) above up to export from the province.

The financing of group (2) and (3) may well be left to the trade, but group (1) has very special problems of its own. It must be obvious that any financing operations against grain in villages must be restricted to persons specially qualified to do it : persons on the spot, and with a day-to-day knowledge of where the produce is stored and so on, and that its very restriction to this class makes it inevitable that, taking into account both the attendant risks, and the narrow class qualified to undertake these risks, a very high remuneration must be charged for the service.

If in place of the present system there could be developed an organisation which would command the confidence of investors of every type—banks and traders—the circle from which cover could be obtained for investment would be enlarged and the rates on interest correspondingly lowered ; and the only organisation that could hope to achieve this must be a widespread co-operative movement against the credit of which money would be forthcoming freely and at rates of interest commensurate with the security offered.

The advantage would not stop here ; the organisation, by means of its financial facilities, would stop the necessity for throwing produce on the market merely to realise funds, as so often happens now.

In the Punjab many factors have contributed during the past 30 years to improving the standing of the land-holder that there has undoubtedly been a throwing off of the trammels of debt. Commission houses and bankers in many places have lost their connections because persons who used to be compelled to use them have become independent of them ; but, when new colonisation ceases and the pressure increases on the land, unless some fresh alleviating factors are introduced, there must be a return to old conditions.

That financial independence does not constitute everything necessary to the well-being of the producer is evidenced by the fact that this year alone the owners of large estates have lost immense sums through bad marketing of their crops, a condition of things that would find its own remedy through a properly organised co-operative combination.

"A."

Year.		Production.		Productions and Imports.				Exports.			Consumption.
Sown.	Reaped.	Area in acres.	Production in tons.	1st April.	31st March.	Wheat and flour.	Total.	1st April.	31st March.	Wheat and flour.	Net.
1907 ..	1908	9,269,800	2,701,656	1908	1909	19,342	2,720,998	1908	1909	322,583	23,98,415
1908 ..	1909	10,257,300	3,381,997	1909	1910	22,553	3,404,550	1909	1910	906,038	24,98,512
1909 ..	1910	10,252,400	3,692,313	1910	1911	15,251	3,707,564	1910	1911	982,117	27,25,447
1910 ..	1911	11,014,197	3,975,519	1911	1912	17,420	3,992,939	1911	1912	947,538	30,45,401
1911 ..	1912	12,265,694	4,110,473	1912	1913	22,085	4,132,558	1912	1913	1,197,372	29,35,186
1912 ..	1913	10,724,289	3,438,463	1913	1914	15,169	3,453,632	1913	1914	957,783	24,95,849
1913 ..	1914	10,579,400	3,547,213	1914	1915	7,974	3,455,187	1914	1915	1,002,298	24,52,889
1914 ..	1915	12,371,053	4,326,216	1915	1916	10,594	4,236,810	1915	1916	694,521	35,42,289
1915 ..	1916	11,115,192	2,749,330	1916	1917	11,310	2,760,640	1916	1917	868,812	18,91,828
1916 ..	1917	11,786,382	3,165,999	1917	1918	31,371	3,245,407	1917	1918	995,309	22,50,098
1917 ..	1918	12,414,416	3,968,503	1918	1919	23,119	3,991,622	1918	1919	641,558	33,50,064
1918 ..	1919	9,407,920	3,118,066	1919	1920	14,188	3,132,254	1919	1920	424,939	27,07,316

Copy of letter No. 108450, dated 25th February 1930 from the Imperial Bank of India, Lahore, to Messrs. Owen Roberts & Co., Ltd., Lahore.

EXCHANGE ON COLLECTION OF OUTSTATION CHEQUES.

REFERRING to your letter of the 21st instant (reference No. Miscellaneous 1/40), and in continuation of our telephone conversation of to-day, I beg to inform you that exchange is charged on all outstation cheques at the following rates :—

		Rs.	A.	P.
Cheques on India (Hill stations excepted).	Up to Rs. 1,000 @ Re. 0-3-0 % minimum ..	0	6	0
	Up to Rs. 10,000 @ Re. 0-2-0 % minimum ..	2	0	0
	Over Rs. 10,000 at current rates minimum ..	12	8	0
Cheques on Burma and Ceylon.	For small amounts @ Re. 0-6-0 per cent. minimum. Rs. 5,000 and over @ current rates.	0	12	0

Oral evidence of Mr. Owen Roberts of the firm of Owen Roberts & Company, Ltd., Lahore.

Chairman.—You speak of the substitution of currency notes for silver as being a remarkable change in the last twenty years. Have you found this in your business?—Yes, we never use silver now.

But when you came out to the Punjab?—Nothing but silver was used.

Now you use nothing but notes?—Yes.

Presumably that has cheapened marketing?—Yes, it has reduced the cost of finance, but the point is whether further reduction could take place. I think if Government realises its responsibility it could.

Who has got the benefit of it?—In actual fact the producer gets it.

How?—I think it is a fact, I know, that up to 1908 all the exporting firms used to allow half a per cent for local exchange. When currency transfers became available this was reduced, and again when notes were brought in, it was further reduced.

You say the procedure in regard to supply bills is cumbersome; in what respects?—You have got to get a receipt from the treasury for the amount, and it never takes a man less than half a day to go through all those formalities.

You are speaking from your personal experience?—Yes.

How would you simplify the system?—There ought to be some means of being able to buy these across the counter. For instance, there should be a list of treasuries on which supply bills are available, and one should be able to obtain them right away on payment of the money or against cheques in the case of approved persons or firms instead of having to get the money from a bank, deposit in the treasury, obtain a receipt and then get the supply bills.

Does this system militate against the use of supply bills?—I think it does, because it is so uncertain and one has no definite knowledge whether supply bills are available or will be available.

You point out that the cost of supply bills and of the consequential arrangements should now be less to Government, than it was before, when silver used to be brought from the mints. Have Government reduced their rates since this change took place?—No.

Then you write as if supply bills were not available at present, and that where there are surplus treasuries, supply bills or some equivalent form of bill should be issued free of charge?—Supply bills may be available, but the whole procedure should be simplified. At present you don't know on which treasuries they may be available. In the case of a bank I can ring up to enquire if it can do something for

me, but under the present system it may take half a day's enquiry to elucidate the information from the treasury.

You refer to the system in force in Switzerland under which money can be remitted through the Post Office for nothing. Are you familiar with the German system ?—I don't know Germany at all, but I know the system in Switzerland. Once I remember I was in some difficulty in Lausanne and wanted to remit money to Luzern and did not know how to do it. I made enquiries from a shop as to how I could remit money. I was told to go to the Post Office and find out the man's number in Luzern ; pay the money in, and it would be paid to him there free of charge.

Would you mind glancing through this note on the German system ?—It is the same as in Switzerland.

Do you think it would be of great advantage if introduced in India ?—Yes, it would.

On the other hand, it has been suggested in evidence that if the Post Offices give further facilities for remittance, that would prejudice the banks, and one witness has actually said that it would be an invasion by Government into the field of remittance open to banks ? I don't think so. I think the real business of the banks lies in a different direction. For instance, everybody cannot take advantage of the facilities provided by the Government transfers. In making remittance you can only use these facilities if you have the cash credit necessary to do business in a big way while the function of the banks is to do this business with people who want accommodation.

But the banks presumably would not do this business without cash or credit ?—The bank's business is to do all that class of business under which people require accommodatiom.

Lala Harkishan Lal.—You mean borrowing and lending only ?—That is their great function ; the actual remittance of money is a State function.

Chairman.—Why is remittance more the State function than lending ?—Because the State gets the profits arising out of currency and coinage, and it is up to it to have money available wherever it is wanted. I have explained that in some detail in my note.

Apart from the principle of the thing, do you think it would not prejudice the banks seriously if the State undertook to give increased facilities for remittance ?—I don't think it would.

Do you think that it would so facilitate in general business that banking business would decrease ?—I think, it would ultimately.

You have given us certain figures for wheat down to 1919. Have you not got later figures ?—They are not available.

Can you give us the consumption *per capita* ?—I have a volume of statistics on the subject, but I have not brought it with me. I went into them very carefully and, as I have said in my note, we arrived at a result where it was found that the *per capita* in the Punjab and North-West Frontier Province taken as one group and the United Provinces in another, were very close to each other.

In regard to wheat ?—In regard to everything.

Have you made any comparison between the two Provinces (Punjab and North-West Frontier Province and the United Provinces) in regard to the consumption of wheat ?—I can send you the actual figures, and you will find that they are quite reasonable.

A point that strikes me is that there is very great variation in the consumption of wheat from year to year. For instance, the consumption in 1914 was nearly twice as great as the consumption in 1915 ?—If you refer back to the conditions you will find that there was a famine threatening, and that called for a reserve to be held back, and there is no other method of showing this movement except by inclusion in the consumption figure. If you follow the figures through, you will find that there is always a reason for an excess figure. Taking an average for a period of years you cannot be very much wrong in assuming a more or less constant figure carried over.

Lala Harkishan Lal.—It includes the wastage also ?—Yes ; but these figures do not include one figure, and that is what I call the stabilising balance of grain in the country.

Carried over from year to year ?—That is not included in these figures.

Chairman.—Do these figures show whether the internal consumption of wheat is increasing or decreasing ?—As I have said, Government does not provide us with the necessary figures and we have no data to go upon. I know it is increasing, but not to an extent that would explain the very curious figures that we have had during the last two or three years.

Some witnesses have informed us that the internal demand, taking the whole of India, is very much stronger than what it was ten or fifteen years ago ?—There is no evidence anywhere to that effect.

These figures don't really show whether the internal demand is weakening or strengthening ?—If you read the crop reports you will find that it is fairly constant.

Have you allowed for the increase in population ?—Allowing for that, you cannot get away from one figure, and that is that one million tons of wheat were exported in 1915 and 694 thousand tons in the following year. If you look at the figures of export from Karachi for the last five years, you will find that it is comparatively negligible, but I am not going to agree that the internal demand is increasing to an extent that would completely account for it.

Would you then suggest that these figures are wrong ?—Possibly, and there is one other reason. During the last five years there has been one bad crop after another, and that requires a lot of explanation. Moreover, these figures have to be taken most cautiously, because the United Provinces draw systematically from the Punjab for food.

Lala Harkishan Lal.—But not the same quantity ?—It varies ; and then follows an interchange of business between the two Provinces.

Chairman.—The figures I have here show that the average total sown area under wheat during the five years ending 1910-11 was $8\frac{1}{2}$ million acres in the Punjab and for the five years ending 1927-28 it was roughly $9\frac{1}{2}$ million acres. So there was an increase of a million acres. In view of these figures would you still hold that the output of wheat was less than what it was when the export was very much greater ?—If you take the United Provinces and see the cereal market reports there you will find that the wheat bought from here is not nearly the same as by the other important cities up here, and the demand on us for wheat depends largely on the production of coarse grains elsewhere.

Do you mean that there can be no great increase in the demand for wheat outside the Punjab, because coarse grains are commonly eaten outside it ?—When you get a failure there of coarse grains, you get an increased demand on the Punjab for wheat.

In the last five years has there not always been some area within the range of the Punjab where the coarse grains have failed, for instance, United Provinces and Rajputana ?—There may have been.

Would this not suggest that the internal demand for wheat has increased ?—If it has increased, it has not increased for wheat ; it has increased temporarily owing to the shortage of other grains. If you talk of increase in the wheat consumption, I take it that you mean that people are eating wheat and rejecting other grains.

I was really inquiring whether there was any evidence to show that the internal demand for wheat was strengthening or weakening ?—During 1928-29 I have not the slightest doubt that very large quantities of wheat left the Punjab for other places in India. I gathered this information from the general debate on the budget in the Assembly last year and noted the figure quoted by the official who spoke in the Assembly. It arose out of an excuse made in the Assembly in Delhi by the Railway Department that there was a heavy internal demand for wheat, and I don't think it was an incorrect figure. I dealt with the point in speaking on the general debate on the budget in 1929.

You speak of the immensity of the problem of storage. Are you referring to the problem of storing the wheat in villages rather than to that of storing it in the mandis ?—The mandis cannot cope with it.

We have got figures here which show that in the market towns in the Lower Chenab Colony the storage capacity is 2,220,000 bags of produce and the maximum amount stored in 1929-30 was only 924,000 bags. This shows that surplus storage is available?—I should be inclined to question it; do you mean to say that they can hold this quantity at one time.

Yes; the stations are Lyallpur, Jaranwala, Tandalianwala, Nankana Sahib, Chak Jhumra, Chiniot, Sangla, Mar Balochan and Sukheki. Have you any evidence to suggest that these figures are not correct?—The best authority on this should be the banks, because all this wheat is probably held by them. I would like to know whether the banks would tell us exactly on what quantities they made advances for storage, and that is my figure.

What reasons have you to think that the storage facilities are insufficient in the mandis?—I don't think I have said that; the question of storage does not really interest me.

What are you referring to when you speak of the immensity of the problem?—The problem of financing the wheat crop; a great portion of this has to be financed; I mean what is left in the country.

In what ways has it to be financed?—After keeping the amount required by the producer for his personal consumption, the balance has to be carried by somebody.

What do you suppose is the surplus balance?—It varies from half a million tons to a million tons; that is the surplus which has been exported in various years. I think you have also got to reckon that you have to finance a great portion of the grain that is consumed in the cities; somebody has to carry it.

Are you dissatisfied with the present facilities for financing that?—I think the banks are doing very well indeed. My only point is at what stage and under what circumstances the wheat should pass into the hands of people who can go to the banks for money against it.

Do you think that the present arrangements are inadequate?—I think the present arrangements would react; I don't think that they are really as good as they ought to be.

How would you improve them?—By a co-operative marketing movement.

What form would you suggest for that?—Are you considering something of the nature of a big wheat pool or something like a co-operative commission shop?—The co-operative commission shop is too small and the wheat pool too large. You want to get groups of people to combine themselves to work together, and that would not interfere with legitimate business, because there is a point at which these groups would part with their grains, and at that point the banks should finance it.

Who are the people that require further finance ?—The growers ; I have expressed myself in my note.

You are satisfied with the middleman's position ?—There must be a stage behind the commission agent.

There are several stages ?—Those stages want investigation.

A certain amount of investigation is being made and has actually been made. Have you made any investigation yourself ?—I have not, but I am just considering the problem, and it seems to me that you want to be sure that the grower gets what I call a square deal up to the point where his produce goes into the mandi.

Do you think at present he does not get a square deal ?—I doubt if he does, looking at the weakness of his position.

Are you guessing when you say that, or are you speaking from your personal experience ?—I am trying to argue from the facts as I see them. I have said in my note that " any financing operations against grain in villages must be restricted to persons specially qualified to do it ; persons on the spot and with a day to day knowledge of where the produce is stored, and so on, and that its very restriction to this class makes it inevitable that taking into account both the attendant risks and the narrow class qualified to undertake those risks, that a very high remuneration must be charged for the service." That is the opinion that I have formed on it.

Are you thinking of it as a problem of getting the produce from the village to the market where it is immediately sold, or are you thinking of it as a problem of holding up the produce in the hope of better prices ? —Both ways ; if you have a group of growers whom the banks can recognise, then the banks could take an interest in that business right on the spot. At present the banks must wait, I think, until the stuff is stored in the mandi.

Do you think that the producer would get better prices in those circumstances ?—I think the charges that he would have to bear would be less if the banks have confidence in the group holding the grain.

The ordinary producer generally sells his produce immediately. It is only the bigger landowner who holds it up at all. Would you be against that ?—If he were admitted to a group he would hand over his produce to his own group, then that group would finance him.

Looking to the experience of the last five or ten years, would you say that the producer would have done better to hold up his produce to a larger extent than he did ?—It is not a question of holding up his produce or letting it go, but it is a question of letting it go at the right time.

Who is to judge that under your scheme ?—These people would have their own information bureaus.

Are you familiar with the recent experience of the wheat pool in Canada ?—I know a great deal about it.

You probably know then that inspite of their expert management they have sustained very heavy losses ?—Everybody knows that. They have gone beyond their proper functions, and they have taken part in speculation.

If that is done under very favourable conditions in an advanced country like Canada, is not there a greater risk of losses of that kind being incurred in a country like the Punjab ?—I don't think one can argue that, but I do think that if these groups were formed in a small way and were not encouraged at first to launch out in a big way, they might secure definite advantages in the meantime.

Such groups have been formed in the shape of commission shops and they are increasing their business ?—They don't command confidence, I think ; that is the trouble.

Are you saying that from personal experience or from the fact that their business is not increasing rapidly?—I was a member of a committee dealing with this subject, and on it we had a man from Lyallpur, some landholder concerned with the local commission shop. He admitted that the whole trouble lay in collection. I have sent Government a note on the subject, redeeming a promise that I made to the committee that met here, and I went in some detail there into the suggestion for working the Lyallpur elevator in a small way through one of these groups and I understood from the Minister of Agriculture that that had been sanctioned by the Government.

Would you say that the problem was more one of collection than of storage ?—Yes, collection should be arranged on the basis of area. Each producer member would reserve the grain from the area agreed upon to be sold by his group which would finance him up to the point when the grain reaches the mandi. The banks would finance the group.

At present the ordinary cultivator finances himself by selling it. Do you think he would get better prices under this system ?—I think he would.

Why ?—Well, if I want to buy grain, I cannot buy it from him now, but I might buy it from a group. If that group commanded the confidence of the banks, the banks would advance him the money, but I do not think that any bank now goes to the village and advances money.

No doubt if the middle man could be eliminated, he would get better prices ?—The middleman has his uses, but it all depends at what stage you employ him. The further back you employ him, the more you have to pay for him. If you have 200 producers in a village and their stuff is dealt with in one block by a reputable group, it increases everybody's confidence ; people can buy from him direct, and the banks will advance him money.

That implies a large number of people being willing to pool their produce ?—It must be done in groups. I have gone into the matter in details in the note that I gave Government, and I don't know why it should not be worked.

Lala Harkishan Lal.—As regards this remittance business, you have explained that in Switzerland you went to the Post Office and got the money remitted. Have you any experience of how the money was paid at the other end ?—I don't know that.

In your case it was a bank ; but if the treasury adopted that principle here, do you know how expensive and difficult it would be to really recognise and identify people who received money ?—It was a tradesman, and not a bank.

But here the banks find great difficulty in recognising the people who receive the money ?—There the Post Office gets over this difficulty in this way that both parties have accounts there.

Then between the accounts the money is transferred and not generally paid ?—Yes.

Chairman.—Is not it a case that the person paying in the money need not have an account, but only the recipient ?—Yes, that is right.

Lala Harkishan Lal.—And identification comes at that stage too?—Yes.

Do you know that at present the Post Office has a deficit budget in India, and if they begin to do this business free to any large extent who will pay for that?—The first thing is to reorganise the Post Office, I think ; it should not be run at a loss ; I think there must be something wrong with the Post Office here. I don't think Switzerland is running it at a loss.

During the last ten years the postage stamps on the letters and postcards have been doubled and inspite of that the Post Office is working at a loss, and there is a general complaint, in which perhaps you will also join, that the underlings and small people are not well paid. They want as good wages as people in the other Departments get ?—At present the Post Office is very inefficient.

How would you make them efficient if you have to introduce this system, and not to run this expense up, you will have to devise some means to make them more efficient than they are ?—I am sure that could be done.

Well that is a separate question, but as regards remittance the banks have to do this business ; they come in just where there is a gap and which gap cannot be filled in very easily, because you have said that it is not their business ?—I am not concerned so far as it is their legitimate business, because after all, as I have said, it is more or less a small business of the Post Office ; I may be wrong.

I was thinking of the immensity of the business. I was going to tell you that in the Peoples Bank of Northern India at Lahore in addition

to the clerks we have two extra cashiers and five extra peons to carry on only for the city ; Anarkali is separate, and although we don't do very large business, but that is the expense that we have to incur. I don't think it pays us, but we have to incur it. Well, with regard to these wheat consumption figures, what we feel is that we have discarded eating coarse grain in bigger agricultural families and in the towns, but, which about twenty years ago was fairly common to the extent of, say 10—15 per cent. Of course all the members of the Committee would agree with me that we used to supplement wheat with coarse grain in some form or another, but that has now been discarded on account of fashion or the increasing civilization or whatever you may call it. Would you take that fact into account ?—Until Government sees fit to renew the figures, I hold that it is impossible to form an opinion.

With regard to the United Provinces again, so far as the Punjab is concerned, can the figures showing whether we are exporting increased quantity or decreased quantity, be ascertained from the Railway Department easily ; I mean there is no other means of transit ?—No, there is no other means of transit.

All your figures are really reliable provided the figures of produce be reliable ; that is a mere deduction ?—Yes.

What is your experience of the figures published by the Government as regards produce ?—I regard the figures of wheat as very good indeed. When I had to deal with the coarse grains, Government did not publish figures for coarse grains, but they gave the conventional figures for production per acre for various food grains, and I applied those conventional figures to the sown areas. You will have errors in a single year, but if you go over longer periods, these errors would naturally more or less adjust themselves.

A statement was made in the Punjab Council once by the Director of Agriculture that the figures of production were not reliable, and our experience in 1921 led us to this conclusion, because in May 1921 the Government of India permitted 100 thousand tons of wheat to be exported from the Punjab as being exportable surplus. Well, on actual figures we had to import half a million tons of wheat from outside which left no surplus at the end of the year ; so that the mistake in that particular year was of 600 thousand tons, because we got half a million tons of wheat from outside, while the Government of India thought that there were 100 thousand tons available for export which quantity was actually exported ; I mean the mistake went up to that extent ?—I would not attach too much importance to that matter. There were other considerations at that moment. Food supplies were difficult all over the world.

I am talking of the figures ; as to how the figures are collected. Now the Patwari goes round, or is supposed to go round, and says that in such and such a village the crop is Rs. 0-14-0 in the rupee and these are transmitted through various stages to the Government

of India by the Punjab Government, though in several cases the Patwari does not even move out of his village. We made the enquiry in the year 1921, which was a very trying year for the Punjab so far as wheat was concerned and we felt, and the Director of Agriculture agreed with me, that there was no other method of arriving at an approximate figure. Gradually the Government might be able to devise some better system, but at present there is none, and besides that, two or three months before the crops are actually out, the estimate is prepared and many events take place between those two or three months. How would you eliminate those events ? (Before any reply was given the Chairman asked :—)

Chairman.—Have you heard any complaints from those who deal in wheat that there are errors in the figures ?—On the contrary, I got a letter from home a few weeks ago from a man who had great experience in this matter, and he deliberately said that the Punjab wheat reports were fairly accurate.

Khan Bahadur Chaudhri Sultan Ahmad.—I remember once you and I were travelling together. At that time we worked out the total possible produce, and I formed an estimate of exportable quantity of wheat amounting to some crores of tons, and that was exactly your estimate. My estimate was of course based on my experience as a Revenue Officer, and you of course knew all those things. I don't remember the actual year, but I think we agreed that the revenue figures were not so much different as they are considered to be ?—Yes.

Lala Harkishan Lal.—You said that you would like a movement organised, if possible, by which the saleable wheat ought to be within the command of banks so that they could advance money. Have you estimated how much money would be required ?—I made the remark here that the problem is an immense one.

Is it beyond the probable capacity of the banks ?—That I do not know. The banks have done so well in the last five years that one cannot really say. The expansion has been perfectly remarkable.

Chairman.—Do you mean in their advances against produce ?—Yes. The expansion has been very remarkable. The banks have come on splendidly, and I think the movement ought to be undertaken really to give the banks a chance to extend their usefulness.

Lala Harkishan Lal.—But what I want to know is whether they would have the resource at their command, and if you say no, then the further question would be what would you suggest to increase their resources. Further facilities are required, and I think ought to be provided and some source discovered from which the money could be drawn ?—Dealing with a very highly hypothetical condition, I do not see why Government itself should not work through the banks, if necessary.

Do you think that Government is always able to raise immense funds if the eventual recourse has to be had to it?—I do not say that. I have not committed myself to that statement. The whole question is very difficult, and the conditions would have to be gone into.

Have you ever felt any difference between the cost of remittance through the Imperial Bank and the other banks?—That again is difficult. It is a question of amounts. I have often sold bills through other banks as cheap or cheaper than the Imperial Bank. In fact I used consistently, when I got the same price as the Imperial Bank from private banks, to give the business to the private banks.

Could you give any explanation as to why the private or smaller banks can do this thing cheaper, or equally cheap, than the Imperial Bank?—It depends on the movement of trade and what the banks' necessities are at the moment.

Can you presume that the Imperial Bank is independent of the trade movement so far as remittance business is concerned?—I am not too sure of that.

In one of the statements made with regard to the Imperial Bank it was said that because they have the Government treasuries at their disposal, they can do the remittance business cheaper, and that is also an advantage given in some cases to traders. I mean that they are independent of the trade movement?—I do not regard their rates as cheap at all. I regard them as extortionate.

In what cases? In regard to amounts of Rs. 5,000, Rs. 10,000 and Rs. 20,000 or also in ordinary amounts of a few hundred rupees?—I am talking of moving money in a big way.

What are the rates that you have in mind?—1/16th is an extortionate rate.

In the case of a lakh of rupees?—Yes.

And eight annas on Rs. 500?—That is worse.

Chairman.—Then you condemn their rates root and branch?—Yes.

You think that in all cases their rates are extortionate?—Yes. With Government having made the hundred rupee note universal. You must remember that.

I am not quite clear what difference that makes?—The hundred rupee note will be cashed at any currency office in India. In the old days when we had circle notes the man getting an Allahabad note in Lahore would have to send it to Allahabad to get cash and lost interest against it; but now he can get it anywhere, and there is no loss of interest.

Lala Harkishan Lal.—Under those circumstances your opinion is emphasised?—Yes.

We had one bank complaining that the Imperial Bank charged a higher rate from the joint stock banks for remittance of money on their

behalf than from traders. Taking that fact as a fact do you not think it is rather hard on the joint stock banks to be treated in that way?—That is a matter of opinion.

Do you think the circulation of gold will help in any way the remittance business ?—I think so.

Chairman.—How?—If you have a gold standard it creates so much finer feeling in currency matters.

How does that assist remittance?—Anything that tends to improve or raise the standard in currency or finance always helps to increase confidence, and reduce rates.

Is remittance at present handicapped by lack of confidence?—If you wanted cash you could remit a hundred thousand pounds much safer than 13 lakhs of rupees in silver. It is a fundamental fact.

Chaudhri Sultan Ahmad.—Lala Harkishan Lal has just said that some banks complain that the Imperial Bank gives the public concessions that they do not give them. From the point of view of the producer is this difference in treatment prejudicial to the producer?—Nothing is prejudicial to the producer that increases the flow of money. It is to be observed any day in Lyallpur, which is a market where easy finance is obtainable, the price of grain is higher than anywhere else.

I wanted to ask whether it is to the disadvantage of the grower?—That is a difficult point to answer.

Is it prejudicial to his interest?—If you narrow it down to the question of remittance, it is a difficult matter. If there are several banks competing to finance him on the spot and you make one bank give cheaper money than the others then you prejudice the producer against the others.

Chairman.—Is money more fluid in Lyallpur because there are more banks there?—Yes. And I would also like to say here that Lyallpur is a surplus treasury and I can see no reason why the surplus money should not be available to banks free of charge.

Can supply bills never be obtained free of charge?—Supply bills are rather a cumbrous arrangement. There is no reason why the banks in Lahore cannot get Telegraphic Transfer and get their money in Lyallpur.

Rai Sahib Kishan Lal.—*But they keep no surplus money in the Lyallpur treasury?—That is a Government arrangement.

Yes, but no money is kept in the treasury only stamps. (No reply).

(Witness withdrew.)

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* The questioner and myself were at cross purposes. I had Treasury Balances in mind whilst he was probably referring to the narrowed functions of Treasuries.

Rai Bahadur Lala Balak Ram, Auditor and Notary Public of Messrs. Basant Ram and Sons, Auditors, Lahore.

(NOTE.—He expressed his desire not to appear before the committee. He was therefore not summoned.)

PART VI.

1. Our banking system can be conveniently grouped under two heads : (1) Banks working on Modern lines ; (2) Bankers working on indigenous methods.

(1) Under this head we have (*a*) The Imperial Bank of India. According to the Bank's constitution the Imperial Bank acts as Banker to the Government of India and is the custodian of the public funds and cash balances of the Central and Provincial Governments and of the Secretary of State in London. The Bank's business is regulated by a special Act of the Indian Legislature. The control of the currency and the credit policy of the country is in the hands of the Government and the Imperial Bank. In co-operation with the Government the bank exercises great influence in the money market through its Bank Rate. The Bank is prevented from doing exchange business and is precluded from advancing moneys for a longer period than six months. It is in fact chiefly concerned with commercial Banking transactions with a view to earn profit for the benefit of the sharesholders and acts only to a limited extent as a Bankers' Bank, *i.e.*, to help other banks in times of crisis. It should in my opinion be freed from commercial commitments so as to be able to render more help for the advancement of the general economic condition of the country.

(*b*) Exchange Banks are of foreign origin which have specialised in Indian Exchange business. They are not interested in the promotion of local business and as such it is but sparingly that they grant credit facilities. They take deposits from the public, but utilise them mainly in their exchange operations. Instead of being utilised for the advancement of India's economic condition, the funds of these banks are remitted abroad and there invested in profitable securities.

(*c*) Indian Joint Stock Banks. Three-fourths of the Indian Joint Stock Banks are very small and are very little known outside the locality in which they operate. They take only small deposits and grant loans on gold-ornaments, and mortgage of lands and buildings. Their operation affects very little the general money market. There are a few bigger banks under Indian Boards of Directors notably the Central Bank of India, Ltd., Bombay, the Indian Bank, Ltd., Madras, the Punjab National Bank, Ltd., Lahore, and the Peoples Bank of Northern India, Ltd., Lahore, and also a few Banks under "Mixed Directors," such as the Bank of India, Ltd., and the Allahabad Bank, Ltd., which finance the bulk of the internal trade of India. They take deposits both current and fixed and some of them offer attractive rates of interest. Most of them are doing very good work, but much remains to be done both to promote banking development on sound lines and to bring the facilities for saving within the easy reach of the smallest depositor, who wants only security for the money he deposits in a

Bank. The existence of unsound and sound banks side by side naturally operate to the disadvantage of the latter. When a disaster overtakes any bank the depositor has no time to discriminate between a sound and a shaky institution, but will run to get his deposit back from whatever bank he has deposited it in. In order to ensure greater confidence in banks they should be brought under certain legislation, such as, the restriction of the term ' Bank ' to banks proper ; the advantage of having, as in the Canadian system, a minimum paid up capital before the bank opens its doors to do business ; legal restriction on the granting of loans ; insisting upon the fixing of a minimum amount in cash to be deposited with a central reserve bank which may come into existence after the banking enquiry is over. Legislation is also necessary in connection with the investments of banks. Some banks invest too largely in real estate, and even in unsound securities. If a run took place these could not be quickly realised and even if realisable could be realised only at a very considerable loss. The failures of 1913 also showed the necessity of limiting the amount of a loan to any one man, or to a group of companies under one management. Nor is the management and supervision of joint-stock banks all that it could be desired. There are glaring defects in the Indian Companies Act, which require amendment, specially in the following respects ; publicity of accounts ; appointment and powers of directors and effective control of shareholders over them ; speculation by managers and directors in shares of their companies. Abuses are frequent for which the secrecy or want of publicity of details in accounts is at least partly responsible. In many cases balance sheets convey but inadequate information regarding the true position of a concern, and thus mislead the investing public. Internal reserves, provisions for bad and doubtful debts and other reserves should be separately shown. There should also be a statutory provision for publication of profit and loss account and a statutory form should be prescribed for that purpose. Every bank should be under a legal obligation to issue a six monthly balance sheet and profit and loss account. Form (F) of the Indian Companies Act should be amended so as to make the mode of valuation of investments applicable to all forms of investments including investments in landed property made by a bank. The shares, debentures, securities and other investments of a bank should be shown at either cost of market value, whichever is lower. The Directors of a bank should be debarred from soliciting proxies or voting as regards the appointment or remuneration of auditors, who, as in England, should be given the statutory right to attend and speak at all general meetings of the bank, at which any accounts which they may have examined or reported upon are to be laid before the shareholders and make any statement or explanation they desire with respect to the accounts. In order that they may be fully independent and impartial in the discharge of their duties, they should be given greater security of tenure. The Managing Director, if any, should not be appointed for more than 5 years, and the appointment should be renewable only by the

share-holders in a general meeting. All other directors of a bank should be liable to retirement every year.

(*d*) Co-operative Credit Banks. There are three kinds of co-operative banks in India—primary, central and provincial—all of which aim at uniting the weak peasantry of India and improving their economic condition by offering them cheap credit at reasonable rates of interest on the security of their lands. The movement is of recent origin, but it has already done great good during the twenty-five years of its existence. It is not, however, free from defects, and these must be removed before its object can be fully realised. In the first place there is no provision in these banks for long-term loans. The average agriculturist requires three kinds of accommodation, the short-term loan, or loan payable within a year, the long-term loan or loan payable within a period of, say, 20 years, and the intermediate loan or loan payable within a period of 3 to 5 years. Of these the existing co-operative banks, which usually get advances or deposits only for a short term, can accommodate the first and to some extent the third. The second or long-term loans, which in the case of a peasantry so deeply involved in debt as ours are just as important as the other two kinds, require the establishment of central mortgage banks, which would be able to issue debentures guaranteed by the properties of the borrowers to the primary societies, which in their turn would transfer them to the central banks. Until this gap is filled the essential purpose of the co-operative credit movement, which is to save the ryot from the money-lenders, will remain inadequately fulfilled.

> " (It is worthy of note in this connection that in the matter of advances the Imperial Bank, the Exchange Banks, and the Indian Joint Stock Banks are all on the same footing. None of them grant long-term loans. It thus happens that in a country like India, where the potentialities for industrial growth are unlimited there is not a single industrial bank to grant a long-term loan at low rates of interest. The problem can only be solved by the development of industrial and commercial banking side by side. If industrial credit banks were formed under the joint auspices of the Government and the public it could do very useful work in the way of financing both manufacturing and agricultural industry. In the early stages they may be semi-Government institutions but gradually they can be made to stand on their own legs. These banks should be empowered to help industrial concerns in times of difficulty so that the public who have put in money in industrial undertakings may not become nervous whenever there is a financial crisis).

Secondly even as regards short-term loans the co-operative societies have not yet been able to come up to the level of and thus oust the money-lender. One reason for this is the illiteracy of the ryot

and his total lack of business habits in the matter of the repayment of debts. This can only be remedied by education. Another reason is that while the co-operative societies are undoubtedly more useful than other agencies for the purpose of checking habits of improvidence and avoidable expenditure on occasions of marriages or other social or socio-religious functions, they have not at present a sufficient number of trained workers to carry their message to the remotest corners of the country and to impress upon the ryot the supreme necessity as well as desirability of being thrifty and economical in all his undertakings.

Then again there is this serious drawback in the system that there is no arrangement for co-ordinating the financial activities of the Provincial banks. While some banks have more funds than they know how to utilize, others have not got enough to meet their ordinary requirements. The only method of over-coming this drawback that has been suggested, is the formation of co-operative pools for the sale of agricultural produce, which would absorb a portion of the redundant capital and would also permit of the surplus being transferred from province to province. This suggestion, if given effect to, will also have the effect of giving greater security to the credit societies by reducing the various charges which the ignorant cultivator has to bear, but it presupposes the employment of a capable expert to give the societies the benefit of his guidance in matters connected with marketing.

Fourthly, while on the one hand these banks have not enough liquid assets against their deposits and are able to attract deposits only by utilising their cash credits as fluid resources ; on the other hand, the pronotes of these banks are not always accepted as adequate securities by the Imperial Bank for making its own advances. The reason is not far to seek. The societies work on the basis of unlimited liability, but many of them have only a few substantial members on whose contributions the Imperial Bank could rely, if ever the question of enforcing the unlimited liability arose, and these may at any time resign from the societies without the Imperial Bank knowing anything about the fact. It is true that even then they would be liable for two years, but not only would it not always be easy for the Imperial Bank to know of the resignation of the substantial members of a debtor society for months after it was tendered but the property of the members is almost entirely in land, and the Imperial Bank, like any other responsible party, might not unnaturally dislike the idea of selling these lands in the enforcement of its claims and thus ruining a large body of cultivators. From all points of view, it would be better for the banks to have enough liquid assets of their own, so that they might not be so hopelessly dependent on the Imperial Bank, as at present.

In addition to these defects and drawbacks which are common to the whole country, the co-operative credit movement in the Punjab labours under a difficulty peculiar to itself. The state of tension that exists among the principal communities in the province is fully reflected

in the banks. The Hindus and Sikhs, who happen to be principal depositors, feel that the influence which the Muhammadans have in the control and the working of the banks is unduly preponderant. If at any time the position becomes worse and the Hindu and Sikh depositors take it into their head to withdraw their deposits, and start new banks on communal lines, many of the existing co-operative banks will not know where to stand. It is, therefore, in the highest degree necessary that steps should be taken to put an end to this state of tension. The five needs of these bodies may thus be summed up ; more and better education, cheap and centralised credit and financial guidance, co-operative sales and marketing and the removal of communal tension.

(2) Indigenous Bankers work outside the provisions of the Indian Companies Act. They carry on business according to an age-old system. They do not publish any statements of their affairs and no data are available regarding the capital they invest in their business, their expenses or the profits they make. They advance money to the ryot at prohibitive rates, on the security of the land and the crops, and do most of their transactions on a credit basis. With the object of protecting the interest of agricultural population of the Punjab, recently the " Regulation of Accounts Bill " has been passed and it is to be seen how far the desired object will be attained by it.

4. (*i*) I agree to the view that the rates of interest of Post-Office Cash Certificates and Treasury Bills are so favourable that they lead to competition between the Government and Banks in attracting money. I am of opinion that there should be no such competition between the Government and the Banks.

5. I am in favour of giving facilities to the small investors for buying Government Securities. The facilities I propose are (*i*) that arrangements be made to pay interest on Government Securities at all Post-Offices ; (*ii*) that the Government loans and bonds should carry interest coupons attached to them, as in the case of bearer and other bonds on the Continent of Europe and the United States of America. This will obviate the hardship felt at present by all investors, small as well as large, through the waste of time and trouble involved in : lodging the securities with the Public Debt Office for the interest warrant ; getting the interest warrant cashed ; the obstruction, delay, inconvenience as well as expense of having to present these securities for interest, to the Public Debt Office, through a bank or broker, in cases where investors happen to reside at long distances from the centre where the Public Debt Office is located ; (*iii*) Papers of small denomination should be made available for purchase or sale through post-offices ; (*iv*) Again in order to popularise investments still further amongst-small investors, payments of the purchase-price by convenient instalments, should be allowed, the actual security paper being handed to the purchaser, only after the full purchase-price has been paid up.

6. At present there are no facilities in the province for the purchase and sale of securities other than those of Government.

10. (*i*) India is a very poor country, where the capacity of the population for acquiring surplus funds for savings is limited. Silver and gold are purchased by a section of its people not with a desire to hoard them but with a view to ensure their safety. Eighty per cent of the Indian population consists of agriculturists who form what are known as lower classes among whom polygamy and easy divorce are common. A Hindu or Muhammadan wife belonging to these classes is anxious to possess ornaments of which she could make use in times of necessity, say, when for some reason or other the husband discards her and brings another wife or dies leaving her unprovided for, in which case the only 'Stridhan.' on which she can depend for support, is her ornaments. It is often said that within the past ten years India annually imported on an average 38 crores worth of gold and silver. This argument at the first glance strikes one as rather powerful. In order, however, to appreciate the real significance of the figures, one has only to realise that on the footing of the enormous population of India, the figure works out on an average of somewhere near Re. 1-4-0 per head. It may also be pointed out that the desire to wear some kind of ornaments is not peculiar to India ; Europe and America invest huge sums of money in ornaments for their woman folk. On the whole poverty, social customs, and illiteracy among these classes are the three principal causes which prevent the rapid spread of Banking and investment habits. The first of these three impediments can be removed by stimulating India's industrial progress by all possible means. Only thus can the standard of national income in India be raised and the balance of surplus funds in the hands of her population be materially increased. The second and third causes, *viz.*, the social customs and illiteracy can be remedied through the spread of education.

12. (*ii*) Though the effect of the abolition of stamp duty on cheques cannot be fully gauged at present, because the period which has elapsed since the abolition is too short, the general impression is that in towns the use of cheques is increasing. Almost all classes of traders who can read and write English have of late taken to the cheque habit and even vernacular signatures are accepted by some banks. In my opinion if banks could be compelled by legislation to accept cheques in the leading vernaculars of the country, on the same footing as cheques in English, the cheque habit would spread much more rapidly and over a much wider area. On the same principle the use of vernacular paying in slips, pass books and other allied documents should be introduced.

PART I.

8. (*v*) The functions of an English Notary Public are ; to present inland and foreign bills of exchange, for acceptance or payment ; to note and protest bills in case of dishonour ; to authenticate and certify

examined copies or documents for use in other countries; to attest important documents, such as contracts, leases, powers of attorney, articles of partnership, wills and other instruments, that are intended to be used in the colonies and abroad. They can also act as commissioners for oath under commissions granted by colonial and foreign authorities. They are authorised to take statutory declarations on oath. The noting and drawing up of ship-protests and protests relating to demurrage and other commercial matters is also a function of an English Notary Public. In India, on the other hand, the whole business of a Notary Public appointed under the Negotiable Instruments Act, is to present inland and foreign bills of exchange for acceptance or payment; and to note and protest bills in case of dishonour. The rapid increase of our trade with foreign countries necessitates the attestation of different types of documents. This cannot be done by Notaries Public, appointed under the Negotiable Instruments Act, and the public is put to very great inconvenience. In some countries only documents attested by a Notary Public are accepted. Therefore, it is necessary that the functions of Notaries Public appointed under the Negotiable instruments Act be extended. This does not require any amendment of the Negotiable Instruments Act, but can be done by amending the rules framed under section 139 of the Act.

(*ii*) At present, Notaries Public are appointed separately for each district. Some of the Banks have found it inconvenient to get bills noted or protested in districts other than those in which banks are located. It would be better if the jurisdiction of some Notaries Public at important towns were extended throughout the Province.

(*iii*) In my opinion the stamp duty of Rs. 2, for each notarial act, is rather heavy and should be reduced to Re. 1.

(*iv*) The scale of fees fixed for Indian Notaries Public for protesting and noting bills is too low. It was fixed so far back as in 1886. Taking into consideration the present value of time, I am of opinion that the fees should be increased. In this connection I may mention that for doing the same work the English Notaries Public in Calcutta, Bombay, and Karachi charge much more than the rates fixed for Indian Notaries Public.

R. D. Varma, Esquire, of the National Under-Writers, Ltd., Chamberlain Road, Lahore.

PART V.

1. (*a*) An urban Banker is at once a banker and commission agent. Very few firms are doing exclusively Banking business.

(*b*) Yes.

(*c*) Usually bankers, financing agriculture, belong to a different group from those who finance trade and industry in towns. Urban bankers are more or less given to financing trade and industry.

Capital invested therein varies with the nature of trade business. No definite limit is fixed. Amount so invested invariably varies with the number of clients.

(*d*) A very small percentage is borrowed; and that too, temporarily and at times against bills.

Deposits.—Both call loans, short loans; drawings and accommodations against Hundis are taken advantage of from banks and bankers.

Interest varies with the nature of accommodation from 6 to 9 per cent. Extra charges are not very rigidly enforced: 1/16 or 1/32 on drawing; $\frac{1}{64}$ brokerage on loans and deposits; but generally mutual business is secured without external agency.

(*e*) Between 2/5 per cent. which varies with the nature of business.

(*f*) These expenses form a much smaller percentage than what we find obtaining in joint stock banks.

(*g*) (1) *Security covers.*—Both moveable and immoveable. (2) Such securities are certainly assessed and evaluated; but not by regular assessors. (3) No rigid limit is set aside. (4) No such proportion between secured and unsecured is kept in view. Generally client and his respectability is the guiding factor privately assessed.

(*h*) Since the Great War, security factor has loomed considerably large; and it has been insisted upon in cases of stray and new clients; and fullest care is exercised.

(*i*) Cash credits are generally given to clients of established relations; and against goods accounts.

(*j*) Such things are seldom known; and appear only when relations have strained. 2. Objects for which loan is advanced are seldom questioned on paper. These things are, of course, thoroughly examined.

(*k*) This does not arise.

(*l*) Loans are seldom given to stray clients; and for fixed periods. Such periodical loans are an exception.

(*m*) Inadequate security and inadequate capital are not primary considerations. Advance is made to a client; and client and his business are the best security. Inadequate security and inadequate capital do come in, when a stray advance is proposed; such advances are seldom materialised. A poor respectable client true to engagement is far better than a merchant prince not good for word of honour.

(*n*) Clients generally pay. There is not the slightest trouble, excepting when clients and their business fail.

All stray loans and intermittent advances made are seldom punctually adjusted; such outstandings have terribly increased of late. Judicial proceedings are resorted to on the last date, when the limit is going to expire.

(*o*) When once the matter goes to the court, relations are strained beyond cure.

Amount decreed *plus* interest is seldom realised within reasonable length of time. Costs swell beyond proportions; and make the whole business unprofitable.

Recovery.—Proceedings through the court are an expensive, irksome and difficult job; at times too technical: more than defeat the real purpose; turn *plus* into *minus*.

(*p*) *Indigenous Banker has profited by his connection with the Imperial Bank.*—(1) In lower rate of interest. (2) In better margin of profits. (3) In its perfect dependability of service, notwithstanding its inelasticity and officialdom.

Joint stock banks have certainly not done all; but within their resources, they have done best. It is a pity that they have not proved more useful.

Present system and joint stock banks.—Joint stock banks could have done far more, but they have proved *inherently incapable* of doing real bit. They have swallowed the very little margin of profit left to the indigenous banker and the business man. Why; because they deal direct with the client; invade his jurisdiction and do not use the indigenous bankers as their accepting house, which they could have done profitably and with success. They are official, wooden, and inelastic; and do not know their job. They have neither the aptitude nor specialised training for the task. The very atmosphere is too bad. They have seldom appreciated the ideal of service to their clients. They are really bigger money-lenders, with their failings and without their virtues. They have not the sympathetic insight, and the courageous conviction to rightly interpret the needs of the modern economic society. They do not lead the merchant the businessman, the investor and depositor; why, because they have been staffed by men who are centuries behind; and are there by chance and accident. They are huge oligarchies, with their fatal gift of greatness. Such banks should employ both the local talent, and influence to success-

fully tap the local resources; thus decrease the overhead charges; save a better margin to themselves and their clients; provide the most efficient service, up to date in technique and despatch.

Documents, one and all are not used by them. Here the indigenous banker is certainly at fault; and sooner or later he will have to adopt the modern instruments, so essential. He cannot do without them. But so long as he believes in a single business, he cannot do this.

Above sketch is a faithful, true and honest picture of state of things.

2. Does not arise.

3. Indigenous banking has certainly declined with very sad results during the last 30 years.

Reasons can be classified into two lines of argument: inherently internal; and external.

A.—An indigenous banker has failed to take notice of the transitional forces ever decreasing margin of profit due to competitive stress and strife; and to accommodate himself to the changing conditions of the economic society. He has further failed to cover his business risks of depreciation and dislocation consequent upon the passing away of the business-head.

Land Alienation Act: An extremely partial and prejudicial legislalation, has destroyed the ancient security of debt of honour and relationship centuries old.

Legal difficulties and administrative disabilities have further reduced social status, his legal position and age long influence.

Co-operative movement run on communal lines combined with poisonous propaganda through a most virile caste-ridden official agency have given this Institution a death blow.

On the top of all, recovery proceedings most difficult, expensive and technical have broken the back of the banker; unsympathetic attitude of the courts, the Government's extreme indifference to his difficulties, backed up by most dangerous measures known as the Money-lenders' Bill have weakened his nerves, into a disgusted lapse from which recovery and renewal of new lease of life are an impossibility.

4. Yes, an independent local bank supported by the local municipality and assisted by the Imperial Bank should prove the most effective and successful banking organisation; inspire more confidence in the stability of the institution than the present branch banking organisation, top heavy with over-head charges and audit and inspection weightage, ideally unsympathetic, popularly unprofitable, thoroughly unsuitable to local business environments.

5. (*a*) Prejudice is there; and has been explained at length.

(*b*) Certainly.

6. *Special facilities.*—An indigenous banker can well manage his own affairs ; and can very well stand on his own legs without any special facilities, provided legal difficulties and disabilities are removed. Any such forthcoming legislative repeal is bound to react most favourably on the difficulties of a borrower.

7. Indigenous banker must be modernised and placed on corporate basis, failing which he will go, as noticed above.

8. (*a*) No. (*b*) Does not arise. (*c*) Yes, so many openings and opportunities await an intelligent intiative of a corporate financier and funds, however large, must find a most remunerative employment within the district.

9. (*a*) Yes, both within and without the province. (*b*) As noticed above, establishment of an independent local joint stock bank in every district centre, controlled by local indigenous bankers, supported by the local municipality further backed up by the Imperial Bank would be a really representative, profitably suitable and thoroughly stable organisation, of an efficient management.

(*iii*) This does not arise.

So many indigenous bankers would be acting as acceptance houses ; and would be further sources of strength *at the base.* There is no question of competition ; why, because, they will be working with different clientale and on a different footing and lower plane of organisation.

Fears suggested in 2nd, 3rd, and 4th do not arise.

(*iv*) This does not arise. Unless the indigenous bankers re-organise themselves they will have to go. They have already suffered a good deal, and must mend themselves, to make any forward move.

(*v*) No, unless suggested organisation is seriously taken up with the assistance of the legislation, and under Government supervisionary control.

(*vi*) (*a*) Unless the Imperial Bank Act is correspondingly modified and refashioned (Imperial Bank having grown too strong and expensive all the country over) the new Reserve Bank will not do much except at big centres.

(*b*) This may safely be left to actual practice where possible.

You cannot open Reserve Bank at more than ten stations in the whole country.

10. Imperial Bank of India has got so strongly entrenched and grown so extensively all the country over, that the Reserve Bank is not expected to do any material assistance to Businessmen, and indigenous banker except at big centres where Imperial Bank's dreadfully menacing competition may materially be reduced if not entirely eliminated.

Any Branch Banking Organisation on all India basis is bound to fail unless and until they employ local talent and influence and associate themselves with local interests. Facts are there and we cannot ignore them. Such Banking organisations have seriously felt the Provincial and Imperial Bank competition and are thoughtfully contemplating to make a move in the right direction.

Present propaganda carried on so vehemently against the Imperial Bank from certain interested quarters is both of a very doubtful character and utility and harmful to the National Interests of the country as a whole; and criticism is so sadly misplaced that it reflects only an abundant lack of real knowledge of facts and complete acquaintance with banking routine.

Those who have been in real touch with the banking of the country can very well appreciate that the very boast and bluff of service done to the trade and industry and so well advertised by these interested quarters is of a very doubtful credential.

SECTION II.—*Introduction.*

Money-lending.: Other than indigenous Finance a stray, fitful and irregular sort of loaning, is not at all known to the Indian business world as a normal feature of the Economic organisation on rates of interest exceptionally prohibitive, the like of which is certainly carried on here and there amidst environments, where "*security and return of principal*" are left to chance.

Such *money-lending* as a *regular business* is an impossibility in an Indian village, and has never been tolerated between dread of an impeachment and fire of excommunication. Indian environments have never nourished, reared, and bred up such an evilly disposed "Nand Lal, by whom Shylock is a gentleman" an Arora only to be robbed and rooked.

A village financier: the Pivot of Agricultural Finance regularly keeps accounts of his lifelong hereditary clients; disburses all routine operations, receipts deposits, cesses revenues, expenditures, and so many social calls, commands, and repairs, abiana, malkana and tambols; always at his beck and call, responsible for all his transfer and mutation deeds, first and foremost at his social functions, in his fullest confidence in times, of crises and in peace and war; and in the forefront of his land-lords' intrigues and episodes, village sahukar carries out his masters' calls and commands most logically even at the dead of night and amidst environments at times most revolting; acts as a real banker and perfectly dependable friend of the family: a trusted guardian, and efficient manager and silent administrator of his ward's estates; as a clever shrewd and tactful councillor of

his lord ; and occupies the most enviable position of trust and responsibility : and is the real fountain head of village finance and round him is centred the supreme interest of village politics and is the Master Key to the situation.

Such a man has been held up to all ridicule of condensed contempt. He has been severely criticised, thoroughly maligned, abused right and left hatefully caricatured and publicly staged times out of number as a "Pandora Box" responsible for all ills of the Peasantry, who have come down in the history as perfectly innocent abundantly ignorant and sadly unintelligent folk, only to be pitied.

The modern critic of Nand Lal and an advocate of the Peasantry is either a limb of the official hierarchy or an enthusiast of the blessed communal co-operative movement, or some such chip of the official block, a subsidized agent or thoroughly officialised professor, the University scholar, who has had neither necessary qualifications nor an occasion to have gone on to the spot to have studied village sahukar, village problems and his routine business operations. His critic has looked on things with glasses which probably he has got on hire. He follows a rut without originality of conception, courage of conviction.

(*a*) He is primarily a banker and not a money-lender. He does carry on his business of many sided activities : he is all at once a trader, an agent, a modi and a contractor, and does so many subsidiary trades.

(*b*) Not necessarily.

(*c*) He does finance—trade, Agriculture, Industry and others. His clientale is varied and extensive.

(*d*) His capital is limited and he seldom borrows. When necessary he draws upon his friends both as call-loans, deposits and accommodations ; and has his own business clients upon whom he draws. He pays interest between 5 per cent. and 6 per cent., because advances are against and for goods account.

(*e*) You can not work out the return, because his business is not exclusively banking ; or one or another. It depends upon good or bad years, on lean and fat seasons.

(*f*) He seldom makes his balance sheet once a year, unless necessitated by the Income-Tax authorities, as now. Hitherto he used to do once in two or three years. He does make provision to cover bad debts. He is seldom particular of his net profit in figures on paper.

(*g*) (*i*) He has no secured loans. (*ii*) He seldom does it. (*iii*) It does not arise. (*iv*) No such thing does exist.

(*h*) Secured loan is not known.

(*i*) (*i*) No. (2) It is not questioned.

(*j*) It does not arise.

(*k*) No ; does not arise. Loans are renewed, when the legal time limit is reached.

(*l*) Demand loan is seldom refused. There arises no question of security. Client is a permanent client, who can not go and will not go to another Sahukar, why, because, he has his secrets with him as his family banker. There is no question of inadequate capital. Sahukar must make a provision, must go in for loan on his own account, and must meet his client's indents, calls and commands. It is this spirit that pervades his business relationship.

(*m*) He keeps current accounts, and are operated upon continually without a break. There is no question of a punctual payment of a demand loan. There is no such thing as due date, accounts run like over-drafts with varying debit or credit balances.

Judicial proceedings are taken: (*i*) When the party refuses to renew the balance, or fails to honour account. (*ii*) When the client has gone over to another banker and means to put him to trouble.

(*n*) Since 1901, seldom a decree has been successfully realised. It costs more than the principal, *plus* so many anxious cares and toils of life.

(2) From 1 to 5: Principal and interest are generally decreed. But seldom decrees have been translated into moneys. Outside the Court, influence does work far better and secures better results. Time taken, and expenses incurred, over recovery proceedings are more than principal *plus* interest. Expenses are the most crushing weight and act as a dead weight.

(*o*) Loans recovery through grains is far better and is successful, clean and convenient. It is practically the most popular method, right business. It is a mutual gain.

(*p*) No such things are used, such documents are not known.

(*q*) (*i*) This has been the general practice, in the country side, also is towns where you have accounts with the village clients :—This is a true faithful picture of business relations.

2. Does not arise.

3. Banking has certainly decreased. Security is gone: that word of honour, which used to be the supreme stay, to honour debts even of generations past, has disappeared. Security, behind the word of honour, has as well gone.

3. *Reasons for decline in Banking.*—As already noticed above, (*a*) that ancient regard for word of honour has gone, (*b*) security behind the anxiety to honour debts has further disappeared. Land alienation—the only security, which one could lay hand at, has successfully alienated, and has, shifted this responsibility to others, who have proved most unsympathetic and thick skinned. (*c*) Legal difficulties and disabilities have further made the banker most nervous

and shy (*d*) Political and communal considerations have come to play very considerably.

This decline is mutually harmful to both the parties. This has proved the most dread'ul rock. The most needy has suffered most. He has left in his banker, his old, permanent, and family relationship. He has now to meet rigid, inelastic and unsympathetic official to look to for his guidance and assistance. The latter's interest in his client is not more than what an official has toward his clients. There is no personal interest, no mutual eternal family relationship, no personal family ties.

(4) Certainly rates could be reduced, by more effective and successful organisation.

(5) It is a fact that the village banker has to face communal and political prejudices. His social status has been reduced by legal difficulties and disabilities.

(6) He must make room for a better, more powerful, and organised body on corporate lines to stand present stress and strife. Legal facilities are no facilities, he must overhaul his position ; re-build and renew business on better, bigger, and stronger foundations. He must accommodate himself to newer, stronger and sterner realities of life, failing which he must say good-bye and leave his premises for others. This step if taken up would be in mutual interests and would cement, strengthen and sustain the bond of old relationship.

(7) There are no inherent defects in the present system except one supreme thing that the present village financier must eliminate death from his business, cover his risks, and develop strength of corporate character to stand present day responsibilities of sterner character. As suggested above.

(8) No such idle times and no spare moneys. There are more than ample chances and opportunities, where moneys can be invested on such remunerative basis. Our only fault is lack of an intelligent initiative towards corporate finance, corporate organisation, and corporate industry.

(9) *Licensing Money-lenders.*—Money-lenders, as noticed above are not a normal feature. To create, conserve and develop such honest, useful, and time-honoured institution into a coterie of licensed money-lenders in the western sense would be the worst specimen of official folly to perpetuate mischief. Such licensed money-lenders and interests of agricultural finance are poles apart.

If there are money-lenders, such people must needs be licensed and registered as class of their own, but the entire community of old, honest and useful folks should not be stigmatised and ex-communicated into a separate dangerous body of blood-suckers.

You give such people privileges and facilities, you then perpetuate a dangerous class. Every possible restriction ensuring on one hand the return of money, and curtailing the potential mischief of the money-lender will be welcomed. Any thing else more stringent than what is reasonable will defeat the very prupose of the measure.

PART VI.

(1) Yes, adequate enough.

(2) Postal certificates : (*i*) Popular enough, (*ii*) Yes, you offer still better rates, if already, not tempting enough. You will save the trouble of advertisement and propaganda, if hitherto deemed necessary.

(*a*) Revision of rates and terms of issue will certainly, as natural give you very good results, though at a very great cost to the trade and industry and joint stock banks.

(3) (*i*) Adequate enough. (*ii*) Does not arise. (*iii*) Mostly Government servants and less intelligent people. (*iv*) You try better terms and better service than what the general investor obtains from the banks.

(4) (*i*) Yes : No doubt. Answer is abundantly and clearly contained in the question. Banks cannot offer better terms. (*ii*) Most unhealthy that could ever be imagined.

(5) *Purchase of the Government Securities.*—Small investor will welcome any facilities only if he is guaranteed depreciation, which fact should be patent enough to remedy the perverted angle of vision of the official world.

(6) None probably excepting what little we have got in Lahore and Amritsar.

(7) An Indian is a great saver by temperament, by traditions by circumstances. He does keep his accounts, peasantry keeps through their bankers.

(8) (*i*) Such people save, invest, and do banking, in order to earn a better rate of interest. (*ii*) They deal with Banks, bankers and invest money in different trades, and varied lines of investment.

(*iii*) Yes. (*iv*) This does not arise.

(9) There are ; but the institution of usefulness that has hitherto served the investor very well, has lost his sanctity and security ; and investor does feel the need for a better institution than Post Office. Banks accept any sum, and do any service. In villages, sahukar is still popular with the genuine investor.

(10) (*i*) Farmers do invest funds with village sahukar. (*ii*) Yes. They do with greater advantage and success. (*iii*) It is only natural and this follows as day follows night.

(11) (*i*) No. (*ii*) Does not arise. (*iii*) You increase his security. You will have abundant funds—funds to spare.

(12) Cheques : (*i*) Urban business men and Government servants. (*ii*) Yes. Figures speak for themselves.

(13) Yes.

(14) Let the Government take initiative to permit use of cheque as suggested. Result will surprise you.

(15) (*i*) Let it rest with the Banks and clients. (*ii*) Yes, within proper safeguards. (*iii*) Nothing like it ; but that is impossible.

(16) Imperial Bank. (*i*) One cannot say. (*ii*) Certainly. (*iii*) No, not yet ; he is yet on the lower plane. (*iv*) Very doubtful, except through the Central Banks, but very little. (*v*) Certainly most beneficial and without doubt.

Oral evidence of Mr. R. D. Varma of the firm of National Under-Writers, Limted, Lahore.

Chairman.—What is your occupation ?—I am a banker and under-writer.

Do you represent the National Under-Writers, Limited, Lahore ?—Yes, it is my own firm ; it is a private limited firm.

How long has it been in existence ?—For the last six months.

What were you doing before that ?—Previously I served the Central Bank of India, Limited, in various capacities for over five years.

What business experience have you had ?—Now I have got about twenty years banking and business experience combined.

What form has that business experience taken ?—Banking for about six years ; business experience extending back over fifteen years.

What were you before that ?—Before that I was associated with a firm of commission merchants in Gojra, District Lyallpur.

As a commission agent ?—Yes.

For how many years ?—Say, for over several years : since boy-hood, and have risen from the humblest rank of village folk.

Were you brought up in a village ?—I was brought up in a small village of Jhang district called Chandna nestling far off in the Sindh Sagar Doab.

What was your next occupation ?—I was for some time a patwari in 1901 during Bandobast.

When did you take your degree ?—I took my degree in 1913-14 ; and then five years after, my degree of M.A. from the Government College. Then I went away to Bombay to acquire business training. I was with the Central Bank of India upto 1925. I came back to Punjab and started my business in the Punjab as an Investment Banker and Stock Exchange Financier. I should say, as an under-writer. I have been a specialist in this line. My interest has been confined to corporate finance and corporate organisation of Industry.

Are you now working in Lahore ?—Yes.

What form does your business take now ?—I take care of people's investments and deposits : if a friend has got an idea of a productive enterprise I get him money ; and get a few financiers interested in the proposition.

Are you working with your own capital ?—I have none my own ; I find it or make it.

What rate are you paying on your deposits ?—I get money between 6-7½ per cent.

What is the highest rate that you pay on your deposits ?—Not more than 6¼ per cent on long deposits.

But you mention 7 per cent in your note ?—Occasionally I pay 7 per cent.

For what period do you take most of your deposits ?—For fifteen days just as a temporary lockup of funds.

Are they all short-term deposits ?—Certainly.

What type of persons are you mainly financing ?—I only finance through the help of other financiers, through formation and incorporation of a limited company.

You say that the net return on indigenous banking is only 2-5 per cent. Upon what do you base that estimate ?—Upon my own personal experience.

Upon your personal experience for the last six months ?—No ; I have been associated for years over 26 with banking business.

Where were you employed in the Central Bank of India ?—Lahore, Amritsar, Kasur, Lyallpur, Karachi and Bombay.

Yoy say in your note that the indigenous banker has profited by his connection with the Imperial Bank in a lower rate of interest. What rate of interest have you in mind ?—Previously the joint stock banks were charging upto 12 per cent. As soon as the Imperial Bank came into the field, they commenced charging 7 per cent., 7½ per cent or 8 per cent. The joint stock banks have practically reduced their rate to 7½ per cent.

Does the Imperial Bank make considerable advances to the indigenous bankers ?—Certainly, it does.

Have you ever worked in the Imperial Bank ?—I have not worked but I have known this as a banking fact.

Does the Central Bank of India, Lahore, make considerable advances to indigenous bankers ?—Yes.

How much do they advance in a year ?—It runs up to crores.

How many indigenous bankers are there in Lahore ?—About a dozen.

Are these several crores advanced to these dozen people here ?—I am speaking of Bank's advances all over the country.

Were you ever stationed in Lahore ?—Yes, in 1919-20, 1921-22.

What were the advances in that year ?—I cannot help you with this information.

Can you not say how much was advanced in those years?—I regret.

Where were you last ?—From 1922--25 I was with the Central Bank of India in Bombay and Lyallpur.

What have you been doing since ?—Since then I have started my own business.

Is your estimate of 2-5 per cent based upon the information you got mainly outside the Punjab ?—No ; inside the Punjab ; I mean the colony ilaqa.

What type of men were making from 2-5 per cent in the Punjab ?—The commission agents.

You say in your note that the joint stock banks are really bigger money-lenders with their failings and without their virtues. Would you explain what you mean by that ?— They lend money to their clients on terms which they dictate ; while they have not got the virtues of a village sahukar who lends them money even at the dead of night. They have his failings in a much larger degree. Thay have not that sympathetic angle of vision nor the courageous handling of credit. They are only loaning societies, if I am permitted to remark.

You say that a corporate organisation and corporate industry are needed ; what form of corporate finance have you in mind ?—I would like to apply this corporate finance to every business activity. I should apply to problems both rural and urban. Co-operative finance I should like to apply to village problems ; and in urban area you cannot do without corporate organisation of finance and industry, because I don't believe in single business.

What do you mean by corporate finance ?—I mean financial resources of a community pressed into corporate service and not individual finances worked by single business men, as we usually find in our Indian business.

Would you include joint stock banks in that ?—Certainly.

Lala Harkishan Lal.—As well as partnership ?—Certainly.

(Witness withdrew).

Sardar Mohan Singh, Professor of Economics, Khalsa College, Amritsar.

PART II.

Marketing in reality is a part of production just as farming is (a part of production) ; and farm production means the creation of those elementary utilities which the farmer creates in the raising of crops and live stock. The Government, in this direction, is trying to help the farmers in every possible way through her Agriculture and Veterinary Departments. But this is only a one-sided development, and the other side (scientific marketing of the products) has so far been neglected. If the Government really wishes well of the farmers, then running of a wagon on one wheel must not be tried any more.

Concretely, marketing means the rendering of no less than seven types of necessary services, *i.e.*, Assembling ; Grading ; Standardizing ; Transporting ; Storing ; Financing and Distributing, which at present are performed most inefficiently by the unsympathetic middlemen who care more for their profit than anything else. Some of these men are financially strong, and others make use of the existing credit institutions and thus earn ten to twenty times more in a month than the farmer who has toiled hard for a year. The poor farmer, having no resources of his own, and being hard pressed for his immediate needs, like the payment of Government taxes, is compelled to sell his products at a far cheaper rate than the market rates.

Now this is the practical difficulty of the farmers, who are told and instructed by the officers of the Agriculture Department to resort to scientific methods of farming for the increase in yield and more production. But there are no sympathetic credit institutions which may render farmers the necessary financial help and make such products remunerative to them, and they are neither instructed nor helped in disposing of their products, which, I think, is their dire need.

In my opinion, if the farmers, with the assistance of the Government, concentrate on storing and financing the agriculture products, which, I think, are interdependent, a way out of the difficulty can be found. Farmers, by storing their products in the warehouses, will come in touch with the credit institutions of the country. This method is bound to have a great educative value for the farmers and will put them directly in touch with the district markets at least.

2. District grain merchants and other middlemen store grain in kothas and bank godowns for obtaining credit, but this method of securing credit is practically unknown to the farmers.

3. (*i*) I think the system of licensed warehouses is feasible in India—rather it is our imperative need—because Indian staple

crops, wheat, cotton etc., are not fetching good prices in the world markets, which, I think, is due to inferior quality and non-gradations of the products. Our farmers pay very little attention to quality, and know nothing about the grading of their products. Consequently the introduction of the warehouse system would mean encouraging of our farmers for the production of standard crops and grading them according to the demands of the warehouses.

The grading system will be encouraged, for which the following advantages can be claimed :—

(1) it is economical for consumers :

(2) it reduces cost of marketing and selling :

(3) it makes possible adequate financing :

(4) it is made the basis of warehouse receipts ; and

(5) it will bring better prices ;

(ii) Government assistance in the beginning is essential.

N. B.—The writer personally visited several warehouses in United States of America in 1925, and knows what such a system has done for the agriculture industry of that country.

I have also some personal knowledge of the marketing methods practised in the Sargodha District in these days.

WAREHOUSING.

It is recognised and admitted by all economists that the service of storing has become increasingly important in the progress of our economic life. Without the holding of grain and other foods from season to season, the maintenance of people through the winter, and modern life as we know it, would be impossible. Not only this ; the very economic equilibrium of a society depends upon storing and then releasing the commidities from time to time to regulate the supply according to the demand. Since the farmer's commercial spirit has been awakened, and given impetus to by the last world war, the question of agricultural products has become more serious and complicated from the marketing and financing point of view.

At present the real difficulty of ours seems to me that of financing and marketing of agricultural products, which the people of the United States of America had to face a decade ago and were made to think about seriously.

There is no denying the fact that when storing is not done directly by the individuals then that same object is accomplished by specialised commercial agencies motivated by a desire for private profit. But under this system certain forces, if misunderstood, as they are almost universally, unavoidably lead to charges of profiteering and to widespread condemnation. Now this is exactly what led the farmers' sympathetic bankers—financiers of agricultural products—of several States in the United States of America to put their heads together

in order to create organisations capable of storing and stabilising prices, instead of criticising, the private middlemen.

When I questioned a Portland banker regarding the price-stabilising effect of the warehouse system, I was told that the storing of farm products under the present conditions had not stabilised prices perfectly, nor had it entirely prevented glutting or undersupply of markets.

Nevertheless, he added that the services as rendered had accomplished far-reaching economic purposes in the interest of all concerned. Bearing this in mind, storage facilities adapted to the character of products held have been established throughout the country in many forms.

Regarding the working of the warehousing system in his own State (Oregon), the banker said that—

(*i*) it had succeeded to a great extent in adjusting supply to consumers' needs:

(*ii*) it had caused regularity in floor milling;

(*iii*) it had constantly permitted monthly milling of cotton;

(*iv*) the farmers got better prices; and

(*v*) the warehouse receipts were widely used for securing credit from the banks.

In New Orleans I had a discourse with a banker who was once a prominent leader of the bankers' warehouse campaign in Texas in 1915. Texas is eminently a cotton-producing State. During his talk he depicted a very gloomy picture of the cotton-growers, and told me how they were perpetually kept under debt by the greedy and merciless speculators on account of the absence of storing cotton in the State.

He said that, as a result of the campaign, warehouse facilities had largely increased, which enabled the people to store and hold twice as many bales of cotton as they previously could; and, at the same time, the price of every pound of cotton had considerably increased since the effect of the campaign began to operate. In his estimate the State cotton-growers saved 45,000,000 dollars as a result of the increase in the price of cotton which had been sold that year.

It was pointed out that the direct financial saving which had resulted from the warehouse campaign was insignificant when compared with its great educational value. The campaign taught the people of Texas that cotton could be prudently and profitably stored in warehouses, and had got them start doing it. It made the cotton growers realize the benefits of warehouse facilities. More than this, they learned that, when the cotton market was glutted, or when it was closed by a money panic, or by a world-wide war, they were not compelled, if adequate and dependable warehouse facilities were provided, to sell their crop for whatever price they could get from greedy

and merciless speculators, but could deposit it where it would be safely and economically kept; and received in return for their deposit a warehouse receipt upon which they could borrow sufficient money to meet the urgent needs, otherwise to liquidate which they would have been compelled to sacrifice their year's product. The sponsors of the warehouse movement had many difficulties in inducing farmers to understand the operations of the warehouse system and to appreciate its value. It was extremely difficult to explain to the people how it was at all practicable or possible for them to pursue any other course in the fall of the year than the time-honoured course they had always pursued of hauling their cotton to market, taking whatever price they were offered for it and using the proceeds as far as they would go in meeting their inevitable obligations. It was difficult to convince them that a warehousing system would save them money because they had never seen it worked. But now, when they are used to the system, it seems equally difficult to them how to do without it.

If we introduce the warehousing system, which we ought to, in the Punjab, we shall have to experience the same difficulty. But this seems to me an imperative need of the province and, in my opinion, will do at least as much good to the peasants as the co-operative movement has done. The Government should extend the same patronage to warehousing and marketing as it has done in the case of the co-operative movement.

A few districts, to begin with, may be selected for experiment purposes.

Details regarding the working of the system can be decided as the analysis of our present conditions in the proposed district may suggest.

Construction of warehouse buildings is always according to State laws, which also fulfil the requisites of the fire insurance companies.

Storage rates.—Maximum storage charges are limited by State law or grain exchange. Maximum charges in the Chicago and Portland warehouses were 1 cent per bushel for the first ten days, and $\frac{1}{30}$th cent per bushel per day thereafter.

Legal side.—The legal side of the question is fully covered by the United States Warehouse Act attached to the questionnaire sent to me.

Sardar Mohan Singh, Professor of Economics, Khalsa College, Amritsar, on warehousing in the Punjab.

In Canal Colonies the warehouse system of the United States of America type is sure to succeed but in the old colonies (Districts Amritsar, Gurdaspur, Sialkot and Hoshiarpur) it is doubtful unless we devise our own plan according to the present conditions. Outline of the proposed plan for consideration :—Warehouses should be organized at the district headquarters and mandis just as Central Co-operative Banks are.

Board of management of such wearhouses should consist of local banks and representatives of the village Co-operative Marketing Societies. Commercial banks (Joint Stock Banks) which may undertake to advance money to such Co-operative Marketing Societies be only given representation on the management board. Of course, it is understood that such warehouses will be under the patronage of the Government.

The share money of the members and a loan advanced by the Government or local banks should be invested in the warehouse buildings.

The village Co-operative Marketing Societies should deposit their agricultural products in the warehouses, and the societies may get loans on the strength of the warehouse receipts. The money thus obtained by the society should be distributed among its members according to their share of produce deposited with the society.

The maximum rate of interest charged by such banks be fixed say 9 per cent out of which 1 per cent should go to the warehouse account. Besides this maximum charge of 1 pice per maund may be made by the warehouse management.

N.B.—Elasticity of money (note issue) can only be secured by establishing a Reserve Bank to cope with the seasonal crop removing demands.

The object of the proposed scheme is to bring together the capitalists and the peasants. To make the peasants feel that the bankers are their friends and not enemies and their interests are common. It is in the interest of the bankers as well as that of the zemindars that their economic activities should be so co-ordinated.

The prevalent idea that the bankers (money-lenders) are the blood squeezers of the zemindars must go and instead of it an atmosphere of mutual confidence should be created. The banker will, then, be considered a social worker, as he ought to be. This alone in my opinion, will avert the coming crisis and succeed in maintaining the economic equilibrium of the modern society.

Supposing there are 20 members in a village and each member purchases a share of Rs. 20.

Share money of a village—$20 \times 20 = 400$

Taking 50 villages in a mandi vicinity—$400 \times 50 =$ Rs. 20,000.

Oral evidence of Sardar Mohan Singh, Professor of Economics, Khalsa College, Amritsar.

Chairman.—Are you Professor of Economics in the Khalsa College ?—Yes.

How long have you been here ?—Two years.

How long were you in America ?—About $5\frac{1}{2}$ years.

Studying economics ?—Yes.

Did you make a special study of the American warehouse system ?—I was studying economics and specialised in Banking and Finance, and once in a while had to visit banks and organisations connected with banks.

How many warehouses did you visit ?—Five.

All in one State ?—One in Texas, one in Oregon and three in Washington State.

How long has the system been in operation ?—They started before the war, but really they have tried them after 1915, and in most States they have been successful.

Is that system operating in most of the States in America ?—In the wheat-producing states like Oregon, Washington and Texas.

Is it mainly concerned with wheat or cotton or with both ?—With wheat, cotton and also with American corn or maize.

How many warehouses are there in the whole of the United States ?—I do not remember exactly, but in some states there are more than 100.

Did you gather that they are working well ?—My impression is that these warehouses have considerably helped the farmers and have also created interest in the bankers. The agricultural producer and the banker have co-ordinated their activities, and have eliminated the middleman and have done a service to the farmers or zemindars, as they are called here.

Is the primary object to enable the producer to hold up his produce for a rise in the market ?—The object is to eliminate the middleman and try to stabilize prices and then of course to help farmers by financing them.

Would it not be as much to enable persons to hold up produce as to stabilize prices ?—Yes.

How have they eliminated the middleman ?—The farmers have formed their own organisation and place their produce in the warehouses and on the receipts they get money in order to meet their immediate needs, and whenever they find that rates have gone up, or it is convenient, they sell it off.

Who is the licensing authority ?—The Secretary of Agriculture in the State.

Can warehouses be used for storing purposes ?—No, unless it is a dairy business.

You mean then that agricultural produce if it is going to be stored must be stored in a licensed warehouse and there is no option.—No, there is no alternative if one is to get advance on agricultural produce.

Are you certain of that ?—Yes, the products are stored in these warehouses.

Lala Harkishan Lal.—Not the entire production ?—No.

Would it be possible for a merchant to start storing wheat on his own account without a license or is it illegal ?—I do not know.

Chairman.—Is there anything to prevent a middleman from purchasing produce and storing it in his own godown ?—I am not sure.

For how long is a license in force ?—This license is given for a certain number of years, how many I do not remember, but once it is given it is at the option of the Secretary to withhold it at any time he likes.

Apparently a bond is taken from the licensee.—I do not know.

Apparently too arrangements are made for keeping the produce separately. What is usually done ? Is the produce pooled or kept separately ?—If it is of the same grade then it is pooled, otherwise it is kept separately. That is what I noticed in Washington.

Do you think that is the general practice ?—I should conclude so from that.

Do you know if any difficulty arises as to that ?—Not that I know of.

Have you sufficient knowledge of this country to say whether the cultivator would be prepared to pool his produce with the produce of another cultivator ?—We will have to educate them just as in the beginning the Co-operative Department had to do missionary work and had difficulties.

What education was needed in the United States ?—Practically in all towns they have got their own societies and the agricultural colleges and farmers' organisations are doing a great deal in the way of propaganda work.

Would it be possible to have a similar system of warehouses in a country like the Punjab where the produce is not graded and perhaps not susceptible of being graded at present ?—I think it is possible in a way.

In what way ?—I have drawn up a plan and if you permit I will explain. There is no doubt that we will have to educate our people and try to teach them how to grade their products and also make it a point that the Agricultural Department would not only ask them to do this or that or try to increase their production but also teach them how to grade and instruct what kind of seed to produce. And according to that they can grade.

Do you mean that the power of grading produce is an essential feature of a system of this kind ?—Not essential.

Would it be possible to store a warehouse with ungraded produce ?—Yes. For example in the canal colonies where people own a few squares of land those who have produce enough to put them in sacks could place the sacks in the warehouses.

How would that wheat be valued for the purpose of credit ?—According to the market rate.

That depends on its quality ?—Government could engage an appraiser.

Is it not the case that in the Punjab there are a very large number of different qualities of wheat ?—Yes, but this will encourage the cultivators to introduce special kinds of wheat.

It will be necessary for some competent authority to value the produce ?—Yes.

If there were difficulties in the vluation of this produce would you say that this system would not be workable ?—Ordinarily it will not be workable but on different grades of wheat the bank can judge and can advance fifty or sixty per cent of the value.

Did you hear of any difficulty in grading in America ?—In the beginning but since they have introduced standard crops they have no difficulty.

I see that section 19 of the Act allows the Secretary of Agriculture to fix standards for agricultural products by which their quality or value may be judged or determined. Is that actually done ?—I do not know.

Do you know to what extent these warehouses are officially inspected ?—No.

What is the capacity of the smallest warehouse that you know of ?—I visited one in Oregon State but cannot say how many sacks it would contain. The dimensions were about three times the size of this room, $\frac{1}{3}$rd the height the floors were cemented and it had iron roofs.

Was that a big warehouse ?—No, a small one.

Lala Harkishan Lal.—Have you any idea of the area which a warehouse serves ?—In America it is possibly to the extent of fifty miles, but here this is not possible.

Do you know how many grades they make of wheat ?—I do not remember exactly but they have several—about five or six.

Have you any experience as to whether the wheat in India in a particular district can really be reduced to five or ten grades ?—I have no personal experience.

You say that legislation will be necessary because the people owning these warehouses become depositees or trustees and, therefore these will have to be regulated and they may have to give security

also because they hold trust on behalf of the people. But the difficult point is that the document that they give is saleable as well as transferrable as well as mortgagable. But then anybody might do this business of warehouses for certain of his friends without issuing the receipts then he would not come under legislation. There cannot be any bar for private warehousing provided he does not issue these negotiable hundis ?—Yes that is the point.

Have you any idea as to what is the expenditure for carting produce and storing it in these warehouses for six months ?—The general charges are one cent per bushel for the first ten days and after that 1/30 of a cent per day or one cent per month.

You suggested that because wheat is sacked here, therefore, it might be possible to have these godowns. Do you know what the expense of sacking is here ?—Sacks cost about four annas, but I am not certain. The capacity is about $2\frac{1}{2}$ maunds.

That comes to one anna a maund for the sack and if the sack is kept and not taken care of it deteriorates more quickly than the wheat does. But could not the sacks be rented.

After six months they are gone. In the mandis it is done.

Only for a few days not for six months. They do it in the mandis.

I am trying to find out whether it can be done. In the warehouses I visited the wheat was kept in two farms. The wheat of certain grades was taken in loose form as well in sacks and some farmers had special kinds of wheat which they kept for seeding purposes.

You have talked of eliminating the middleman. What would you call the banker or ware-house-man ? Is he not a middle-man or is he a beneficent protector of man ?—What I meant to say is (and I have drafted a scheme) that I believe that the banker is a social worker and if he is not he ought to be a social worker. In this country the bankers have got too much red-tapism and officialism. They do not realise that they are businessmen, that they have to be cheerful and courteous with their customers and make banking a business concern so that the people may not be afraid of bankers. Whereas the real feeling ought to be more of a missionary. I believe that the warehouses should be run by the producers or the representatives of the peasants and the local bankers. Government should only be the patron and for that I suggest that just as there are co-operative societies in villages there should be also co-operative marketing societies. Scheme drafted on the lines was handed in.

(Witness withdrew).

Shamji Mal, Hide, Skin and Wool Merchant, Amritsar.

PART I.

1. (*i*) Hundis, Bank drafts, Cheques, Postals and Treasury transfers and remittance by currency notes.

(*ii*) The defects arise where there is not a bank in a particular town or locality and where money can be remitted only through a Post Office, by registered and insured post, in which case the amount is limited to Rs. 2,000.

First, this amount should be increased to at least Rs. 10,000 ; and secondly, Government should arrange to issue transfer receipts or telegraphic facilities on sub-treasuries in rural areas up to say Rs. 20/30,000.

2. (*i*) Bearer and order cheques, Mudati and Darshani Hundis debentures transferable to bearer or by endorsement and Bills of Lading are all employed in this Province, to the full capacities of the present Banking systems, but all are inadequate.

(*ii*) In case of Mudati (Usance) Hundis reduction in stamp duties would tend to encourage trade.

3. (*i*), (*ii*) and (*iii*) No.

4. (*i*) Hardly any.

(*ii*) No.

(*iii*) No. But please see 4 (*iv*).

(*iv*) Yes.

5. Yes ; frequent difficulty is experienced. One hundred rupee notes in particular should be available in Imperial Banks and treasuries to a greater extent than they are at present, and should be issued on demand to the trade public in exchange for cash or notes of lower denomination.

6. (*i*) If the duty was reduced it would facilitate trading. One year's sight or more, bills are so comparatively infrequent that the question of duty is insignificant.

(*ii*) No.

(*iii*) 30, 60, 90 and 120 days sight are most common. Followed by 6 months sight less frequently. These bills are drawn at the various period in order to allow of goods arriving at various foreign ports prior to payment being demanded for same. If such payment is necessary before arrival Bankers give facilities for D. P. as against D. A. drafts.

(*iv*) and (*v*) See 6 (1) above. A Bill of Exchange is a demand for payment against goods or kind, whilst a Bond is an obligation for payment without trading being necessarily involved. Therefore they have no relativity.

7. Extension and cheapening could be accomplished by raising the present remittable limits from Rs. 2,000 to Rs. 10,000 for insured

remittances. A revised scale of charges for insured remittances to encourage larger amounts at smaller fees. A reduction in money order charges is desirable in trade interests, especially on large amounts.

8. (*i*) Demand Hundi is due for payment on presentation.

Mudati Hundi has the usance marked on it.

(*ii*) Yes. They pass through several hands.

(*iii*) All Hundis are discounted both in and out of our immediate area.

(*iv*) Yes ; Hundi business has diminished during the past 25 or 30 years due to :—

(*a*) Increased Banking facilities.

(*b*) A man receiving a Hundi should be given prompt facilities in Courts of Law to demand from drawer payment as stated. This without the undue delay which attaches at present in the Punjab to court procedure. This would make Hundi methods more popular than they are to-day. Procedure similar to that laid down in the Code of Civil Procedure and in force in other Provinces is desirable.

9. (*i*) Yes. On Railway Receipts.

(*ii*) The whole question is dependent on the integrity and credit of the individual involved.

10. (*i*) Usually by endorsement and only without endorsement by firm's branches.

(*ii*) No. Who would negotiate a rail receipt without an intimate knowledge of what goods it represents ? The practice would inevitably lead to fraud.

11. (*i*) *Bijaks* are negotiable but *sattas* are not.

(*ii*) Undesirable.

PART II.

1. (*i*) The principal crops of the Amritsar District are mostly brought to the nearest mandi through the medium of bullock carts.

(*ii*) No.

2. About ten per cent of the whole produce.

3. (*i*) Yes ; the system is feasible in India.

(*ii*) Yes.

4. (*i*) Merchants and other financial organisations help the producers and cultivators by making advances.

(*ii*) No ; they are not adequate nor are they sufficiently attractive.

5. (*i*) No.

(*ii*) Yes.

6. Yes.

PART III.

1. (*a*) The part played is chiefly by borrowing at rates of interest dependent upon the credit and standing of the merchant involved.

(*i*) By exporters or arhtis (commission agents).

(*ii*) By exporters through Exchange Banks and Joint Stock Banks.

(*b*) The principle is the same, except that goods entering India are against sight drafts at various usuances which are accepted and collected by banks according to the status of the individual.

(*i*) Goods are usually *c.i.f.* port of entry and are financed to distributing centres usually under lien to Bank, who give release on payment of charges, *i.e.*, customs duty landing charges rail charges, etc., etc.

(*ii*) The consignee either retails goods or resells to outlying districts.

2. (*i*) Usually financed under lien to Bank against acceptance of drafts and released against payment.

(*ii*) Not if the terms covering the contract are observed. The chief difficulty is delay in delivery owing to inadequate railway goods service.

(*iii*) Yes. A better system of interchange of information between banks regarding financial status of importer.

3. The grower of produce does get the full benefit :—

(*a*) As a matter of fact the activities of the export firm always stimulate prices.

(*b*) They do not control the prices. The whole of this question is one of supply and demand :—

(*i*) Nothing particular to mention.

(*ii*) Yes. Unquestionably a 1—4*d.* exchange would insure growers of produce a better return and enable them to lower the selling value in the world's market of Indian produce in competition.

4. (*i*) Either by the individual or by assistance from banks.

(*ii*) Interest charges are usually on amounts and not on class of goods involved.

PART IV.

1. (*i*) As regards tanning industry this is seriously handicapped in the production of up-to-date leathers by the heavy duties chargeable on (*a*) machinery, (*b*) chemicals, (*c*) tanning materials, and (*d*) rail freights.

(*ii*) Free entry of all products essential to their production.

PART V.

1. (*a*) They receive deposits, make advances against commodities and discount *Mudati* Hundis.

(*b*) Banking primary.

(*c*) (*i*) All three, but prominently trade ; also some industries.

(*ii*) No knowledge.

(*d*) (*i*) No definite knowledge. Usually not borrowed ; but by acceptance of deposits.

(*ii*) General public deposits.

(*iii*) Various from 4 to 6 per cent.

(*iv*) None.

(*e*) No knowledge.

(*f*) Actual only.

(*g*) (*i*) Personal. pronote, individual goods under lien stocks and shares property and lands.

(*ii*) Current market value.

(*iii*) From 50 to 75 per cent.

(*iv*) Secured loans—eighty per cent.

Unsecured loans—twenty per cent.

(*h*) Dependent upon trade conditions and upon individuals.

(*i*) See (*g*), (*i*).

(*j*) (*i*) Only in rare cases.

(*ii*) Yes, usually.

(*k*) Primarily productive.

(*l*) As a rule seasonal, periodical or for period of particular contract.

(*m*) (*i*) and (*ii*) This is dependent entirely upon the prospects of the particular industry calling for capital.

(*n*) (*i*) Seventy-five per cent.

(*ii*) Demand, protest, instalment or legal.

(*iii*) As a final protest.

(*o*) (*i*) Great delay is experienced in obtaining a decree. After it is obtained the facilities afforded by the Court for execution are totally inadequate and cause much delay and in many cases, the money is never recovered ; and also the system of court charges requires revision. As at present they are unfair to the lender, *i.e.*, the prosecutor in such cases.

(*p*) (*i*) and (*ii*) Not to our knowledge any such case occurs.

(*q*) (*i*) Competitively. No help is rendered by banks to Indian Bankers.

(*ii*) Yes. An advance against the transfer of secured loans and personal cash credits.

(*r*) Samples :—

Pronotes—On demand I promise to pay to———————— at their office in————————or order for value received the sum of rupees———————— with interest from date hereof at the rate of———————— per cent per annum.

Deposit Receipt.—Received from———————— as a deposit at the rate of————————per cent. per annum to remain till notice of————————on either side expires.

(*s*) Mostly it is typical.

2. See above.

3. (*i*) Speaking for Amritsar, Lahore and Ferozepore Districts the advent of Imperial Bank, Exchange Banks and Co-operative Banks during the past 25 years has increased banking facilities to the detriment of indigenous banks generally.

(*ii*) Cheaper rates of interest and remittances by Imperial Bank primarily.

(*iii*) Yes.

4. Yes. If facilities were given as stated in 1 (*q*) (*ii*) above. Also by deposits at lower rates.

5. No prejudice : purely commercial.

6. (*i*) Yes, the introduction of legal Money-Lenders' Bill and limited liability, which would facilitate borrowing by an indigenous bank from Government. Moreover indigenous bankers should not be allowed to disclose the names of their depositers or clients to Government or any other agency, as is the case with the Joint Stock Banks.

(*ii*) In the interest of both.

7. (*i*) Yes. The account books of the indigenous bankers should be treated on the same basis as the Joint Stock Banks.

(*ii*) By enacting a special law providing speedy Court procedure for recovery of moneys.

8. (*i*) Yes ; but have no details.

(*ii*) Credit cash balance. Yes.

(*iii*) Yes ; it is possible by the issue of short period loans.

9. (*i*) Directly they are influenced by money markets, otherwise they could not exist competitively. Law of supply and demand.

(*ii*) See below.

(*iii*) See below.

(*iv*) and (*v*) This is a matter which is entirely in the hands of the various indigenous bankers to form by amalgamation some organisation which would place them on a footing to compete with joint stock banks, Government Bank and Exchange Banks.

(*v*) Yes.

(*vi*) No. In small places it will not be remunerative.

(*ii*) If the Reserve Bank was a Central Bank only, it would be necessary for it to have branches in the various commercial districts. If this was not feasible then the link should be established through existing joint stock banks.

10. We think this could be accomplished by registration accompanied by limit d liability.

PART VI.

1. In the principal towns adequate banking resources are available, but in some of the smaller towns there do not exist any such facilities for merchants for the following reasons :—

(*a*) Limitation by Post Office to Rs. 2,000 by registered and insured post.

(*b*) No means of remitting larger amounts except by currency notes.

(*c*) Lack of currency notes of higher denominations.

2. (*i*) Reasonably so.

(*ii*) Yes.

(*a*) *Ad valorem* 5 per cent interest.

(*b*) Payable half-yearly or yearly and redeemable on demand.

3. (*i*) No : not to the investing public ; but only as Savings Bank.

(*ii*) Extend the value of certificates and make the same negotiable instrument.

(*iii*) Thrifty persons.

(*iv*) See 2 (*i*) and 3 (*ii*).

4. (*i*) Yes : in case of Post Office Certificates in small denominations ; but scarcely in terms of commercial sums say of Rs. 10,000 and upwards. As regards Treasury Bills in terms of banking these are not usually a means of exchange in commercial transactions.

(*ii*) Postal Certificates encourage saving in small amounts of Rs. 10 and upwards, which are at interest. The same amount deposited in an ordinary bank would not command practically any interest at all and consequently as an encouragement to thrifty persons Postal Certificates have much to commend them.

5. Yes ; by transfer of a like sum in Postal Certificates to the value of the particular security concerned, on special terms, such as at present, govern the transfer of Government securities.

6. The only facilities are using Banks as buying and selling broker.

7. Only those with a sufficient knowledge of accounts and an inclination to keep the same.

8. (*i*) Savings Banks, jewellery, property, loan or any other form of small investment.

(*ii*) Responsible individuals either merchants, Savings Banks, Co-operative Societies, etc.

(*iii*) Yes.

(*iv*) Insurance against sickness or death, dividend bearing (*i.e.*, interest on petty loans), family accommodation, marriages and seasonal necessities.

9. (*i*) Yes : several banks have a system of petty savings bank accounts.

(*ii*) Rupees 5 to Rs. 10 but would like to state that in England application be made to a Post Office or some banks for the issue of a steel money box in which any amount from one anna to one hundred rupees can be placed through a safety slot. The Post Office or the bank hold the key and on application will open the box, hand you the sum, or place it to the credit of your account at 5 per cent interest per annum. We believe, these are issued by the Central Bank of India on similar terms : and the system might usefully be extended.

(*iii*) Yes ; by issuing them from Post Offices.

10. (*i*) Generally spend it on litigation, or payment of debts arising out of bad seasons, the acquisition of more land or weddings.

(*ii*) Generally speaking no.

(*iii*) No ; in view of the professional money-lenders.

11. (*i*) Yes.

(*ii*) Lack of knowledge and education

(*iii*) Yes ; by land banks in which the investor has a personal interest or knowledge.

12. (*i*) Mercantile.

(*ii*) Yes ; payment by cheque is less risky than handling money and the individual's account is in competent hands and his financial status is more or less determined thereby.

13. (*i*) Yes.

(*ii*) Yes.

14. Yes ; provided the banks improve the present system of payment on presentation of bearer cheques. At present the delay and inconvenience is considerable. As regards payment by cheques of salaries of Government servants, what facilities bearing in mind present banking hours would you give to an individual to cash his cheque.

15. (*i*) Vernacular script serves its purpose only in the district in which that particular language is spoken, but defeats itself outside that district owing to language difficulties. For instance what Punjabi Bank Clerk reads Tamil.

(*ii*) Yes ; with the above limitation.

(*iii*) No ; again see 15 (*i*).

16. (*i*) The opening of branches of Imperial Bank has had the effect of stabilising interest rates, and by its competition has affected Exchange Bank terms.

(*i*) Beyond the fact that it is a Government Bank and commands confidence as such it has not to any extent encouraged the habit of investment.

(*ii*) It has promoted internal trade but scarcely industries generally. More branches are wanted in smaller towns and particularly in important mandis like Fazilka. They should offer particular facilities to industries.

(*iii*) The indigenous banking system is only indigenous because it is not organised.

(*iv*) No.

(*v*) Yes ; by stabilising interest rates and competitively with other banking concerns.

Lala Rala Ram, Pleader, Tarn Taran, District Amritsar.

PART I.

2. (*ii*) Duty on demand bills and deferred bills should be equalized. This change will result in the encouragement of trade.

5. People have to pay about 2 annas per hundred in exchanging currency notes of larger denominations with those of smaller denominations. Facilities of exchange from Government treasuries will be useful.

6. An equal scale of duty on pronotes demand or deferred or instalment pronotes will be more useful.

(*iii*) Commercial bills of exchange in practice do not cover a longer period because of the heavy duty.

(*iv*) Such bills are not in use owing to onerous stamp duty.

(*v*) Duty on bond will decrease.

7 Post Office cannot give any help in this line.)

8. Pronotes on demand and Muddati Hundis, form of pronote in use for rural money-lending.

8. (*a*) Two amendments or explanations of the Negotiable Instruments Act should be made :—

(*i*) In section 16 it should be made clear that the words of endorsement commonly used by Indian

پرو وے پروخت یا ہنڈی بیچی

(pronote or hundi sold mean an endorsement in full.)

(*ii*) In section 35 of Negotiable Instruments Act requirement of notice of dishonour should be abolished unless otherwise agreed.

9 & 10. Railway receipts ' bilties ' are already looked upon as negotiable, they should have legal recognition of negotiability. Money can be borrowed on the security of bilties.

PART V.—SECTION I.

(1) 0. (*i*) Debtors on getting information about the institution of a suit, fraudulently transfer their property. Courts do not allow interest during the pendency of the suit and after decree. This serves as a great inducement to the debtor to delay payment.

4. Rate of interest can be lowered appreciably. At present the rate of interest in rural money-lending varies from 25 per centto 40 per cent per annum. It can be brought down to 15 per cent or 12 per cent by a few notifications. Any other form of improved organisation will not produce this effect—

(*i*) Section 16 of the Punjab Land Alienation Act should be omitted or at least modified to this extent, that auction sales should be open to lenders of the agriculturist classes.

(*ii*) Application for attachment before judgment should be granted as of right, but the liability for damages for a malicious application should remain as before.

(*iii*) Future interest and interest during the pendency of the suit should be granted at the contractual rate if it is less than 15 per cent per annum.

(*iv*) 4 P. R. 1913 F. B. should be held to be a bad law. An indebted person is always in danger of being killed by his sons or reversioners in order to escape payment of debts.

SECTION II.

(1) (*h*) (*i*) Debtors are required to produce sureties for fear of 4 P. R. 1913 in many cases.

9. A class of licensed money-lenders with facilities and restrictions will be conducive to the welfare of the borrower—

(*i*) Facilities mentioned above from (*i*) to (*iv*).

(*ii*) Maximum rate of interest should be fixed at 15 per cent per annum. The accounts of debtors should be open to inspection by the Government auditors.

PART VI.

10. (*i*) Lending money or getting land by mortgage or sale.

(*ii*) Statutory agriculturists are filling the place of other money-lenders, they are very cruel money-lenders.

(*iii*) They are increasing in number in this district.

11. In these days people do not keep their money idle.

(*iii*) No such means are required.

14. Cheques given by courts to decree-holders for money deposited by the debtor, should be made negotiable.

15. Question of script should be left with the banker.

Oral evidence of Lala Ralla Ram, Vakil, Tarn Taran.

Chairman.—Are you a pleader practising in Tarn Taran? Yes, Sir.

How long have you been practising there? Eighteen years. I am also President of the Bar Association, Tarn Taran.

You say that a premium of Rs. 0-1-0 to Re. 0-2-0 per cent is to be paid in buying currency notes of larger denomination than those of smaller denomination. Is that common at Tarn Taran? When there is shortage of currency notes in the market, people pay this premium. I know it for a fact because I have got a shop of commission agents there at Tarn Taran. I am a member of a jont Hindu family and my brothers run the shop.

Have you ever paid this premium yourself? Several times.

Is it common? Only at the harvest time, say, for two months and again in the cotton season for two months when there is a large amount of business done, such premia are usually paid to obtain currency notes of larger denomination. No body feels the pinch; it has now become a part of the business.

Why do you think these two amendments that you suggest are necessary in the Negotiable Instruments Act? The reasons are that in the Act the endorsement prescribed is "pay to such and such person," but in vernacular the translation of these words is never used. In Indian script they write the words "document sold," and sometimes it becomes difficult to interpret the endorsement properly. Subsequently when the matter comes before the courts, they say that as the document has been sold outright, there is no indemnity clause, and there is no recourse.

Why should the notice of dishonour be abolished? In order to make their circulation more easy.

How would you reduce the rates of interest in rural money-lending? That can be done if facilities of recovery are provided, and there are no chances of the money being lost.

What facilities would you give them? I have suggested four or five facilities in my note. If these suggestions are adopted, then the rates of interest would be reduced to twelve or fifteen per cent per annum.

Do you think that the rates are high owing to the difficulties of recovery? Yes, Sir. The Punjab Chief Court has given a ruling published as 4 Punjab Record, 1913, in which it was held that after the death of the debtor, who has got no self-acquired property, the debt cannot be recovered from the ancestral property of an agriculturist debtor. That encourages parricide in some cases. If the son knows that his father is heavily in debt, he would go to the length of murdering him, because he knows that after his death the debt becomes irrecoverable.

Have you personally come across any such instance of parricide? I have not come across personally, but I know that such cases happen.

How many cases of parricide have there been during the last ten years? Only one case.

Do you think that the high rates of interest are mainly due to the difficulties of recovery? Yes.

Have these difficulties increased during the last ten or fifteen years? They are increasing every day.

What are the present rates of interest? About 25 to 30 per cent per annum.

What were they ten or fifteen years before? From fifteen per cent. to twenty per cent.; they have increased by fifty per cent or nearly doubled.

Do you think they are due to increased difficulties of recovery? Increased difficulties of recovery and failure of crops.

Does your family do money-lending? Yes.

Have their rates gone up during the last ten years? Yes.

What is the common rate charged by your family from the agriculturists? Twenty-four per cent.

And ten years ago? It was about 10—15 per cent.

What net profit do you think the ordinary rural money-lender makes on his capital taking into consideration five average years? The larger the investment of the money-lender, the less is his net return. The average will be about 12—15 per cent in the case of ordinary village money-lender.

With a capital of how much? With a capital of Rs. 10,000 or Rs. 15,000 it will be about fifteen per cent and with a capital of Rs. 20,000 or Rs. 30,000 it would be less.

Do you pay income tax? Yes.

Lala Harkishan Lal.—Would you be in favour of licensed money-lenders? If the Government is prepared to give the facilities suggested in my note.

Do you think that if approved money-lenders were licensed on the condition that they won't charge more than a certain rate of interest, it would be impossible to enforce that? It will be possible.

Will the money-lenders not avoid that? They will obtain pro.-notes and such documents as can be checked.

What would be best system for the borrower, you think; to extend co-operative societies? Co-operative societies cannot extend any help to them, because at the time of recovery there are difficulties and the co-operative societies press for the recovery of money, and then they have to pay a higher rate of interest in order to pay off the debts of the societies.

You mean that members of co-operative societies generally repay their societies by borrowing from money-lenders? Yes, and at a much higher rate of interest.

Therefore it would be of no advanatge to the ordinary person to join a co-operative society. The advantage gained in the first six months, would be counterbalanced by the other six months.

Khan Bahadur Chaudhri Sultan Ahmad.—Do you favour the idea of licensing the keeping of accounts regularly subject to certain facilities and then you hope to reduce the rate of interest to a figure which could be fixed by law, and you think there is no danger of its evasion? Only in a few instances there may be danger for a period of four or five months only.

Rai Sahib Kishan Lal.—Why should the money-lender agree to the licensing of keeping of accounts? Because there will be facilities provided by the legislature. If the facilities suggested by me are provided by the Government the money-lender would be prepared to reduce his rate of interest.

(Witness withdrew.)

Oral evidence of Commission agents and Importers of Amritsar.

Lala Chuni Lal, Proprietor Tulsi Ram-Lachhman Das.

Lala Dwarka Das, Proprietor Messrs. Diwan Chand-Dwarka Das.

Lala Moti Ram, Proprietor Moti Ram Mehra.

Lala Sahib Dyal, Proprietor, Messrs. Shahzadanand & Sons.

Lala Lachhmi Narain, Proprietor, Messrs. I. D. Lachhmi Narain.

Lala Sri Kishan Das, Proprietor, Gansham Das and Sons.

They were mostly importers of piece goods. None of them had sent in a written statement. By the term 'piece goods' was meant all kinds of textiles. They imported from France, Germany, Italy, Czecho-Slovakia England and Japan but not from America. The method of importing goods from Germany, France and Italy was the same as in the case of England, but differed in the case of Japan. Japanese firms have no exchange banks and sell goods through their own agents in Bombay and according to the rupee exchange. The European countries sell according to the Sterling exchange. Most of the European imports are paid through London, though a few Italian exporting houses send their bills direct to banks in India and the money is remitted through London. European firms all deal in the terms of £ *s.d.* and not in Indian currency or the currency of their own country. Witnesses could not very well judge of the difficulties that they have to face in this way of doing business as they have to obey the banks and no other way is open to them. For one thing the banks fix the rate of exchange. The exchange rate of Amritsar differs from the exchange rates of Bombay, Karachi and Delhi and is always against Amritsar, to the extent of 1/32nd to 1/16th of a penny. The reason for this is that the Exchange Banks in Amritsar have formed a local association. There are three banks in Amritsar who do exchange business and are in the association, *viz.*, the Chartered Bank, the Allahabad Bank and the National Bank. Import firms have to make arrangements for the financing of their business with one particular bank and it is well-nigh impossible for them to exchange to another bank. Witnesses did not know whether any association of banks existed in Bombay, Calcutta, etc. This charge of 1/32nd could not be said to be the cost of transmitting money from Amritsar to Bombay or Karachi as they can get better rates from the Imperial Bank. These banks charge one or two annas more. Firms in Europe insist that bills must pass through one of these three banks and the importers have to deal with them. Even if there was no condition there are not many other banks to whom the importers could go. The Imperial Bank has only recently started this business. In reply to a question by Lala Harkishan Lal as to whether the Punjab National Bank and the Central Bank would charge

a higher rate of exchange or not if they were to deal with them witnesses said that sometimes their rate is higher and sometimes lower. These banks themselves have to get the exchange rate at Bombay, Calcutta, etc., by telegram and the importers have to pay a quarter per cent extra. If the documents come through one bank and payment is made through another the importers have to pay a quarter per cent extra. The only remedy witnesses could propose was that the banks should not make this extra charge. One of the witnesses said that he was approached by a Bank and was told that if he got his drafts through them they would give him Bombay rates. He agreed, and now business is going on regularly. Sometimes he gets Bombay rates sometimes 1/16th and sometimes even less. The Amritsar Association of Banks have got a fixed rule that over and above £5,000 they will give 1/32nd more than on 4,900 pounds.

Asked by Lala Harkishan Lal whether this was the third handicap from which they suffered, the first being that they had to pay a quarter per cent extra, the second that they were sometimes charged 1/32nd extra; the witnesses said that on the contrary they get this as a concession on bills of more than £5,000. Their complaint was that their bills did not always amount to £ 5,000, and they could not get the benefit of this concession. One member, however, did not agree with the view expressed above and said that as a matter of fact the banks do not give any concession but charge less than the Bombay rate on amounts less than £ 5,000. The position was that they always charge 1/32 or 1/16 more than the Bombay rate but if importers buy less than £ 5,000 they charge 1/32 higher.

One witness said that from the Allahabad Bank which is affiliated with the P. and O. Bank he can always get a better rate. Asked by the Chairman why in that case they did not deal with the Allahabad Bank witnesses said that importers have to depend on the exchange banks for their references. Their suppliers naturally want to know with whom they are dealing and if they are not dealing with the National or Chartered Bank their business suffers. The Allahabad Bank has only recently been affiliated with the P. and O. Bank and is now coming into competition with the other banks. Asked how the Allahabad Bank can do this when it was also a member of the Association, witnesses explained that the Association banks were bound to charge the same B. C. rate but could charge their own forward rates. It is quite possible that sometimes the other banks may give a better rate than the Allahabad Bank.

The importers have sometimes combined in order to get better rates and when they did this they have been successful, but combination was their despair and they could not long keep together.

Another difficulty is the rate of interest. The other banks charge one per cent over and above the Imperial Bank rates for loans against the security of goods. They understand that exchange banks get

their deposits in England at very low rates—3 or 3½ per cent—and invest them at five or six per cent in India Now-a-days they even charge seven per cent. on good security. Importers were finding this rate of seven per cent too much. This was the minimum rate, the maximum being nine per cent, which is one per cent. over the Imperial Bank rate. On being told by Lala Harkishan Lal that this impression of theirs must be wrong as the Imperial Bank rate is also seven per cent., they said that the real fact was that these banks charged the Imperial Bank rate subject to a minimum of seven per cent. As against this the Imperial Bank has been advancing money against piece goods at 6½ per cent, and the exchange banks charged less on advances on hundis although the security in that case was not so good as in the case of the piece goods.

As to the rate of interest on deposits the National and Chartered Banks in Amritsar pay three to five; generally the rates are from three to four per cent and they have seldom paid more than four per cent. The rate depends on the rise of rate in England and of the Imperial Bank.

Asked by the Chairman why the banks charged more against the security of goods than on the hundis, witnesses said that perhaps it was because in the case of hundis they came into competition with the private banks, but not in the other case.

Another difficulty was the godown rate. The rate was four annas per bale per week. This was too much. This was uniform for all banks except the Imperial Bank which charged eight annas a month or two annas a week.

Another difficulty was in the case of opening letters of credit in Europe. If they could advance cash to firms say in Germany they would get better facilities, but these banks will not give any such facilities except in the case of England. In the case of foreign firms they wanted a fifty per cent deposit. This has resulted in their business going down as compared with the business of other importers and they are finding it difficult to compete with them. Sometimes the difference in the selling price is as much as two to three per cent. It is not that the others are bigger buyers but they can find money on the spot. The remedy would be for the banks to facilitate the financing of such documents to a greater extent. In Bombay and Calcutta importers can get better facilities than up country. Importers in Delhi get better terms in exchange although the rate for godowns is the same there. The reason is that there are more banks there and they do not combine. Since the Imperial Bank started this business in Amritsar things are easier and when the Lloyds Banks comes they may improve more.

When the exchange rate was put at 1/6 *d.* the importers were happy, as they thought that their business would gain by it but now they find that this is not the case. No satisfactory explanation of this could be given. They agreed with Lala Harkishan Lal that one explanation might be that the purchasing power of the zemindars had decreased and said that if it went down any further they would be ruined.

There was no uniformity of practice in the matter of advancing money to wholesale merchants in Amritsar. The maximum rate charged is six per cent on such advances as *arhtis* are willing to charge six per cent. also. Dealers are only partly financed by the importers. Money is not advanced to some dealers and is advanced to others. Generally only credit is allowed for half the value of the goods. The rest of the money is found by the dealers who either borrow or pay after sixty days or so. If they are unable to pay then they become insolvent. Credit at six per cent is allowed on an average for four months though it might extend to a year or more. It is becoming more and more difficult to recover such advances. If pressure is put on the debtor or legal action is threatened he refuses to pay and the lender is in danger of losing his money.

(Witnesses withdrew.)

Lala Diyal Chand of Messrs. Ladha Mall, Diyal Chand, Wazirabad.

PART I.

2. (*ii*) With the levy of stamp duty on *mudati* hundi indigenous banking began to decline. Small buisness men fail to obtain money to carry on their business. The stamp duty on *mudati* hundi should be the same as that on promissory notes.

3. (*iii*) There should be some sort of mark on *darshani* hundies, *mudati* hundis and promissory notes, as we have cross mark on a cheque so that a bank or a firm which has been paying income-tax for the last three years may cash them. The mark should be recognised under the Negotiable Instruments Act. All such firms should be treated as registered in the Income-tax Department.

8. (*i*) In Gujranwala District, *darshani* hundi is current. *Mudati* hundi has disappeared altogether.

(*ii*) Hundis have mostly disappeared. Any business which is carried on through hundis is performed by writing a hundi in favour of a bank. Money is remitted through a bank by buying a Demand Draft. Indigenous banking is suffering heavily for lack of Government help. The State is helping banks without any advantage to the public.

(*iv*) With the decline of *mudati* hundi, *darshani* hundi is gradually disappearing.

9. For the last one or two years the businessmen are carrying on the trade through *bilti* hundi or hundi *bilti*. But the trouble is that sometimes banks charge less discount if hundi is without *bilti* but charge more if hundi is accompanied by a *bilti*. In fact there ought to be very little discount when *bilti* is with the hundi for there is no risk to bank at all.

PART V.

6. (*i*) In India banking can only be carried on successfully by those people who are well versed in book-keeping. I would therefore, suggest that book-keeping be made a compulsory subject in school curriculum. It is hoped that the Punjab Banking Enquiry Committee would recommend the same.

8. (*ii*) Whenever there is a dull season for any kind of article, *e.g.*, rice, wheat, cotton, etc., businessmen deposit their money in banks, because it is idle. Banks accept deposit for six months at 6 per cent., but charge 9 per cent if the money is required for commerce or industry. In Calcutta and Bombay during the dull season the rate of interest goes down to 2 per cent., and remains there throughout the season for every one. It is due to the fact that there are several big banks and the rates of interest do not differ very much. A Reserve bank would give the benefit of this low rate of interest in Bombay and Calcutta to businessmen in the Punjab.

1. (*g*) (*i* & *ii*) Against what securities money be lent? This is a perplexing problem. I think that in no country in the world money is lent against personal security. Sometimes back personal security was accepted by money-lenders, but since it has often occurred that the big landed proprietors have swallowed up the amount lent to them on personal security, no one lends against personal security now. It is very difficult to recover money through courts as well.

(*h*) (*i*) Banks generally lend cash credits only to those men who offer the security of Government Bonds or to men who have their deposits with them. But sometimes the joint stock banks allow a firm to overdraw merely on the recommendation of a local director. I greatly emphasise this point that they should not lend their credit without security. Further I would suggest that the banks should not charge more interest on lending its cash credit than on ordinary loans irrespective of the amount for which cash credit is borrowed. Banks should lend their cash credits freely to every one. The lending of cash credit by banks would encourage purchase of Government Bonds, the holders of which should be allowed to borrow on their security. They should be allowed to sell them as well. The State should provide all possible facilities for their purchase and sale. A Reserve bank should be established, and it should open its branches in all big places where the banks should accept Government paper as security.

Now-a-day sloans are obtained through promissory notes. From the last five years their usage has been increasing very much and at present this is the only means by which loans are obtained. If *mudati* hundis were to come into vogue, it would be very convenient to people and would help banks and sahukars very much. Lenders and borrowers cannot make use of their money due to the absence of *mudati* hundi system.

PART VI.

16. The Imperial Bank has proved of no use to the agriculturist class at all. It accepts deposits for a year. The Government Treasury Bills for three months and six months are not of much use. I would suggest that the Imperial Bank should accept short time deposits for one, two and three months. This would prove very useful to the public. Thus idle money will be utilised. The foreign capitalists earn money by way of interest while our own capital lies idle.

General Suggestions.

Advance against property.

If money were lent against every sort of security it would be very convenient. People seldom lend against property which is a great asset. It is rather pitiable that people cannot get money even for a short time against the security of landed property. Once every indigenous banker used to possess most of immoveable property in

houses and shops, but now-a-days as no credit is available against their security so no one goes in for them. People are under the impression that the investing of money in property means the locking up of money because when a man wants to sell or mortgage it no one accepts it. Thus landed proprietors are poor. He who has a thousand chips is looked upon as a sahukar, while a landlord having any amount of property is considered to be poor. Small businessmen do not invest their money in property for the reason that it is not easily convertible into ready money in the case of an emergency. The remedy for this is as follows :—

That a Reserve bank should be established which should in its turn mortgage the property which has been mortgaged to big bankers and banks and the value of property should be judged from the income it can yield. Now-a-days the percentage of income earned by property (in the shape of rent etc.), is increasing, and it is hoped that it would still go higher. The rate of interest of Imeprial Bank is 7 per cent. The bank should mortgage the property at 75 per cent of its value which should be put at 9 per cent of its income, *viz.*, a property which yields an income of Rs. 90 per year should be valued at Rs. 1,000 and mortgaged for Rs. 750. The Reserve bank and all other banks aided by the State should give credit against property.

The registration fee charged on the sale and purchase of property should be reduced because firstly it is a loss to the State (for the sale transactions are very few due to high charge of registration fee) and, secondly, people are suffering because they cannot get credit. Both the defects would be removed by the reduction of the fees.

My experience tells me that the following classes of business do not pay if the rate of interest exceeds in the case of—

	Rs.
Reserve Bank..	4 per cent.
Joint Stock Banks	5 Do.
Bankers	6 Do.
Grain dealers	9 Do.
Handicrafts	12 Do.

Treasury Bills should be put to an end.

It must be brought to the notice of the Government that we Indian sahukars are receiving very partial treatment at the hands of the Income-tax Department. When a sahukar appears in the Income-tax Department, it first of all obtains from him (sahukar) the list of all expenses which he claims as deductions and interest on money deposited

with him. The Department at once starts an inquiry and tries to entangle the man who has received interest. I do not mean to say that a man who gets interest as income should not be assessed. What I lament is that a man who deposits his money with a bank is in most cases not traced out because the banks are not compelled to give the names of persons whom it pays interest while, on the other hand, a man who deposits his money with a sahukar is pursued by the said Department and assessed. This prejudiced and partial treatment has proved very harmful to Indian indigenous bankers.

Mr. D. C. Kakkar, Agent to the Guardian, Estate of Messrs. Haveli Shah Sardari Lal, Chopra, Dinga, District Gujrat.

2. (*i*) The negotiable instruments are a great blessing to the country. Every kind of instrument is in daily use of the business community and even for private individual cheques, Promissory notes, and Hundis, are in every day occurrence. The Government in abolishing stamp duty on cheques had taken a step in the right direction.

(*ii*) Yes. Reduction in stamp duty on Bills of Exchange (Hundis) will be a great inducement to the business community to indulge even more in this form of exchange and business.

5. I have often had difficulty in obtaining currency notes of the denominations desired, both from treasuries and banks.

If in all treasuries and banks or institutes of cash exchange, a list of paper money available every morning was exhibited in a public place and the public was allowed to choose without let or hinderance, this difficulty could be solved to a great extent.

6. (*i*) The duty should certainly be reduced. It should be the same as on Promissory notes.

(*ii*) The duty should be *ad-valorem* and not according to period.

(*iii*) There is no hard and fast rule, the Bills of Exchange in the Punjab are commonly 30 days after sight, or the date. But Hundis of longer duration are also in circulation.

(*v*) Reduction of duty will result in more business in Hundis but not very much affect duty on bonds.

7. The money order commission should be reduced as follows :—

Upto Rs. 100 Re. 0-8-0 per cent.
Upto Rs. 500 Re. 0-4-0 per cent.
Upto Rs. 1,000 Re. 0-3-0 per cent.

The limit of money orders should be raised to Rs. 1,000.

On telegraphic money orders there should be a uniform rate of Re. 0-6-0 per cent. in addition to the ordinary money order fee and no additional charge for telegraphic charges should be made.

8. (*i*) Here, mostly Hundis payable on demand are used.

(*ii*) Hundis are generally held by merchants, commission agents and bankers. They are generally endorsed but in this part of the country they do not pass very freely from hand to hand.

(*iii*) They are sent even outside to various parts and other trade centres and mandis for payment.

(*iv*) Yes. Hundi busniess has been diminished to a great extent.

(*a*) It is due to the following reasons :—

(1) Difficulties experienced in getting them honoured.
(2) Technical and clerical errors and flaws in endorsements.
(3) Heavy stamp duty.

(*b*) The stamp duty should be reduced and they should be made payable to bearer.

9. (*i*) Yes. It is quite easy to borrow money on Railway receipts and Bijaks.

(*ii*) Sometimes people commit frauds by filling godowns with less valuable articles at the bottom and by keeping precious articles on the top or in the front only and by alleging the godown to be full of articles of the latter denomination.

This can be availed by deputing more trustworthy and highly paid clerks and by appointing inspectors of remarkable honesty.

10. Yes. With endorsements.

11. No. Bichaks are negotiable in lot of places like Kasur, Abohar, etc., but Sattas are perhaps not negotiable.

PART II.

1. (*i*) On donkeys, mules, horses, and camel backs.

2. Grain is stored to a great extent in Kothas, etc., as security for obtaining credit in several well-known markets.

4. (*i*) Credit facilities. Much is not done by the Imperial Bank of India, in this connection. Other banks and private financiers do advance money on stocks sometimes and thus facilitate the marketing of crops but much is yet left to be done in this important direction of the business line.

Yes. The system of affording credit facilities can improve by the following additions :—

There should be a more strict law than Section 420, I. P. C., to punish those who try to cheat the bankers and financiers by putting less costly things at the bottom of a godown and drawing decent advances according to the prices of the articles lying on the top. For instance a shop-keeper or a commission agent wishes to draw a loan on a stock of rice. What he does is that he puts bags full of rice husks at the bottom and stacks only a few bags of rice on the top and in the front row. The bankers representative by seeing the front row and the top one recommends a large sum of money. After securing the loan, the man tries to edge away thus leaving the bankers to their fate.

This defect can be remedied only by a more strict law.

The bankers should also keep more honest and decently paid staff for this duty of surveying and recommending a loan.

The bankers should thus after providing necessary safeguards for their interests, provide more credit facilities than at present.

SECTION II.

1. (*a*) (*i*) Lending money to zemindars, non-agriculturists, business men and others.

(*ii*) Money-lenders also make advances to traders and commission agents on stores and stock.

(*iii*) Money is also advanced on the security of jewellery, houses and landed property.

(*b*) Money-lending is primary.

(*c*) (1) All three.

(2) This varies with various ilaqas.

(*d*)

(*ii*) In form of loans or overdrafts from bigger money-lenders and other indigenous banking concerns.

(*iii*) From 4 per cent to 9 per cent.

(*f*) Vary at various times.

(*g*) (*i*) Jewellery, houses, landed property and stocks and stores in trade.

(*ii*) The property taken in security is generally valued at a less price than the market price, in order to provide a sufficient margin for the increase of interest and depreciation in the price of property mortgaged.

(*iii*) From eighty to ninety-five per cent is the maximum proportion but varies according to circumstances and position of the borrowers.

(*iv*) In zemindara districts money-lenders generally advance unsecured loans.

Big money-lenders also advance loans to respectable parties without any security other than the personal one. It is very difficult to fix a ratio, which considerably varies according to districts and the class of money-lenders. There are lot of such money-lenders as well who do not advance even a pie on personal security.

(*h*) Generally a secured is made to parties whose financial position is not satisfactory.

(*i*) Very seldom, and that also is generally done in cases in which a money-lender wishes to recover his own loan from the person for whom he stands surety. The loans are needed generally for business trade, or household needs.

(*k*) No. Ordinarily the loans are not given for any fixed period, although the borrowers always express their needs for much shorter period than the length of period after which the loans are actually paid. Loans are generally renewed at about the expiry of limitations, and sometimes even earlier, but not oftner.

(*l*) (*i*) About thirty per cent.

(*ii*) More than fifty per cent.

(*m*) (*i*) Hardly five per cent.

(*ii*) Through Court proceedings, if registered notices do not bring the required results.

(*iii*) When all efforts including serving of registered notices prove futile.

(*n*) (*i*) Innumerable. Debtors generally raise all sorts of frivolous objections by which they can either take advantage of any latitude of law or merely to prolong proceedings. It is well said that the difficulties of a decree-holder begin when he gets a decree, *i.e.*, the procedure of executions as permitted by the present law is very elaborate, expensive and tiresome.

(*ii*) (1) The amount claimed by way of principal Rs. 1,25,000

(2) Interest Rs. 67,021.

(3) Decreed under both heads Rs. 1,92,021.

(4) Recovered outside court Rs. 8,000.

Suit instituted on 23rd March 1925, nothing recovered so far. Execution proceedings, in the original court, and appeals on interlocutory orders pending in High Court, Lahore.

A declaratory suit has been filed by the sons of the Judgment-debtor claiming a permanent injunction against the sale of the mortgage property.

(*v*) Total expenses incurred upto date in the whole proceeding amount to Rs. 3,910-5-6.

Details of expenses :—

		Rs.	A.	P.
1.	Court-fee	2,842	2	0
2.	Cost of attested copies	53	4	6
3.	Cost of notices	102	0	0
4.	Cost of telegram	0	15	0
5.	Pleader's fee and Munshiana ..	912	0	0
	Total ..	3,910	5	6

The expenses at item 5 exclude travelling expenses and other miscellaneous expenses which can not be debited to debtors accounts by firms keeping regular accounts.

(*o*) (*i*) The method of recoveries from the agriculturists in form of grain are quite different from those where recovery is effected in cash as by sale of property through court proceedings.

(*ii*) Money-lenders doing business with the zemindars, do money-lending business with the zemindars only.

(*p*) No forms or documents other than the small *bahis* of every day use are used in keeping accounts with zemindars. Tamasks or non-judicial stamps are also used frequently.

(*q*) (*i*) To a very great extent.

(*ii*) In view of the answers given above this question does not arise.

(*iii*) (1) Yes. Money-lending has declined considerably as I know from personal knowledge.

(2) The reasons for decline are the following :—

(*a*) opening of too many Co-oparative Banks and Societies.

(*b*) Innumerable difficulties in recoveries.

(*c*) General depression in trade, low prices of land produce and consequently weakened financial condition of the borrower.

(*d*) Lack of proper control on export of land produce and adverse effects of the exchange ratio being fixed at 18d. per rupee.

(*e*) The want of proper controlling body or bodies such as farm boards of foreign countries.

(3) The decline has been to the disadvantage of the borrower for the following reasons :—

(*i*) Petty zemindars on failing to get required amounts of loans from money-lenders have to get their needs fulfilled from bigger zemindars by mortgaging or selling their lands and property on much less value than they could get if the "Land Alienation Act" would not have prevented them from selling the same to non-agriculturists.

(*ii*) It has also accentuated the criminal offences such as thefts, dacoities, etc., etc., and this made the zemindars of little to no means desperate.

IV. Yes. Present rates of interest could be reduced if the Land Alienation Act was repealed and zemindars were allowed to mortgage their land, etc., to even the non-agriculturists.

V. Yes. The prejudice is due to communal differences between the money-lenders and big zemindars, and also due to party feelings.

It is also due to numerous co-operative banks and societies having been floated.

VI. (*i*) Yes. The repealing of the Land Alienation Act.

(*ii*) In the interests of both, the borrower and the lender.

VII. (*i*) As already mentioned the Land Alienation Act is standing a long way in the improvement of money-lending system.

(*ii*) Much can be done by the Government to remove the above defects.

VIII. (*i*) Yes. Money lies idle with the money-lenders when traders return—cloth hawkers of the Punjab return from U. P., C.P., Berar, Bengal, etc., and at the time of harvesting of Rabi crops when zemindars repay portions of their debts in kind or cash.

(*ii*) Yes. It is generally deposited in banks for short periods.

IX. No. In my personal humble opinion it will add to the present difficulties of both the money-lender and the borrower.

PART VI.

I. No. Because there is no branch of any joint stock bank.

II. (*i*) Yes. But amongst the depositors only, and not amongst the businessmen.

(*b*) Yes, at least the condition of allowing no interest in case of withdrawal within a year should be either absolutely removed or amended so as to reduce the period from one year to 3 months.

III.

(2) No reply necessary.

(3) Depositors.

(4) Higher rate of interest and the Postal Certificates being made transferable.

IV. (1) I do not agree.

(2) Question does not arise.

V. Yes. I am in favour of facilities being granted to the small investors for buying Government Securities. I recommend that the purchase be made for them by the Post Office.

VI. None.

VII. (*i*) Yes. All school teachers and other paid employees.

(*ii*) None to my knowledge.

VIII. (*i*) They either advance it as petty loans to various people or put it in fixed deposits in some bank or Post Offices or buy Cash Certificates.

(*ii*), (*iii*) and (*iv*). See reply to No. 1 above.

IX. No, none.

X. (*i*) They can hardly pay off their debts to money-lenders and Co-operative Societies. In case of more surpluses they marry more wives. If there is still a surplus they spend it in litigation.

(*ii*) No, not much.

(*iii*) Yes. Numbers not available.

XI. (*i*) No. It was slow before but it is growing quite satisfactorily now.

(*ii*) Does not arise.

(*iii*) By making primary education compulsory and by adding commerical and industrial class to the existing Government and private school. Thrift societies should also be opened and maintained. By opening more joint stock banks specially in areas where none exist so far.

XII. (*i*) Commerical and businessmen. Banking concerns and all bankers. Insurance companies and all other limited concerns and other educated class.

(*ii*) Yes. On grounds of safety and proof of payment.

XIV (*i*) Yes. All Government servants and bank employees should be paid by cheques, without limit.

(*ii*) Cheques should be received by treasuries, Post Offices. banks and other cash disbursing concerns, more freely than heretofore, Exchange on cheques should either be abolished or reduced considerably.

XV. (*ii*) and (*iii*) Vernacular cheques should be similar to those now in use.

XVI. The effect of opening new branches of the Imperial Bank of India in recent years has been useful in all respects.

Sardar Bahadur Dr. Harbans Singh, Honorary Magistrate, Sargodha.

PART I.

I. Remittances are generally made by Banker's Demand Drafts, Telegraphic Transfers, Treasury Transfers, Hundis, Insured Covers and Postal Money Orders.

II. The present system in vogue is quite satisfactory, but it can be improved still if the "Central Banking Agency", *e.g.*, The Imperial Bank of India, arranges to cash cheques on their stations and banks free of charge, as then almost all remittances would be made by cheques which are more safe to handle and can be crossed for further protection. Similarly charges for Postal Money Order should be reduced to about Re. 0-4-0 per cent to enable all small sums to be remitted freely by Money Order, as the Post Offices exist at all those small places where banks cannot open offices.

2. (1) The Negotiable Instruments play a very large and important part in carrying on trade or business. Through these debts and liabilities between different trading concerns are paid off and cleared without the inconvenience of carrying cash from one place to another. Mudati Hundis enable the merchants to avail of funds for a certain period whenever they are in need of the same.

(2) Yes, a reduction in the Stamp duty on Mudati Hundis would certainly make these more popular and would add considerably to the convenience of the trading community.

3. (*i*) Yes. It should cover both cheques and other forms of negotiation and protection should be provided by law.

(*ii*) Yes.

(*iii*) Yes. Hundis should be protected by being "Crossed", but made payable to Shah Wapari also instead of Banks only as in the case of cheques.

4. (*i*) Supply bills facilitate internal remittance to a great extent.

(*ii*) No.

(*iii*) No.

(*iv*) Yes.

5. No.

6. (*i*) It should be at least reduced to half.

(*ii*) Not necessary.

(*iii*) Generally they are drawn for 30, 60 and 90 days' sight.

(*iv*) Very rare.

(*v*) Surely it will effect as the Bonds also come under the Negotiable Instruments.

7. The Sub-Offices of the Post Office are opened throughout the length and breadth of the province and all approachable to the most of the population, if the Post Office is allowed the collection of the bills and cheques, I am sure the use of cheques and bill will increase a good deal as the means of collection will increase. The Money Order charges are very high and a reduction in this respect is necessary to facilitate internal remittances.

8. (*i*) Darshani and Mudati.

(*ii*) Commission Agents generally deal in Darshani Hundis and they pass freely from hand to hand provided they are drawn by a firm of great standing with good credit.

(*iii*) Hundis drawn in this area are discounted here.

(*iv*) (*a*), Yes, on account of the increased stamp duty and the prepayment of the interest.

(*b*) if the stamp duty is reduced.

9. (*i*) Yes.

(*ii*) No difficulty is experienced.

10. (*i*) Railway receipts are transferred by endorsements.

(*ii*) Yes.

11. (*i*) No.

(*ii*) No.

PART II.

1. (*i*) By bullock carts, camels, donkeys and railway.

(*ii*) No.

2. To a great extent.

3. (*i*) No.

(*ii*) No.

4. (*i*) The Imperial Bank of India, Indigenous Bankers and Grain Merchants render a lot of assistance in the marketing of the crops. Advances are made against the storage of Kothas and when better rates prevail the same are disposed off.

Co-operative Banks are of not much utility in this direction.

(*ii*) Sufficiently adequate and attractive.

5. (*i*) No.

(*ii*) Yes.

PART III.

1. (*a*) (*i*) The financing of the export trade from the village to the mandi is done by the village shopkeepers who advance money to the zemindars according to their needs and receive goods in exchange when crops are ready.

(*ii*) When the produce is brought to the mandi (market) it is stored in the godowns and advances are made against it by the banks. As soon as favourable rates prevail the goods are released on receipt of payment and as soon as Railway receipt is made out it is cashed to the party concerned.

(*b*) (*i*) Margin is received on the goods ordered for import and on receipt of the same they are stored in godown and released on payment according to the requirements of the customers or despatched by rail and the same delivered against payment of the dues.

(*ii*) Goods are generally given on credit by the commission houses to the customers or by shopkeepers to small dealers as the case may be.

2. (*i*) By keeping a margin of about 25 per cent.

(*ii*) No.

(*iii*) No.

3. (*i*) There is no doubt that speculation is rife in the big markets in India, but the speculation in market is more or less controlled by prices abroad, *e.g.*, cotton according to the rates in New York or Liverpool and wheat according the rates in Chicago or Liverpool. For a number of years the growers have been getting better prices on account of the speculative element and the middleman is generally the loser.

(*ii*) No.

4. (*i*) The incidental charges for export and import are mostly paid by the shipping or clearing Agents and collected against Bill of Lading or Railway receipts as the case may be.

(*ii*) No interest is charged under ordinary conditions, but if goods are stored at port prior to shipment or despatched by rail an interest of 7 to 9 per cent is charged by the Agency handling the goods.

PART IV.

1. (*i*) Their financial condition is not good and they are badly handicapped in this respect.

(*ii*) As far as manufacturing industries are concerned credit and facilities should be extended provided the manufacturers adopt means to improve them step by step. Government should give demonstrations or create model factories and hand over the same to private enterprise when sufficient progress has been made. These should also be protected by tariff in case of severe competition from Foreign Countries.

2. There is at present no adequate arrangement for financing of Cottage Industries hence they are going down day by day. The

small money-lenders who used to finance these are now not in a position to render any assistance.

3. Co-operative organization is taking very little part in this direction. It may do lot of good but just at present it is limited to a very few districts.

PART V.

1. (*a*) It receives deposits, grants loan, discounts hundies and other banking business.

(*b*) Secondary.

(*c*) (*i*) Mostly trade.

(*ii*) About four crores.

(*d*) (*i*) No.

(*ii*) By way of deposits from contractors, merchants, highly paid officers, Government pensioners and big landlords.

(*iii*) At the average rate of 5 per cent.

(*e*) No statistical record.

(*f*) No statistical record.

(*g*) (*i*) Jewellery, grain in Kothas, immovable property and Government Promissory Notes.

(*ii*) Immovable property is evaluated by an expert and in case of movable property it is valued at market rates.

(*iii*) Advances are made by keeping a margin of 25 or 30 per cent in case of movable property and in case of immovable goods sufficient margin is kept, *e.g.*, $2\frac{1}{2}$ times more than the amount of advance.

(*iv*) 3 to 1.

(*h*) When the position of the debtor is considered not sufficiently safe or when the loan is of big amount.

(*i*) Yes, in certain cases. For trade purposes.

(*j*) No record.

(*k*) (*i*) Generally for six months.

(*l*) (*i*) To a great extent loans are refused on account of inadequate security.

(*ii*) Not possible.

(*m*) (*i*) About 10 per cent.

(*ii*) Legal notices are served and if they fail to bring about the adjustment suits are filed.

(*iii*) Generally suits are filed when the position of the party is reported to have become weak or when the due date of the pro-note is about to expire and renewal is not considered desirable.

(*n*) (*i*)High stamp duty, lengthy litigation proceedings and process service, etc. Proceedings generally take very long time and hardly ¼th of the decretal amount is recovered.

(*ii*) I know of the case in which Rs. 55,500 were decreed on 23rd June 1926 and execution went on for 3 years and nothing was recovered through the court. At the end of the last year Rs. 17,000 have been recovered out of court and there are many more such instances.

(*o*) (*i*) In most of the cases we find that loans made against grain are cleared without any serious trouble. Necessity of going to the courts arises very seldom.

3. (*i*) Yes, due to the scarcity of capital and difficulties of realising the money.

(*iii*) Cannot say definitely as the results differ in different cases.

4. At the time when the money market is very tight it is very difficult to borrow money at the low rate of interest.

5. No.

6. Yes. The money-lenders require lot of legal protection. Facilities should be provided for recovery of loans. In the interest of the borrower as well as in the interest of the lenders.

8. (*i*) Generally the money remains idle in the months of May to July.

(*iii*) Yes. It is possible by the extension of credit societies in various forms.

9. (*i*) I will like to strengthen the co-operative credit societies and try to make them more stable and popular as the licensed money-lenders will not improve the present conditions of money-lending and afford better facilities to the borrowers.

PART VI.

1. I find the banking resources are not adequate. This is due to the fact that there are very few banking offices. Moreover, the people who are not habituated to come in contact with the Banks keep the whole of their saving with themselves and hence the capital cannot be increased and no expansion of branches can be carried on.

The Banks cannot invest their money liberally as they have got no special legal concessions for the recovery of the loans.

2. (*i*) Cash certificates. Yes, very popular.

(*ii*) They are already popular.

(*a*) Rate already too high.

(*b*) Yes, they can become more popular if the duration of encashment is reduced from 5 to 3 years.

3. (*i*) Yes.

(*ii*) By increase in the rate of interest, say at least 4 per cent.

(*iii*) Government servants and pensioners generally.

(*iv*) If the rate of interest is increased and facilities for withdrawals are allowed, I think the other classes will also be attracted.

4. (*i*) Yes. This is due to the fact that the interest allowed on postal certificate is comparatively more favourable.

(*ii*) No. With the issue of the postal cash certificates much of the money is withdrawn from the indigenous banks which has led to decline in their deposits. The depreciation at present in Government securities is to some extent attributed to this.

5. Not at this stage. I wish that the investors should be encouraged to invest money in productive undertakings instead of locking up the money in Government papers.

6. No facilities.

7. (*i*) Government officials, lawyers, professional men and big zemindars.

(*ii*) Yes. Generally people who are in the habit of saving keep such record.

8. (*i*) & (*ii*) They deposit with the banks or principal trading firms, buy Post Office cash certificates and Government securities, hoard money and invest in immovable property.

(*iii*) Yes.

(*iv*) It depends upon the class of people who save. Some save money for the education of their children and their marriages, others for buying immovable properties able to yield such amount of income as may be sufficient to maintain them in times of illness or old age.

9. (*i*) There are no other facilities anywhere, except where there are banking offices.

(*ii*) Say upto Rs. ten.

(*iii*) Yes. By expansion of Banking offices and Co-operative credit societies.

10. (*i*) They generally hold it or invest in buying cattle.

(*ii*) On a very small scale.

(*iii*) No records.

11. (*i*) Yes.

(*ii*) The causes are mainly political and economical and want of education and confidence. The people are growing poorer day by day and nothing is being done to improve their lot. Most of the people live from hand to mouth. Unless there is increase in the income nothing can be saved. Banking investment activities can increase under prosperous conditions.

(*iii*) Yes. By propaganda through proper channels just as the rural community Boards do at present.

12. (*i*) Highly paid officers, contractors, merchants and commission agents.

(*ii*) Yes. This is due to the fact that stamp duty on cheques has been abolished. Secondly commercial classes are being brought in contact with the banks more and more day by day.

13. (*i*) to (*ii*) Yes.

14. This method will surely increase the use of cheques as has been experienced in case of contractors.

15. (*i*) I suggest that vernacular* scripts may be allowed as this method will attract the vernacular knowing classes.

*Urdu and Gurmukhi.

(*ii*) Yes.

(*iii*) Single script will do.

16. (*i*) No.

(*ii*) To some extent.

(*iii*) No.

(*iv*) Absolutely none.

(*v*) To some extent but the public at large cannot be benefited. I do not think that the Imperial Bank of India has done any good in improving the commercial state of the country. Rather the consequences have brought commercial panic in the country. Speculative activities of the firms have increased. Deposits from the indigenous Banks have been withdrawn. There is a very hard competition between the Imperial Bank and the indigenous Banks and the latter cannot afford to stand against it. As anticipated the Imperial Bank is practically snatching the most paying business of remittances and drawings from the other banks. There may be small gain at present, but the results are sure to be very injurious in the long run both to the Exchange Banks and the commercial community.

Oral evidence of Sardar Bahadur Dr. Harbans Singh of Sargodha.

Chairman.—Have you lived the whole of your life at Sargodha ?—Yes.

Do you do any business besides your medical work ?—Yes ; a lot of business—contract work, etc.—and own land.

What business ?—Cotton-ginning factories and agency business.

Do you own a cotton-ginning factory ?—I own three factories.

Are they all in Sargodha ?—Now I own practically only two : one at Malakwal and the other at Sargodha. The third one was at Nankana Sahib.

But you do not own it now ?—Not now.

What other business have you done ?—I had a big business firm at Karachi.

Was it an export agency ?—Practically.

For grain ?—For grain, cotton and toria ; in fact, it was almost a commission agency.

Working at Karachi ?—Yes.

And also at Sargodha ?—Yes.

Where did you export to ?—Nowhere. I used to get goods from Sargodha and different stations in the Punjab and sell for people at Karachi.

You did not export yourself ?—No ; but I used to sell to exporting firms.

And from whom did you buy ?—I used to sell entirely on a commission basis. Sometimes I did buy wheat from different stations in the Punjab, *e.g.*, Lyallpur, Sargodha, Abohar, Ferozepore District, Rohtak and the United Provinces.

On the selling side, for what type of person were you working mostly in Karachi ?—Ordinary traders.

In the Punjab ?—Yes ; of the chief markets.

Are you doing this business still ?—Not at Karachi.

For how long did you do it ?—seven years ; up to 1919.

Do you know if that type of business has changed in character since ?—Yes.

In what way ?—In many ways. When I started the business, it was a genuine business ; I used to earn money on a commission basis, but during the war it was changed into a speculative business altogether. After the failure of certain firms, this speculation was stopped by big firms of good standing, but was adopted by the satta and gola shops.

When did that begin?—Ever since the colonies were started they used to work on a speculative basis.

But you say that it increased during the war?—Yes; it increased very much.

What was that due to?—Special conditions of the war, because wheat and other products were bought by Government and certain contracts were given out in the Punjab, *i.e.*, for wheat and gram, and only speculation was left to the people.

Had this increase in speculation anything to do with your leaving the business?—I left because I had no margin of profit left. I calculated my profit on a sound basis, and this speculation would have either ruined me or made me a very rich man.

Rai Sahib Kishan Lal.—Can you say that any man has gained by satta or has been ruined by it?—I could give many examples of people who gained. If they left the business in time, they were all right.

Chairman.—As a commission agent, could you not have avoided being involved in speculation?—No. Supposing A ordered me to buy for him, and the rates went up. Because I had bought at a lower rate I got a profit; but, as soon as the reverse occurred, I lost because the person for whom I bought could not pay me the money and I could not meet the demand from my pocket.

As a result of speculation you feared that many of your customers would not be able to meet their obligations?—I actually suffered loss. For instance, in 1919 I bought sugar at Rs. thirteen; the rates went down to Rs. ten. and nobody would come forward and take delivery. I bought from the firms and stored it, and yet people would not pay me.

Did others, like yourself, leave the business for the same reason?—Very few people left because of the fear of heavy losses. They either left when they were ruined or when they had no credit left.

Have you kept in touch with the trade?—Yes.

But you have not done any commission business since then, either in or outside the Punjab?—No.

Then how have you kept in touch?—I am buying cotton from commission agents.

Are you in touch with the grain side of the business?—I am not doing that business, but I am in touch with it.

How long did this speculation fever last?—It is still there, but not to the same extent as in 1919. In all markets they have gola shops and are doing this business.

Does this make it difficult for the prudent man to do business of this kind?—Certainly.

Do you think that speculation has had a bad effect on marketing conditions in the Punjab?—Very bad.

In what way?—In this way: that in Sargodha alone people are buying on a speculative basis. Twenty people are buying speculatively, and thirty people are also selling speculatively. When the majority of sellers come forward, the rates go down and they control the business of the local market. When the buyers come forward, they also control the business; and in this way there is no real unity between the markets outside and the local market.

Were the world prices, as expressed at Sargodha, affected by the speculation that was going on at the time?—To a very small extent.

Then the speculation does not really prejudice the ordinary producer in respect of his prices?—It does in many ways. For instance, we get the rates from Karachi every day, and there is speculation also. Generally the contracts are settled on the 25th of every month. When buyers are in power, they will try their utmost to get their rates; when the sellers are in power, they try to control the rates, and that affects the market.

Does it affect the market in that it leads to wider fluctuations of prices?—Yes; on the 25th of every month the settlement of old contracts has to be made; and, if buyers come forward and go on buying, the rates will naturally go high; if sellers come forward and want to sell, the rates will go down.

Then the producer sometimes gains and sometimes loses?—Yes; he may gain, but the chances are very rare because, if people in Karachi want to buy at Sargodha, the stock in store will be despatched, while the producer will have very little chance to come forward to sell at market rates.

Would you say that in the last ten years there has been a tendency for the producer to get a better price for his produce than before, having regard to the market rates ruling at the time?—They have become more sensible and are given better prices. They will not now come and place their stuff with the commission agents, but will go to several shops and enquire the rates; and, if they like, they will dispose of it and go away; otherwise they will ask the commission agents to store it and come when the price is better and sell.

Has speculation had a weakening effect on the commission agents?—Yes; they have been ruined.

Has that not possibly strengthened the position of the producer?—Not to a great extent because that has not affected the genuine demand very much.

Taking wheat first do you think there is any serious defect in the existing marketing conditions from the point of view of the producer?—I do not think there is any serious defect.

And in regard to cotton?—No.

Would you say that there is any serious defect from the point of view of the middleman?—No; not even the middleman. When

there is no defect from the point of view of the producer, why should there be any from the point of view of the middleman.

Their interests do not always coincide?—He keeps the things for the producer.

Also for himself. Then he has got nothing to do with the producer? That will come under the speculative head. But, if a man comes forward and stores, then for him the middleman has nothing to do and the whole effect will be on the producer.

At present under normal conditions how many middlemen handle wheat before it is shipped from Karachi?—Two.

Who are they?—First, the village bania, and then the commission agent. The village bania brings the produce to the market, and there he sells through the commission agent either to an exporting firm or to a port buyer or to local or outside mills.

If he sells it to a port buyer, does the port buyer then sell it to an exporting firm, or does he export it himself?—If he gets favourable rates, he sells off there and then.

Will you kindly explain the difference between kachha and pacca arhat?—If, supposing the Karachi man wants to buy wheat at Sargodha, he will never go to a kachha arhat man, but always to a pacca arhat man. The difference between the two is mainly of the volume of business, and also the kachha arhat man will not store for the bania and is very limited in his finances. Anyone, therefore, who has a large amount to sell and who wants to finance on a big scale, deals with the pacca arhat man. At the same time, exporting firms who have local agents will buy from both as it suits them.

Who finances the village bania who brings the produce to the market?—The commission agents generally.

What is the normal rate?—About 9 per cent per annum.

And who finances the commission agent if he requires money?—The Imperial Bank, joint stock banks, indigenous bankers and the ordinary money-lender.

At what rates is that financing generally done?—It depends upon the credit of the customer, but usually the rates are 9 per cent to 12 per cent.

Are those rates then higher than the rates that have to be paid by the village bania?—They are always higher.

Why?—Because they get something from the village bania in the form of commission. If they do not finance at lower rates, they will not get their produce.

Does, what you have just said about there being no defects in marketing conditions, apply equally to cotton?—That is quite different. It depends much upon the quality of the cotton. In the first instance, a producer brings his commodity direct to the mandi, and not through the middleman. His produce may not be of good quality.

Another man brings cotton of good quality, and there may be a difference of a rupee or more between the prices of the two because one kappas may yield sixteen seers per maund and the other only twelve seers. The better quality will command the better price.

Does that not apply equally to wheat?—No; there the difference is not so much of quality as of mixture of barley, *mannni* and dust, and the difference is not of more than three or four annas.

Do you think that good wheat does not get a fair price?—It does; but everybody can judge wheat, while in cotton only the expert can tell how much cotton there is in the kappas.

Is the difference between the different qualities of cotton greater than the difference between the different qualities of wheat?—Yes.

Then what is the difference between the marketing of cotton and wheat?—The marketing of wheat is very easy. As regards cotton, it is first of all brought to the market by the actual cultivator, and it is very seldom that he takes it to the factory direct, but usually brings it to the market. In the evening, when the people come to buy, they see the qualities of all cotton. One man may get Rs. 7-8-0 and the other only Rs. six. On the other hand the man who grows wheat does not bring it to the market himself. Another difference between cotton and wheat is that the price of cotton fluctuates more than that of wheat.

Is there any difference in the financing?—Yes; the Imperial Bank and the joint stock banks do not like to take cotton freely as security.

You mean it is more difficult to handle?—It is more difficult to handle, is spoilt sooner and dries very soon.

It is more difficult then to raise money against cotton?—It is difficult to raise money against kappas, but not against baled cotton.

Once cotton has been pressed and baled is it as easy to raise money against it as against wheat?—There is no difference.

Is there no difference in insurance?—There is not much difference.

Are firms quite willing to insure cotton?—Yes, in bales.

At reasonable rates?—The rates are higher than in the case of wheat.

Several witnesses have referred to frauds in regard to the insurance of cotton, and I think Sargodha has been mentioned in connection with them. Have there been cases in which insured cotton has been deliberately destroyed by fire?—Yes; cotton is stored in factories and the frauds are perpetrated by the factory-owners, and not by the ordinary dealers.

Is cotton always stored in factories, or is it also sometimes put in kothas?—It is stored in kothas also sometimes, and then there are no frauds.

Are banks then willing to advance money ?—Yes, when it is in kothas.

When it is in factories, are they not so willing ?—No ; then the case is different.

Because of fire or because of the difficulty of insurance ?—I do not think there is much difficulty in storing the baled cotton, but in factories there might be some difficulty.

Have there been many losses by fire ?—Yes.

Of cotton stored in factories ?—Yes ; and sometimes even on railway platforms.

As a result of these losses, have insurance companies shown a much greater reluctance to accept insurances ?—Yes.

Has that made the marketing of cotton more difficult ?—Yes.

Has that raised the rates for the financing of cotton ?—As a matter of fact, very few companies take this matter in hand.

How are people financing themselves ?—They are working the factories with great difficulty.

Are they getting finance from other sources ?—The other sources are very limited.

What has been the effect upon the market of that ; does that mean that less cotton is held up ?—Yes ; formerly a factory used to store at least 10,000 maunds of cotton ; now it hardly stores 1,000 or 2,000 maunds.

Before these insurance losses 8—10 thousand maunds used to be stored by one factory ?—Yes, sir.

And the same factory now stores hardly 2,000 maunds ?—Yes, sir.

What happens to the balance of the cotton ; is it sold outright ?—Now the factory-owners will buy so much as they can gin in two or three days and sell it off.

Has that tended to depress prices ?—Naturally ; the prices have been depressed to a great extent this year, but that might be the result of there being no demand.

You don't think then that the restriction on storage has had a bad effect upon prices ?—It must have some effect, but it has not had much because the rates are very low.

How many middlemen come between the grower and the mill in regard to cotton ?—Just the same as in the case of wheat, except that the factory-owners come next. First is the village bania ; he also buys cotton ; he brings his commodities to the commission agent ; the latter sells to the factory-owner, and the factory-owner either sells direct to the exporting firms or sends the goods to Karachi or Bombay or to port buyers and mills.

At what rate is the village bania financed in regard to cotton ?—The rates are just the same. The bania and the commission agent pay the same rate as in the case of wheat.

At what rate is the factory-owner financed ?—It depends upon the credit of the factory-owner. For instance, the Imperial Bank and the joint stock banks always advance loans to them at 7½ to 9 per cent.

But, if a person's security is not altogether satisfactory, he might have to pay a good deal more ?—Then they will have to give him some discount ; the margin of security will be increased. For instance, I am not safe ; if they give a discount of 25/30 per cent in other cases, they will extend it to 40 per cent in my case.

Then the net result of your evidence would appear to be that, so far as wheat is concerned, there is no obvious defect in the financial arrangements, and in regard to cotton the most serious defect is in regard to the insurance contract ?—Insurance contract and storage.

The two are bound together ?—No, sir. For instance, in one kotha you could hardly store 200 maunds of cotton, but in the same kotha you will be able to store 300 or 400 bags of wheat.

Do you mean that storage facilities for cotton are inadequate ?—Yes, sir.

Khan Bahadur Chaudhri Sultan Ahmad.—You don't store kappas in kothas, but it is generally stored in factories ?—I have just now said that kappas is not stored up to that quantity to which the wheat is stored, but, at the same time, kappas is also stored.

Chairman.—Is a large amount of kappas stored ?—Not much with the commission agents.

Do you mean to suggest that more would be stored if more adequate storage facilities were available ?—I do, because it has got many other defects, for instance, weather ; and, if there are rats, the whole thing would be spoiled.

I understand that the normal procedure is not to store kappas, but to store cotton when it is pressed and baled ?—Cotton and cotton-seeds.

Are the storage facilities for pressed and baled cotton sufficient ?—Quite sufficient.

Have you any experience of the damage to wheat from rats and weevils for a period of, say, four or five months. Could you give an opinion on that point ?—I have got three godowns for storage purposes in Sargodha alone. One has got 51 rooms, another has got 47 and the third has got 31 rooms.

What is the storage capacity of each kotha ?—Three hundred to 400 bags of wheat. I have got all my rooms cemented, but unfortunately there is leakage sometimes on account of rain. My kothas are rat-proof, but then there is danger of damage by white ants.

Taking all these different factors into consideration, what do you think the percentage of damage would be in a normal year ?—Not more than 6 or 7 per cent.

In your memorandum you say that the reduction in the stamp duty on muddati hundis would add considerably to the convenience of the trading community. How will it do that ?—Before 1906 I think that a muddati hundi for Rs. 100 required to be stamped with a 2-pice stamp, but now it is stamped with a 1½-anna stamp ; that is too much.

You are speaking of the lightening of charges ?—It has got three defects : the first is that it has to be paid on due date ; secondly, interest is taken in advance ; and, thirdly, is the high duty. If we can avoid all these things, surely it will increase the facilities of traders.

How would reduction in duty increase trade facilities ; is there anything that is at present taking the place of the hundi which would be displaced if the duty were reduced ?—The pro-note is taking its place ; as a matter of fact, the hundi is out of the market now.

And, if the duty were reduced, the hundi would be more freely used ?—I don't suggest under the present circumstances, but it will be freely used if introduced again.

Is the hundi a better instrument for trade than a pro-note ?—I is a much better instrument.

In what way ?—If the hundi is not paid on the due date, the credit of the drawer is lost, while in a pronote that is not the case. The second thing is that on a hundi you ought to pay interest in advance. For instance, if I write a hundi for 31 days for Rs. 100, I will pay interest in advance, and I shall have to honour it after 31 days.

Will you turn to the question on bearer instruments [question 3 (1)]. I want to know what exactly you recommend first of all in regard to cheques. Do you recommend that a cheque once drawn payable to bearer should not be converted by endorsement into a cheque payable to order ?—That is what I mean.

Have you any objection to the holder of a cheque which is drawn payable to bearer converting it into a cheque payable to order by crossing it ?—I won't mind crossing it.

In regard to hundis, are they ever drawn payable to bearer ?—Not payable to bearer, but payable to " shah beopari. "

What does that mean ?—That means the man who is so well known to you.

Does it mean that a hundi has to be presented through a certain person ?—That means that the man who has credit in the market will only get it.

The hundi must be presented through a person of that type ?—Yes, sir.

Who decides whether the presenter is a person of that type or not ?—The payee.

Would you maintain that system ?—Yes ; that is safer, and there are not many complications in it.

Then you are not in favour of treating hundis drawn in that form as bearer cheques ?—That will lead to certain difficulties. Now I hardly sell my pro-note to any person. So in the same way the hundi should not be sold.

Would you maintain the existing practice ?—Yes, sir.

But your reply to question 3 is in the affirmative ?—Everything has got many advantages and disadvantages. The thing is that it will lead to many difficulties.

What is your considered opinion ?—My considered opinion is that it should remain as it is , *i.e.*, payable to " shah beopari."

I come now to question 8 (4) : you say that there has been a diminution of hundi business on account of increased stamp duty and the prepayment of interest. Has not interest always been prepaid in the case of hundis ?—It has always been prepaid, but the one thing is that the duty has been increased.

You attribute the decline in the use of hundis, amongst other factors, to the prepayment of interest, but, at the same time, you say that interest has always to be paid in advance ?—The idea was why the use of hundis had gone down, and I say that there are two reasons : formerly, pro-notes were never used in our ilaqa, but now they are widely used ; the other thing is that it was not in the market, but, since you gave certain facilities, and people used those facilities, this thing happened. It is a question of competition.

Am I right in thinking that what you mean is that the increase in the stamp duty on hundis has led to a much greater use of pro-notes, and that those who use the pro-notes prefer them because they have not got to prepay interest thereon ?—I have got reasons for it ; first, the pro-notes have taken the place of hundis ; the second thing is that people have got no credit now, and a hundi is not written without credit ; the third thing is that interest has to be pre-paid ; and the fourth is that the amount is to be paid on due date.

Could you say what proportion of the total business of the market is done through the Imperial Bank and the joint stock banks on the one

side, and through indigenous bankers on the other ?—It has got no comparison.

Could you give any rough percentage ?—Ten per cent by the indigenous bankers and 90 per cent by the Imperial Bank and the joint stock banks.

Could you say what the proportion was ten years before ?—Sixty per cent by the indigenous bankers and 40 per cent by the joint stock banks.

How many joint stock banks were there in Sargodha ten years before ?—Three.

How many are there now ?—Two.

To what do you attribute this very considerable change in the ratio ?—The Imperial Bank has given many facilities in storing grain only, while the other joint stock banks are following suit, and with competition they are reducing the rates ; so people are coming to that side now.

What has happened to the indigenous bankers as a result of this loss of business ?—Practically they have lost all their money.

Have they gone out of business or into other business ?—They are not in existence now.

How many indigenous bankers are there in Sargodha now ?—There is none with primary business as banking.

Were there any ten years before ?—Yes.

Why is there none now ?—Because they have lost their money ; they have lost their credit. Formerly they depended purely on storing things and advancing money on interest.

Khan Bahadur Chaudhri Sultan Ahmad.—You say that the indigenous banker has disappeared, but my idea is that he has only changed his direction of activities. For instance, when the colony was created, these people entered into trade, instead of being bankers as they were in olden times. Is it not that they have changed their direction of activities and have become business-men rather than bankers ?—I will explain it in this way : that the change in the direction they have taken is a secondary form ; in the other form they have been ruined. The biggest men of your time are nowhere to be found now.

Chairman.—As a result of this change in ratio, are credit facilities for the traders greater or less than ten years ago ?—Much less. They have got absolutely no field now.

Is that a serious handicap to trade ?—Certainly.

Do you think that with more ample credit facilities trade will extend in Sargodha ?—I don't think it will.

In what respect is trade seriously handicapped by this restriction of credit facilities ?—Because there is a lot of competition, and there is absolutely no field for traders.

Do you think that the traders in Sargodha require at present more ample credit facilities than what they have got?—Just at present, even if you give them credit, they will not be better off because they have got speculative habits, and these inherited habits have ruined them. Now, for some time more I don't think that anything could help them.

Do you mean that they have been demoralized ?—Yes.

Is that excessive speculation due to their enjoying too liberal credit facilities ?—That was one thing; but, on the other hand, there was a desire to get more money.

You are doubtless familiar with the point of view in regard to the agricultural community which says that, if you give them more ample credit facilities, there is danger that they will be misused. Would you then say that it also applies to the trading community ?—Just at this time I will say so ; they are equally bad.

You speak of advances made against the storage of kothas. What banks make these advances besides the Imperial Bank ?—The Punjab National Bank and the People's Bank of Northern India.

Does no one else make advances ?—Very few people—not money-lenders—call them anything, some people, who have got money, make advances, but on a small scale.

Then you speak of zemindars receiving goods in exchange for their produce. Do you mean that barter is common in Sargodha ?—Not in that way ; but, for instance, if a zemindar wants wheat, he will go to a zemindar and ask him to give him wheat, saying that, when his *bajra* crop is ready, he would give him that. This remark of mine refers to dealings amongst the zemindars.

You say that about four crores are invested in indigenous banking. Do you include in that rural money-lending ?—Yes, sir ; everything for the whole district.

How have you arrived at that figure ?—I take, for instance, the Sargodha mandi people ; they have got 250 lakhs, and I could say for other markets in the district that thay might have got that amount too.

Have you any idea of what the agricultural debt of the district is ?—Roughly it should be about two crores.

Is that a guess ?—Yes, sir.

Can you give an opinion as to how much is recovered out of court in the case of sums of money decreed to money-lenders ?—My own experience is that it is not more than 25 to 40 per cent.

You put the amount recovered out of court, in addition to the amount recovered through court, at 25 to 40 per cent. ?—Of the total amount decreed, I don't think that more than 40 per cent is recovered in all, whether through the court or outside it.

That is based upon a certain amount of experience ?—Yes, sir.

You say that the money-lenders require a lot of legal protection. What facilities would you give them ?—This is a question which has got many aspects. For instance, since the Regulation of Accounts Act has been passed and it will come into force now, and the accounts are checked every half-year, if they are found genuine, then there is no harm if they get some protection, *i.e.*, if they come into court, they may not have to prove all those accounts. There should be some agency to check their accounts every half-year or so.

You are suggesting that their accounts should be accepted in court as correct ?—Yes, sir.

What security would you have that they would be correct ?—This is the point. I go side by side. If there is any agency to look at the accounts on the one side, they should be given legal protection; but, on the other side, the borrowers should not be placed at any disadvantage. They should get a clear receipt just as they get from the banks every half-year, verified by the borrowers. If it is done in this way, I will say that there should be more protection on that side. If the accounts are verified and registered letters are sent every half year, then, on the other side, they should also get protection.

Khan Bahadur Chaudhri Sultan Ahmad.—Anything further than that their accounts should be accepted tacitly if they have been certified by the auditor ?—No more facilities ; then the question comes of the borrowers' credit ; and that is his own look-out.

Khan Bahadur Chaudhri Niamat Ullah.—You have said that facilities should be given for the recovery of loans ?—This is a facility for recovery of loans ; of course Government cannot compel a man to pay his debt.

Chairman.—We have been told that the money-lenders don't find it difficult to get decrees ; the difficulty begins when they execute them ?—I doubt, very much, sir, because much time is lost in getting a decree from the court.

How would you remedy the major difficulty of getting the decree executed in court ?—Even the co-operative societies have not got any facilities from Government in this respect, and I don't think Government will come between the borrower and the creditor.

Have you any experi nce of the enforcement of the decrees of co-operative societies ?—Yes ; because Mr. Strickland used to send cases to me.

Would you say that a co-operative society found it easier to enforce its decree than a money-lender because the judgment-debtor in the case of a co-operative society felt that he was being fairly treated, and was therefore prepared to meet his just dues, but in the case of a money-lender he often feels that he has not been fairly treated, and therefore tries to evade payment ?—Certainly it is the case somewhere, but urely not always.

Do you think that it is a factor differentiating the two classes of decrees to some extent ?—Yes, sir.

You say that you would like to strengthen the co-operative societies. Do you think that that is the best remedy for the financial difficulties of the present money-lending system ?—Well, on principle it was the co-operative society that was once considered to be the only thing which could save the Punjab people, but since then it has got certain defects too.

What defects have you in mind ?—I don't know whether I will be right or not, but I will say that in the United Provinces, where I was sent in 1927, I was told by a very reliable gentleman that there the co-operative movement failed because he could not get honest men. I mean to say that here the same defect is coming. You are not getting good men, and the movement has not kept up the standard with which it was started.

Good men in the societies or outside the societies ?—Both ; for instance, you could very well imagine that in the first place their credit is lost, and in the second place there has been deterioration of the members. They have not been looking to their duties ; on account of communal quarrels they have lost confidence.

Who were not doing their duties ?—The managing members.

Do you find that to be the case in a large number of societies ?—I take it in the other way. I say that, because people are much more in necessity of borrowing money, therefore expansion is going on. The thing would have been much more popular than it is now, but I say that on the one side it has increased the borrowing habit of the zemindars, and they are borrowing money more for their own personal use than for agricultural purposes, and in the second place they have not cleared their debts.

Do you think then that the co-operative movement has added a further credit facility which has been liable to abuse ?—Yes, sir.

Would you say further that that additional credit facility is being increasingly abused ?—Yes, sir.

What is your remedy for that ?—My remedy is that, if there were proper control, it would not have been so. If the members of the societies had looked to the real wants of the agriculturists, the thing would not have gone so far.

Do you think it is due to the want of control ?—Yes, sir.

You agree that credit should be controlled ?—Yes, sir.

Is there any other way of controlling it apart from the co-operative system ?—I don't think there is any other way.

Then you are in favour of developing the co-operative movement, but with a stricter system of control both as between committees and the members of societies and between the co-operative staff and the societies ; is that correct ?—Certainly.

Khan Bahadur Chaudhri Niamat Ullah.—Can you suggest any remedy for those agriculturists who go to the money-lenders for credit facilities ?—There is no help for it.

Do you agree that, if once all the debts of a member are cleared off by the society, any subsequent debts incurred by him from any agency other than the co-operative society should be declared as invalid ?—I don't think you could legislate like that.

Chairman.—You say that people are growing poorer day by day and nothing is being done to improve their lot. What is the evidence to your mind that people are getting poorer ?—I say, sir, that, when I go to the agricultural classes, I find that they have got nothing with them. Five years ago they were quite rich, but now they can't pay the land revenue.

Are you perhaps comparing to-day with the conditions immediately after the war when prosperity was abnormal ?—Yes, sir.

Could you perhaps compare to-day with the conditions as they were before the war ?—Even if that time is to be taken into consideration, I will say that people are poorer.

Do you mean that they have less to eat now ?—I will say so because I find that the ordinary agriculturists who had a lot of wheat in their houses have not got sufficient to eat.

Have the recent harvests been very much below the average ?—I am talking of wheat ; the wheat crop was much more last year.

What was the last wheat crop like ?—It was a good harvest.

In spite of that they have not got enough to eat ?—No.

What type of men are you speaking of ; men with one square or two squares ?—I am speaking of tenants.

Are you speaking of tenants in the canal areas ?—Even in the canal areas the condition is the same.

Have you any experience of land-owners ?—They always talk of poverty, but I don't know whether they have got sufficient wheat or not.

What do you think that is due to ?—It may be due to the fact that they have got more expenses now than before.

Has their standard of living gone up ?—Yes, sir.

In what way ?—For instance, a cultivator could never imagine to spend cash, but now, when they come to towns, they spend money.

Where do they get it from ?—They borrow it, and spend all, and the people who are keeping them must provide for their food, otherwise they would run away.

What do they buy ?—Cloth, mostly.

Do they buy more cloth than before ?—Cloth and other unnecessary things.

Do they buy more jewellery ?—I don't think they are buying gold, but they are wasting money on anything when they come to the town.

If they are worse off then before, it is not because they have less money, but because they are spending it less wisely ?—That is also true.

At the end of your note you say that the Imperial Bank has produced a commercial panic in the country. Can you explain that ?—Yes, because they give money on very short credit. For instance, after every three months they will call back their money, and the borrower cannot pay within such short period.

Why should that produce a commercial panic ?—Simply because the man who has got a loan for three months will have to arrange for its repayment at the end of that period.

When he borrows from the Imperial Bank, he understands, I suppose, that he will have to repay, as you say, after three months ?—But the difficulty is that he cannot understand these things in the beginning when the loan is raised that again he shall have to borrow money from other people to repay the bank.

That is another example of the abuse of credit facilities ?—The rules are such, but the people have misused these rules, and the bank is suffering on that account.

What you really mean is that the Imperial Bank has done more harm by giving increased credit facilities which have been abused ?—They have not given much credit facilities, but, whatever credit they have given, they have given on such terms that, instead of doing any good, it always does harm.

When you say that deposits have been withdrawn from the indigenous banks, do you mean the indigenous bankers or the joint stock banks ?—I mean the indigenous bankers and the joint stock banks as well.

Are you the director of any joint stock bank ?—Yes, sir, I am director of many joint stock concerns and the Punjab National Bank.

Khan Bahadur Chaudhri Niamat Ullah.—You say that the post office should collect all bills and cheques. Don't you think that it would decrease the work of the joint stock banks ?—The question was how to make them more popular. So I suggested that, if you want them to become more popular, that is another way of doing it.

You say that the co-operative societies don't help in marketing. Can you suggest any means to make them useful in marketing ?—They are still in their infancy, and they have not got the right sort of people to help in marketing.

Is there any commission shop in Sargodha ?—There is one, but it is not doing business to any appreciable extent.

Rai Sahib Kishan Lal.—Do you agree that speculation should be declared illegal ?—It is illegal according to the present law.

Should not it be abolished ?—Every effort is being made to exterminate it, but so far the effort has not proved successful.

(Witness withdrew.)

Oral evidence of Captain Raja Sher Muhammad Khan, M.B.E., I.A. (Retired) of Domeli, District Jhelum.

Chairman.—Are you a retired captain or are you still in service ?—I have just retired.

What was your regiment ?—1/15th Punjab Regiment.

How many years service have you got ?—28 years.

Do you live at Domeli ?—Yes.

In which tahsil is that ?—Jhelum.

Figures that have been given to us show that thirteen lakhs a year are paid to residents of the Jhelum District in the form of military pensions. Is a certain proportion of this saved ?—I do not think so.

What is it mainly applied to ?—There is very little land in Jhelum, the average being about eight acres per man and people live mostly on their pensions. There is no habit of saving among them. They also spend money on marriages and other ceremonies owing to bad customs and bad ways of living.

Is there a certain amount of extravagant expenditure ?—Yes.

Is it common ?—Yes.

I imagine that the amount paid in pensions has increased since the war. Has there been a corresponding increase in extravagance since the war ?—Since the war expenses of living have increased. There is much difference. Before the war when the sepoy got Rs. five as pension, living was cheap, but after the war expenses have increased.

During your 28 years' service have you noticed any marked increase in extravagant expenditure in your district ?—I have noticed.

Since when ?—Since after the war.

What form does it commonly take ?—The standard of living is more expensive.

Do you mean that it has gone extravagantly high ?—Yes.

In what way is it extravagantly high ?—I want you to distinguish between necessary expenditure on food, housing, etc., and unnecessary expenditure. Money spent on food, etc., is not a form of extravagance. But money spent on bad living and bad customs is bad expenditure.

Has that kind of expenditure gone up since the war ?—Yes.

Has litigation increased ?—Yes, Sir, it has increased. During the war most of the men joined the army and litigation decreased, but when they came back they had no work to do and litigation has icreased.

What would a man with, say, a holding of seven or eight acres spend on his marriage ?—Not less than Rs. 500 or 1,000.

Before the war would he have spent less ?—Yes.

If a person has been in the army would he spend less or more than the average ?—He would spend more.

You say that the standard of living has gone up. Are the people better fed than ten or fifteen years ago ?—Since the war they want to build good houses and have good clothes.

Supposing a man has got more money in his pocket than he had before, what is the first thing he would spend it on ?—Very few go in for land. The first thing he would try to get would be a better wife.

If he already had one would he try to get a second one ?—Yes, Sir.

After that he would like a good house ?—Yes. Land is the last thing. Men who have been promoted to the rank of Indian Officer first get good houses and then try to get better wives.

Is polygamy common in Jhelum among those who have spare money ?—Yes, Sir.

That applies to soldiers ?—Yes, Sir.

Is there no demand for cash certificates ?—No.

Is there any hoarding ?—I do not think so. They do not have much money. In Jhelum there are some Indian officers who place their money with the village sahukar.

Do they take any interest on it ?—No, Sir. They do it just for safe custody. They think the money is safe with the sahukars.

Is there a lot of money deposited with the sahukars ?—Not in big sums.

Not in the case of one person but if you added up the whole amount would it be large ?—No.

Do no Muhammadans take interest on deposits ? In that district the people are very orthodox and do not generally take interest.

I gather from what you say that service in the army does not teach a man to spend money wisely ?—That is so. I was going to suggest that there should be some method of insurance in the army ; and that soldiers' pensions should be drawn by banks. Under the present system they go to the post office and draw their whole pension and if he draws Rs. 21 (which is pension for three months) he would not have the sense to put some in the post office.

Do very few retired soldiers have savings bank accounts ?—Very few. About one per cent.

It would be an advantage for soldiers to draw their pensions through village co-operative societies, but there are difficulties in

doing that. Would it be a convenience for them to draw their pensions through central banks?—No, Sir. Most of the sepoys live fifteen, eighteen or twenty miles from the headquarters of the tahsil and this would not be convenient to them.

Is the pension at present paid in their villages?—Yes. Even the sub-post offices pay pensions.

Does that mean that usually a man has not to go more than four or five miles?—Yes, Sir. Some widows and old men cannot go fifteen miles and so now the post office has arranged to pay them at places within four and five miles of their homes.

But in the case of soldiers living in or near the headquarters of a central bank would it not be a convenience to them to draw their pensions through the bank?—It would be for them.

Would it not be an advantage if the system of paying pensions through co-operative societies began in that way?—Yes, Sir, our Board has arranged for that.

Do you think that a certain number would probably leave part of their pension on deposit?—Yes Sir. They will draw only a part of the pension and leave some on credit.

If payments were made through the central banks it would be optional on the part of the pensioner to take payment either through the central banks or the post office.—Yes. But if it is encouraged in the village banks that will be more useful.

But there are difficulties in the way of that.—The only difficulty is that the secretary in the village does not keep much money with him.

Do any soldiers do money lending?—No, Sir.

On the whole are relations with money-lenders friendly in your tehsil?—Because the Jhelum district has mostly soldiers, since the co-operative societies have started there are few money-lenders. Before the war there were some but now the number has been reduced.

Owing to co-operative societies?—And also because the people are better off owing to the pensions. In the Jhelum District there is very little money-lending. But the present money-lending system should be changed.

In what way?—At present they are not properly regularised or governed by law. The Bill passed by the Council will not affect Jhelum because it is not a money-lending district.

When a person wishes to raise money does he go to the sahukar?—Yes.

What form does mortgage usually take? Is it with possession or without possession?—With possession. Now-a-days money-lenders do not give money without security. They cannot buy land but get houses or ornaments as security.

Are loans against security increasing ?—Yes.

Are mortgages under the Land Alienation Act for not more than twenty years common ?—They are not very common in the Jhelum district.

Lala Harkishan Lal.—What proportion of his salary does a man get as his pension ?—Military pensions are neither one-half nor one-third.

But generally what do they come to ?—About one-third.

When a man is in active service, does he spend all the money he gets or does he save some for his family ?—He does save.

Does he save for any other purpose ?—I do not think so.

Even when in active service he does not effect any saving ?—No.

His standard of living is increased while in active service. He uses more and better clothes and has more suits to change.—Yes. It is well known in the Indian Army that the Punjabee sepoy spends more money on clothes than the other people.

But is there no change in his out look on life when he comes back from active service ?—I do not think he saves anything.

Chaudhri Niamat Ullah —You have said that money is deposited with sahukars. Are there no co-operative societies ?—If there are why do people deposit with sahukars ?—People have not yet begun to realise the benefits of societies and there is need to teach them to deposit their money in co-operative societies.

But many of the retired soldiers must be members of co-operative societies ?—Members of societies do not deposit with sahukars. Since the societies have started, deposits with sahukars have decreased.

Do you think that in your district Government could pay in the money for pensions to the central banks for advancing to co-operative societies for distribution ?—That would be a great advantage.

When crops are good what do the zemindars do with the surplus money ?—Spend it on marriages and litigation. But they do not have the habit of saving and there is great need of teaching them this habit.

Does one agriculturist lend to another on interest ?—No.

Do you think it would be a good thing if land revenue were allowed to be paid by cheque through the central banks ?—Yes.

Is there any class of people in the district who habitually save ?—No. Except businessmen.

What means can you suggest to teach people to save ?—Lectures should be given on rural uplift. The money that Government is spending now-a-days on public health, education and the district boards should be spent on rural uplift. Eighty-five per cent of the population of the district lives in villages and the average debt in the villages is

Rs. 25 per person and unless they are taught better living, etc., co-operative societies, health and education efforts will not be successful.

What do you mean by rural uplift?—At present all the officers in charge of health and education confine their attention to the cities, they should turn to the villagers and teach them. The school masters only teach the boys their lessons, they should attend to their cleanliness. Doctors for instances should go to the villages and teach people how to make better and more ventilated houses. It would not involve more expenditure, but at present the people do not know of these things. The Agricultural Department is also at present confined to the cities and should come into the villages.

Do you mean that instead of co-operative societies rural uplift societies should be started?—No. Co-operative societies should be started in every village. There should be a separate department for rural uplift. They will be able to do more work than any other department. I recommend that as they cannot do intensive uplift work they should make liberal contributions to take active part in the uplift movement by setting free some money for the purpose and ask Health, Agriculture, District Boards and Education Departments.

Rai Sahib Kishan Lâl.—Are officers buying land in your district?—Some do.

Chairman.—You say that the effect of military service at present is not such as to teach a man how to use his money wisely. Would it be possible to give soldiers more teaching in that respect?—Yes.

How would you do it?—The present Commander-in-Chief is doing it. They have an Educational Corps in the army and are teaching citizenship but they are not teaching saving. They should start some sort of insurance in the army.

In what form?—In the army now they have got a Prince of Wales Saving Fund. They cut one or two rupees from every sepoy's pay and he gets the amount when he is pensioned.

Is that done throughout the army?—Yes, since the war. But I want some such thing introduced in the co-operative societies. If the co-operative societies start insurance and every member has to pay a compulsory deposit of one or two rupees towards such insurance payable on death to his children it would be of immense good.

Do you think that the most important thing for the people of Jhelum, is to reduce their expenditure?—Yes, that is the most important thing, and also the stopping of litigation.

You think the standard of living has arisen too high?—Yes.

Khan Bahadur Chaudhri Niamat Ullah.—Can you suggest any method of decreasing litigation?—The only way would be to keep the zemindar busy in some way.

(Witness withdrew.)

Oral evidence of the Grain and Cotton Merchants of Montgomery.

About thirty of these were present, of whom the principal were—

Lala Rishi Kesh, representative of Rally Brothers.
Seth Shiv Narain, } Factory owners.
Lala Jawahir Shah, }
Lala Parma Nand, }
Seth Khiyali Ram,
Seth Chandu Lal,
Seth Sham Lal,
Seth Sant Ram, and several others.

We work both as money-lenders and commission agents. We advance loans only to agriculturists who sell their produce through us. Our main business is *arhat*; money-lending is only a side-show. Many of us work with our own capital, but we do a certain amount of borrowing amongst ourselves, and some of us borrow from the banks as well. The practice of lending money on the security of produce (*i.e.*, wheat, *toria* and cotton) came into being only two or three years ago. We obtain loans from the Imperial Bank, the Punjab National Bank and the People's Bank. The Imperial Bank charges interest at the rate of 7½ per cent for the first six months and 7 per cent for the remaining six months. The Punjab National Bank and the People's Bank charge 7½ per cent per annum. The agriculturists don't advance any loans to us. The village money-lenders don't keep deposits with us.

On account of the failure of crops and the fall in prices, realisations have been few and far between for the last three years.

As between ourselves we charge interest at the rate of 6 per cent. On deposits also we pay 6 per cent per annum. To people who are not safe to deal with we charge interest at the rate of 12 per cent per annum.

The banks advance loans on the security of stock-in-trade, house property and in rare cases against the security of land. The Imperial Bank lends out money only on the security of goods or ornaments. For the last two years nobody lends out money on the security of landed property.

Only a limited number of persons draw *muddati* hundis. The Imperial Bank does not advance loans on personal security. The Punjab National Bank affords this facility only to a limited number. In an average year the banks advance only Rs. forty or Rs. fifty against the security of a house worth Rs. 100.

This market was established about ten or twelve years ago. Before that there were only three or four shops who used to sell raw materials. Now none of those shops is in existence. Those shops were owned by zemindars who were doing this business through their agents. They had a sad experience and they gave it up. We are

practically all outsiders; some of us come from Kamalia, some from Rewari, some from Jullundur and some from Multan. In the early days of the establishment of this market there was lot of work, but not now. It is not now a paying market, the reason being that there are several markets now in the surrounding *ilaqa*; for instance, Okara, Mian Channun, Khanewal, Arafwala, etc. The yield of the land is not increasing. Though more land is coming under cultivation, yet the produce is decreasing every year, and the financial condition both of the zemindar and the commission agent is not improving. The debt of the small agriculturists is increasing every day. We advance loans in the hope that the agriculturists would repay when there is a good harvest. Each commission agent has got his own clientele. The amount of loan depends upon the social status of the zemindar. Undoubtedly the loans advanced to the agriculturists are the profits derived from the colony itself, but now only a limited number of the commission agents can make any profits.

Now we lend money to the agriculturists at a lower rate than before. Formerly we used to charge 2 per cent per mensem, but now we charge from 9 per cent to 12 per cent per annum. Now credit facilities are within the easy reach of the zemindars, but they don't liquidate their debts even if the harvest be good. They spend more on wasteful purposes, and their standard of living is high. Government is the owner of the squares of land in this colony, and when the debts exceed Rs. 5,000 or Rs. 10,000 the agriculturists apply for insolvency. There have been something like 500 applications in this colony. Every day an application for insolvency is presented. Almost all these applications were from the agriculturists; there may be hardly four or five applications from the businessmen. The financial condition of the town is getting worse. The newly constructed buildings round about the city belong either to Government servants or to pleaders.

The produce is brought to the market either by the agriculturist himself or by the village shop-keepers. The major portion of the produce is brought by the agriculturists who have got their own commission agents, and they go to their respective commission agents for selling the produce. The produce is sold in the open market. The buyers offer bids and the highest bidder buys it. It is a sort of hidden auction. Tenders are made. The zemindar does not suffer any loss on account of this system. The big firms also offer tenders. The big firms purchase from the shop-keepers, but mostly from the commission agents. They offer their rates to the commission agent, and if they suit him, the bargain is struck. No sooner the zemindar brings the produce to the market, it is sold away. A similar system is prevalent in other mandis also in this colony, and the zemindars have got nothing to complain against it. The price of the produce is paid to the zemindar on the spot by the commission agent, though the latter realises it from the buyers in the course of three or four days. The commission agent

only charges his commission to the zemindar ranging between Re. 0-8-0 to Re. 1 per cent. On the advances made against produce interest at the rate of one per cent. per annum is charged to the zemindar. Most of the wheat is exported to Karachi, but a substantial quantity of it is exported to the east. It all depends upon the question of supply and demand.

Cotton is weighed in the factories, but sold in the mandis. The bargains are struck in the presence of the agriculturists and the commission agents. Forty and-a-half seers of cotton represent one maund in this colony; at Pakpattan 42½ seers are taken to represent one maund. With the exception of this extra half seer, no other charges are met by the zemindar. *Dhami* is paid to the seller. The commission agent is paid his commission at the rate of Re. 0-8-9 per cent. This amount is also credited to the agriculturist in this way that the commission agent reduces his commission payable by the agriculturist by that amount. If the cotton weighed is found to contain salt, sand or earth, or water (which increases the weight of the cotton, but considerably reduces the quality) a reduction in the price agreed upon is made at the rate of Re. 0-4-0 per maund. Such disputes are generally settled by the intervention of a third person, who acts as an arbitrator. In 80 per cent of the cart-loads such reduction in price has to be made on account of the inferior quality of the cotton or the causes mentioned above. The only remedy that we can suggest for the benefit of the agriculturist is that he should be provided with the best seed. At present there is only one mandi, *i.e.*, Okara, where best seed is available. Such shops should be established at easily approachable distances all over the colony which would greatly help in obviating this defect.

Lala Jaswant Ram, Commission Agent, stated that best seed is being supplied by the Agricultural Department at the present day. The defect lies with the picking of the crop. The zemindar mixes up all sorts of pickings which greatly reduce the price of the produce. He suggested that different pickings should be kept separately. There is keen competition here, and that is the reason why 40½ seers of cotton here represent one maund, while at Pakpattan, where there is no such competition 42½ seers are taken to be as equivalent to one maund.

Mudati hundis payable after sixty or ninety days are used here carrying interest ranging between Re. 0-7-0 to Re. 0-10-0 or Re. 0-12-0 per cent as between the traders *inter se*. The rate of interest on *mudati* hundis depends largely upon the market conditions. If the money market is tight, the rate of interest goes high. With the approach of the harvest days the money market becomes tight. The rise and fall in the rates of interest depend upon the question of supply and demand. The hundis are generally honoured at maturity. In the months of March and again in September and October the money market is tight and consequently the rate of interest is high.

There is no indigenous banker here in the true sense of the word with the exception of the treasurers of the Imperial Bank, Messrs. Harnand Rai-Har Bhagat Rai. They charge interest at the rate of 9 per cent. They deal generally with the commission agents.

(On further question their representative said): We make full realisations generally, and there are very few defaults. The highest rate of interest that we charge is 10 per cent per annum and the lowest rate of interst is 6 per cent. The average annual rate of interest comes to about 7½ per cent. We don't lend to agriculturists, those who advance loans to agriculturists charge interest at the rate of 12 per cent.

The village shop-keepers mix up different kinds of cotton brought to them by various zemindars, and they take it in cart-loads to the market for sale. The only suggestions that we can make is that he should keep the different qualities of cotton in three different godowns. (Generally cotton is of three qualities) A substantial quantity of cotton is brought by the zemindars themselves to the market.

Now the courts don't allow more than Re. one per cent per mensem, and future interest (only in very few cases) at the rate of 6 per cent. The reason of our making further advances to the agriculturists is that they already owe a good deal of amount to us and in order to recover old debts we have to make petty advances occasionally at reduced rates. Though money is more in circulation now, but its purchasing power has been reduced considerably. Generally the zemindars mix up salt and sand with the cotton in order to increase its quantity.

The following firms come here to purchase wheat:—Rally Brothers, Strauss, Patrick, Louis Dreyfus, etc. Mill owners also come for the purchase of wheat from Lahore, Multan, Kasur, Ferozepore and Bhatinda. For the purchase of cotton there are local factories and Japanese factories, Patel Brothers, etc.

Ordinary people with small means, if they get easy credit, work recklessly and ultimately go into bankruptcy. Only such persons should be given banking facilities who know the right use of the money. Due discretion should be exercised in granting banking facilities. At present small businessmen who can get easy credit from the banks, neglect the payment of dues of the businessmen outstanding against them, and the ultimate result is that they fail hopelessly. It is of paramount importance that great discretion should be exercised in extending banking facilities to such persons.

(Witnesses withdrew.)

Oral ovidence of Factory-owners, Merchants and Commission Agents, Okara.

Lala Kirpa Ram, Badhwar, Factory Owner.

Bhai Dial Singh, Factory Owner.

Lala Ram Ditta Mal, Manager, Radhe Sham Beopar Co.

Lala Ganda Ram, Manager, Bharat Bhushan Trading Co.

Lala Kashmiri Lal, Manager, Radha Krishna National Trading Co.

Lala Diwan Chand, Grain merchant.

Lala Joti Ram, Commission Agent.

The trading companies worked only in Okara. Lala Kirpa Ram has factories in Okara, Lyallpur and the United Provinces. B. Dial Singh has a factory only in Okara.

The cotton season begins on the 15th October and lasts up to April. Cotton generally comes into the mandi in November, December and January after which the quantity decreases but ginning goes on. In Okara there are nine ginning factories and 533 gins. All of them are of the same kind. The maximum amount of cotton that comes into the mandi is about 50,000 bales. The maximum amount produced in the Montgomery colony would be about 1,00,000 bales. The Lyallpur colony produces about the same quantity ; Sargodha about half of this. Ginning factories have been working in Okara since 1915. They increased in number faster than the amount of cotton produced. During seasons of good crop the factories can run about four months in the year. Zemindars bring their produce to Okara in their own carts and sell it to the *arhtis* who sell it to the factory owners in the presence of the zemindars. The price is fixed through the commission agents of the buyers. The price is fixed according to prices in Karachi, Bombay and Liverpool, information about which is received by telegram. The Liverpool price is known through the broad casting station at Oakra. The cotton is weighed and paid for on the day it is bought. Previously the custom was to pay the price on the 4th day, but owing to competition among factory owners the zemindar is now paid on the first day. Forty and-a-half seers constitute a maund of cotton. In addition the zemindar has to pay one *chhatak* per maund to the *mazdur* of the buyer. This is taken direct by the *mazdur* who sells it on his own and not through the factory owners. The zemindar has no other expenses. The factory owners pay $\frac{1}{2}$ per cent to the commission agent. The half-a-seer charged on every maund is to make up for any dust and other mixture there may be in the cotton. Zemindars are nowadays getting to be very cunning and mix up good and bad cotton by putting alternate layers of them in the carts. If the delivery clerk is experienced and catches bad cotton

mixed up with good, the brokers and commission agents settle the question among themselves. There is no *kans* (seeds) in the cotton brought in and the price is therefore higher in Okara than in Lyallpur. If the price is Rs. six in Lyallpur it would be Rs. seven in Okara. American cotton is also produced, but this year more *desi* was sown. Last year *desi* and American were produced in about equal quantities. The American cotton fetches about Rs. two per maund more. A very large part of the *desi* cotton produced is mixed up with the American cotton inspite of orders to the contrary. The exporters insist on this being done and if any factory refused to do this it would soon be ruined. This results in increasing the price of the *desi* cotton. Exporters come in when the cotton is still lying in heaps and settle the price per bale according to the mixture they want. Ordinarily the mixture consists of 50 per cent but some firms want 70 per cent., mixture. The cotton is mixed before the clerks of the exporting firms and is given over to them after it has been ginned. Those who have presses in their factories, press the cotton ; one or two factories who do not possess presses have it pressed before handing over to the exporters. The price is paid on delivery.

Factory owners cannot finance their business and have to borrow from the Indin Joint Stock Banks. The Imperial Bank does not give them much. The loan is taken against stocks and a margin of 30 to 35 per cent., is kept by the banks. The exporters take money from the foreign and exchange banks including the Imperial Bank for D. D. business. There are the following exporting firms in Okara :—

Patel.
Toa Manka.
Japan Cotton Trading Co.
Ralli Borthers.
Volkart Bros.
Langley and Co.
Kela Chand-Dev Chand.

Some firms have shroffs who pay money up to the port. Their hundis are sometimes sold in the bazar on a discount of 1 or 1½. Charges for all the banks are about the same. Those that have shroffs have fixed rates. The Imperial Bank rate varies.

For the last four years the factories have been practically ruined owing to competition among themselves and a plethora of factories. The factories never pool in Okara as has been done in Lyallpur and other places. The reason is that Sir Ganga Ram was against pooling. If there is a pool among factory owners the zemindar would not lose much as he can take his produce to some other mandi, *e.g.*, Pakpattan. Even if the other mandi is available the zemindar does not stand to

lose much provided the factories who have pooled work honestly, as it is to their interest that more cotton should be brought to them. In the past the factory owners had enough money to tide over bad years and so they refused to pool.

During the taking of this evidence about ten or twelve *arhtis* came in. One of them Lala Gian Chand said that he dealt in every kind of produce—cotton, toria, wheat, gur etc. His charges were different for different articles. His interest charges differed according to the person with whom he was dealing, and ranged from Re. 0-12-0 to Re. 1-8-0. From those who borrowed money from him, he charged Re. 1-4-0, from others Re. 0-12-0 to Re. 1-0-0. Both zemindars and village shopkeepers brought their produce to him. Zemindars do not generally buy from other zemindars and bring the produce to the *arhtis*. There is no difference in the quality of cotton from different villages. It depends on the picking. The produce brought in by the shopkeepers is better than that brought in by the zemindars though the small shopkeeper does not bring very good stuff. The difference in price between good and bad cotton is about Re. 0-8-0 a maund.

Another witness stated that as a rule the shopkeeper who buys in the village and sells to the *arhtis* is forced to do so by the villagers and suffers a loss. They have to buy from the villagers as they have already lent money to them and they are forced to keep on their dealings with them. Ever since the Land Alienation Act came into force the shopkeepers are finding it very difficult to recover their money. There was a case some years ago when a shopkeeper had to buy cotton at Rs. eighteen a maund when the price in the mandi was Rs. sixteen. Zemindars come to the mandi, inspite of this, as they are sometimes afraid that if they sold to their creditors they may not get money for their produce, and also because the shopkeepers now have no more money to buy their produce from them. The shopkeepers still continue to stay in the chaks and carry on business as they think they may be able to get back the money they have lent out, and because they are able to eke out some kind of a living. Before the canals were started conditions were not so bad. Now-a-days the shopkeepers themselves have become indebted to the *arhtis*, some of whom also have borrowed money to carry on their business. Before the canals the main produce of the country was ghee, and the maximum loan that was required was about Rs. 100. After the coming of the canals the *arhtis* began to lend large sums to the zemindars as they saw that they had land. When prices fell both the zemindars and shopkeepers have become involved in debt. Only about 10 per cent of zemindars are prosperous. So that because of the canals zemindars, shopkeepers and *arhtis* have all become involved in debt.

It was suggested that if the Land Alienation Act was abolished, it would make the zemindars fearful of losing their land and more careful and economical in their habits. The rate of interest charged by banks should be lowered. Banks should pay their depositors 3

or 4 per cent and lend to sahukars, traders, zemindars, factory owners, etc., at 6 per cent. Their profit would consist of commission or *arhat*. At the most they should not charge more than 7½ per cent. This should apply to both co-operative and joint stock banks.

Lala Kirpa Ram then spoke about conditions in the Punjab. His family had been doing banking business on indigenous lines in Ferozepore for four or five generations. The banks had killed Sahukara work. The first bank to come to Okara was the Punjab National Bank in 1923, but even before this people used to go to Lahore and other places to deposit their money. His firm had branches in Kashi, Bombay, Lahore, Lyallpur, Hathras, Mathra, Kashipur, etc., but all these branches have been closed. There were other firms of the same nature but all have closed down. This was due to the banks. Indigenous bankers used to take deposits at three or four annas per cent and lend out at six or seven annas. Indigenous banking has been stopped for about twenty years. Sahukara work can be revived if the rate of interest is reduced and they are allowed to deal direct with any Central Reserve Bank that may be opened.

One of the members said that first of all the zemindars should be made prosperous. Prices of produce have gone down but the expenses of zemindars are the same or more, and land revenue stands at the same figure. Lala Kirpa Ram said that the only way he could think of making the zemindars prosperous was that of reducing the interest rate so that they could get money cheaper. The other factors were rain, climate, etc., which were out of the control of man.

In reply to a question by Rai Sahib Kishan Lal as to whether the zemindar would not waste money if he got it cheaper, the opinion was expressed that economy was the main thing not only on the part of the zemindar but also for the shopkeeper and the *arhti*. In addition Government should help by introducing the teaching of handi-crafts in schools from the first class. Some of the industries suggested were shoe-making, tailoring, weaving, smithery, etc.

Lala Sukhu Ram, of the firm of Rai Sahib Jesa Ram-Hira Ram then came forward. He said he is both an *arhti* and sahukar and takes deposits from people. Interest rate on deposit ranges from seven to eight annas on fixed deposits and varies according to the period the money is deposited for. Usually money is deposited for six months or a year. He does not lend on any security but only on personal bond. Lending and taking deposits, however, is only a small part of his work, the main business being *arhat*. Only about 1/20th of his income can be said to come from interest. He does not lend to zemindars. The rate of interest charged is from 9 to 12 per cent. He has been in business for ten years. There are branches of the shop at Dera Ismail Khan, Amritsar, Calcutta, etc. In other places the business is mostly of commission agency. In the beginning they did not take advances but started this during the last four or five years. The interest rate used to be higher, about 15 per cent or more, but has been reduced

since about four years because now they lend money to people whom they consider to be safe and not to speculators.

They give out their own *darshani* hundis. *Mudati* hundis have now gone out of date because of the increase in stamp duty on them. Instead of these hundis now pro.-notes are used with which they attach a slip showing the period after which it is to be paid : this is settled with the borrower. In utilising this system they also have the advantage of being able to call in the money if they find that it is in danger. Such pronotes can be endorsed once but not put into circulation like *mudati* hundis. The stamp duty on *mudati* hundis is 1½ annas per cent. If this duty is reduced to two pice per cent such hundis would revive. Before the banks opened they used to take hundis up to twenty or thirty thousand on a discount of three or four annas per cent. but now the discount rate has gone down. When anybody comes from an outstation for a hundi one anna per cent discount is charged. When anybody from an outstation comes to sell a hundi he is charged one to two annas discount on it. No discount is charged if a hundi is drawn up by witness to get money. When Messrs. Forbes Campbell & Co. had a branch in Okara witness's firm were their commission agents and used to sell hundis to them worth eight or ten lakhs. Very few people come for hundis now-a-days. About 80 per cent of the business is done through banks. There are no private bankers in Okara.

(Witnesses withdrew.)

Oral evidence of Mill-owners and Commission Agents, Lyallpur.

The following gentlemen gave evidence before the Punjab Banking Enquiry Committee :—

Bakht Bedar Shah, Zemindar and Managing Director of the Lyallpur Co-operative Commission Shop.

Sh. Mian Mohammad, Mill-owner, Lyallpur.

Malik Mathra Das, Mill-owner, Lyallpur.

Seth Banwari Lal, Grain and Cotton Commission Agent, Lyallpur.

Lala Diwan Chand, Commission Agent, Lyallpur.

Ch. Madan Gopal, Commission Agent, Lyallpur.

The mill-owners were examined first. They stated as under :—

There are fifteen ginning, three ice, three flour and five oil factories in Lyallpur. The oil factories were started about fifteen years ago, ginning about three years ago and the others about six or seven years ago. Compared with their condition when they were started, they are in a bad way especially in the case of the ginning factories. The reason is unfair competition amongst themselves and the activities of foreign exporters. These exporters are in every market and pay high prices for *phuti* and the local mill-owners have to follow suit. The foreign exporters think that cotton ginned in their own mills is better than that ginned in the local mills and consequently pay a smaller price for the local produce. The reason for the unfair competition amongst the factory owners is that there are too many factories in the market. The zemindars profit by this state of affairs.

Both American and *desi* cotton is produced in Lyallpur and both kinds are brought to the mills. They do not usually get the two kinds mixed up from zemindars, though shopkeepers in the villages do not have sufficient godowns to keep the two kinds separate and often mix them up. In the beginning when the American cotton was first introduced the difference between the prices for the two kinds was 15—25, about ten years ago it was between seven and eight, within the last two or three years it came down to five and this year it started at eleven, but is now about seven or eight rupees. The difference depends on the quantity of the American cotton produced. On prepared cotton the difference is about Rs. three. There is no difference on cotten seeds. The American cotton is exported mostly to Japan and the *desi* to Germany. Italy and Manchester take both kinds. This year Japan has taken some *desi* also.

The witnesses said that they generally sold in Lyallpur and did not export much to other places. It all depended on the local demand. If local demand was much, their exports would be something between 15-20 per cent if less between 33-50 per cent. This year the demand of exporters is good, especially from Japan so they are not exporting much on their own account. They do not send much to Bombay.

The Japanese firms have their agents in Lyallpur. Volkart and Ralli Bros. buy for the European countries and England.

The last named two firms usually buy a lot in the Punjab Colonies where they can get the cotton ginned before them.

During the last five years the exporting firms would not buy in Lyallpur and as mill-owners could not keep large stocks here, they used to send them to Karachi and when the price of cotton decreased there, exporters used to buy it cheap. This meant a great loss to the mill-owners and this year they are holding up goods and trying to sell them locally. But the losses they have suffered in the last few years owing to the methods adopted by the exporting firms have made their financial condition very bad. The same is true of trade in wheat and other produces.

As regards the financing of the trade, they stated for the last ten years they have been borrowing from the banks. Before that they either used their own money or obtained it from sahukars on *hundis*. In years before that the custom used to be for the exporters to pay the money as soon as the cotton was received by them and put into the godowns. Now, however, they do not pay till the cotton has been pressed, cleaned, etc., which takes some days. This change in procedure has been due to unfair competition between the firms themselves which led some of them to accept the less favourable terms, and not to any loss of trust on the part of the exporters. Previously banks were willing to advance money against stock, but they do this very reluctantly now. In fact, zemindars can get money more easily from banks than factory-owners. Banks who advance money to mill-owners fix the rate of interest for the whole of the cotton season in the beginning. In addition they charge the pay of a clerk—about Rs. fifty per mensem, and also inspection charges which come to about Rs. ten –per factory per visit. Such inspections are made twice a month. A bank which has advanced money takes the godowns into its charge and holds the key of it. The following banks usually deal in this kind of business :—

The Central Bank charging interest at 9 per cent.
The Allahabad Bank charging interest at 7½ per cent.
The Imperial Bank charging interest at 7 to 8 per cent with monthly rests.

The Punjab National Bank does not do this business. To the Co-operative Banks the Imperial Bank advances at 5 to 6 per cent. For wheat on elevators it was charging 5 per cent at the time when it was charging mill-owners 8 per cent. The elevator was in use for only three years and has not been running since 1925.

In the case of goods sent to Karachi they borrow money from the banks against the railway receipt. In Karachi the *arhti* arranges for the money. *Arhtis* give 75 per cent of the value of the goods, the banks 60 per cent. Previously the banks also used to give 75 per cent. This is also the case with wheat, toria, etc. On wheat stocked here the banks give about 70 per cent of the value. Trade depression and fall in prices are the reasons which induce the banks to keep a bigger margin when advancing money. About four years ago banks used to give as

much as 80 per cent on wheat on elevator receipts ; the Imperial Bank even gave as much as 90 per cent.

The banks in Lyallpur are able to finance all the trade both in Lyallpur and in the muffasil. They have *kothas* in the mandis. through which they are able to finance the trade without any trouble. In the mandis the rate of interest is one per cent more than in Lyallpur For stocks in *kothas* they do not charge for inspection for each *kotha* as in the case of mills. The banks make money in another way also. They insure the goods themselves with any company they want and retain the 20 per cent return commission allowed by the companies in full. They also charge stationery charges at 5 per cent. The Imperial Bank, however, does not charge this. Previously this bank did not take the insurance expenses, but when the other banks started this system it followed suit. Owing to these excessive charges factory owners are not borrowing at all from banks this year. They have stopped all competition among themselves and are doing just as much business as they can finance themselves. If any money is needed they borrow from the sahukars on pro-notes. Sahukars charge about $7\frac{1}{2}$ per cent and take no security. There is no sahukar big enough in Lyallpur to give enough money for the needs of the factory owners who have to borrow in small sums from several of them. This year altogether about five lakhs of capital has been spent on this business, of which 75 per cent has been produced by the factory owners themselves. In the district, however, the banks are still financing the trade.

The larger insurance companies have this year refused to insure goods.

Sheikh Mian Mohammad did not agree with the other members of the deputation that sahukars can produce enough capital to finance the trade of Lyallpur even when very little capital is required as is the case this year. He suggested that Government should reduce the interest charged by the Imperial Bank so that businessmen and factory owners could get money from there for their needs. He argued that this will also benefit the zemindars as at present prices being low and bank charges high people cannot stock goods and sell them at low prices and this reacts on the prices paid to the zemindars, and also reduces the amount of business carried on by businessmen.

In the last five or ten years about 50,000 bales of cotton have been coming into Lyallpur every year. The price has been five rupees per maund, so that 75 lakhs of money has been in circulation during the season. It takes about a week before the cotton is ready for sale. Factories work for about fifteen weeks and if stocks are not held up, fifteen lakhs would be needed to run the factories. In short, a sum of ten lakhs is needed to finance the cotton business. It is impossible to get this amount of money in Lyallpur. The need for money varies with the price of cotton. At present the price is about Rs. 25 for American and Rs. sixteen for *desi*. American cotton used to comprise more than half the crop brought in, but this year it has been reduced to about 40 per cent and is dearer.

The system of borrowing from banks on hundis has died out in Lyallpur and even commission agents borrow from banks on the security of their goods.

Zemindars usually put their savings in the banks or keep the money in their houses so that money does not come into circulation.

The first bank to come to Lyallpur was the Punjab National Bank about 25 years ago. Before the banks opened business in Lyallpur there were some big sahukars and the money earned by the zemindars remained in Lyallpur, but now people are spending their money in buying more land and the money is going into the pockets of Government in payment of instalments on the land purchased from them.

In the new colonies the produce has been in excess of the requirements of the people. The earnings have been spent as follows :—

(1) On the purchase of gold,
(2) Speculation, and
(3) Standard of living has become higher.

The hoarded gold is now finding its way into the Imperial Bank in the shape of ornaments both from the city and the villages. Prices being unfavourable no money is left with the people.

The commission agents were examined next. All the three were *pucca arhtis*. Seth Banwari Lal was stated to be the biggest *arhti* in Lyallpur. Co-operative Commission Shop was the biggest "*Kachha Arhti.*" In the mandi there were about 100 *arhtis*, out of which about twenty were *pucca arhtis*. The number of *arhtis* was increasing every year as people were coming from the villages owing to lack of business and setting up as *arhtis* in the city. Bakht Bedar Shah said that previously zemindars used to deposit with the *arhtis*, but gave this up as the *arhtis* started speculating and the people lost their trust in them. The *arhtis* did not agree that this was the reason why zemindars have now given up depositing money with the *arhtis*. They said that in those days people had more money. Nowadays the zemindars do not even leave stocks in deposit in the market, but sell for cash. The bigger zemindars deposit their money in the banks. Those who are members of co-operative societies deposit with the Zemindara Banks. The village sahukars do not have any surplus money left after they have supplied the needs of the small zemindars. Of the eighty *kachha arhtis*, about 50 per cent deal with zemindars and the others with shopkeepers. *Arhtis* do take loans from banks and sahukars. The financial position of shopkeepers is bad this year and very little money is either borrowed or lent. Before this about ten lakhs were invested in the mandis. Even the banks are now lending on the security of ornaments to some whose credit is still sound. The condition of shopkeepers is bad because banks have begun to lend money against stocks and so there are greater facilities for holding up stocks, and this involves loss. Where in previous years they found it possible with a capital of Rs.2,000 to hold up goods worth Rs. 2,000 only, with the same capital now, they can hold up goods worth Rs. 10,000. Thus the risk has

increased five times. Again there being no trade they find it of no profit to store up stock when the harvest is reaped in the hopes of getting a better price for it later on. Instead of there being any export trade now, grain is actually being imported into India from foreign countries. Last year about fifty lakhs of sacks of wheat were imported into India from Australia, this year about thi ty lakhs have been imported. About fifty or sixty thousand sacks have been imported into Lyallpur. Most of the wheat produced in the Punjab is distributed over Rajputana, the United Provinces and other provinces where it is needed. There is no increase in the demand in the Punjab itself.

The work of *arhtis* is becoming less and less as they are not always sure of getting back money loaned by them, and also trust is decreasing. Some have given up the business because they have heard of the passing of the Money-Lenders Bill and are afraid, as they think they will be required to keep their accounts in characters other than those with which they are familiar.

From the shopkeepers sahukars charge interest at 6 to 8 per cent., from the zemindars 9 to 10 or even 12 per cent. Loans are not, however, given freely to zemindars now as they cannot pay back their old debts and much money is thus locked up with them. Bakht Bedar Shah said that one of the reasons why sahukars do not now advance money to zemindars was that owing to the opening of co-operative banks and spread of education among the people they find that they cannot charge as much interest as they used to do in the old days. The rate of interest has gone down. It used to be a common practice for grain to be sent into market to be sold on delivery. The price paid to the seller was the price of that grain on a future date which was fixed beforehand irrespective of whether it was higher or lower than the price that the grain actually fetched. The practice varies from area to area. Now the general practice is to pay the price actually fetched by the goods sold. Very little of the grain brought to Lyallpur is stored for future sale, it is nearly all sold at once. The Co-operative Commission Shop, for instance, never had as much as a thousand maunds of wheat in store last year. Most of the money spent on the purchase of produce from zemindars is taken from the banks. About ten or twenty lakhs is spent on this business in the market.

Imports are financed from outside until goods are received here and exports are financed by the banks cent per cent from the time goods are sent out. No goods are exported direct to Europe. In the case of wool it is sent to Fazilka, Lahore and Amritsar for washing and pressing and it is then exported to Europe. About 500 bundles averaging Rs. 150 per bundle are exported every year. Three or four years ago some firms tried the experiment of exporting cotton direct to England, but suffered a loss.

In Lyallpur there are about seven shops who purchase cotton for mills in India, three or four who purchase for Japan and three who purchase for Europe. Of the last named only two are working at present. Only wheat which has been cleaned is taken by the exporting firms.

(Witnesses withdrew).

Shaikh Mian Muhammad Allah Bakhsh, Proprietors, Cotton Ginning Pressing, Ice, Flour and Oil Mills, Lyallpur.

PART I.

1. (*i*) Most of the public and businessmen resort to local banks other than Imperial Bank as the former serve them with the least possible delay while they feel inconvenience and delay when attending the latter. The only drawback is about payment in small towns where there are no banks.

(*ii*) The system in vogue is inadequate and I suggest that Post Offices should be authorized to deal with this sort of business at the Banks' rates.

2. (*i*) Cheques, Mudati and Durshani hundis are used in the business circle and are considered as useful.

(*ii*) A reduction in the stamp duty in these documents is desirable.

4. (*i*) Supply bills give facility to great extent.

(*ii*) Yes, where there are no local banks.

5. None, except delay caused in having notes from Imperial Banks and local treasuries I suggest that these should give more facilities to the public than shown hitherto.

7. The facilities given in banks should be extended to all the Post Offices and it can easily be done with a little addition in the working of post offices and I strongy recommend that this be done as early as possible.

8. (*i*) Durshani and Mudati Hundis and pronotes are current in trade.

(*ii*) It is very seldom that Hundis are held by middlemen. These are mostly dealt with directly by banks.

(*iii*) Hundis are sent elsewhere throughout India and abroad.

(*iv*) Practice of issuing pronotes is taking place of Hundis—

(*a*) It is due to banking system.

(*b*) No necessity.

(*c*) There should be flat rate in affixing stamps to pronotes.

9. (*i*) Yes, it is possible.

(*ii*) No difficulties are experienced.

10. (*i*) Railway Receipts or Bilti change hands with endorsement made thereon.

11. (*i*) Not in this district (Lyallpur).

(*ii*) I am not in favour of Sattas as business will be ruined with its introduction.

Oral evidence.

Cotton Ginning Factory-Owners Multan).

1. Lala Chandu Ram of Sri Maharaj Cotton Ginning Factory.
2. Lala Som Nath of Dev Raj Cotton Ginning Factory.

Lala Som Nath stated that their factories are situated in Multan for the last 45 years. He had been doing this work throughout his life. The procedure in regard to cotton is that cotton is brought in sacks on the back of donkeys and camels, sometimes by zemindars themselves, sometimes by *arhtis* or sometimes by brokers. It is brought direct to the factory compound. The bargain is struck through brokers, one belonging to the factory and the other *arhti*. If the bargain is settled in factory, the stocks are unloaded, otherwise the zemindars take them to another factory. It is weighed immediately or whenever the owner desires. A maund is equal to 42¼ seers and three pice per maund are charged as weighing charges. Commission is paid by the factory owner. If on any occasion there is a difference in quality between the sample and the stock, the price is settled by the brokers. Money is paid in cash. There are separate pressing factories. If a firm purchases cotton from us, we do not press, and if we send cotton to Karachi for purposes of sale, pressing is done by us. For the quantity of cotton sent to Karachi, if we desire, we can take an advance of seventy to eighty per cent. of the probable value of stock from the *arhtis* at Karachi. They will charge us Re. 0-8-0 per cent *arhat*, Re. 0-8-0 interest on money received in advance, rent of godown, insurance charges, &c. Bargain is made according to sample ; if the stock is below the sample then the two brokers settle the price among themselves and in almost all cases an amicable settlement is reached. There is no *kan* custom. Zemindars bring American cotton separately if it is sown separately. Traders bring in the same way. *Arhti* does not mix himself any quality of cotton and there is no mixing done by anybody. There is no chance of mixing by *arhtis*, because stocks are brought direct from the zemindar's place to the factory. The stocks of different zemindars are sold separately. The reason why 42½ is taken as equal to a maund is that the extra 2½ seers is an allowance for the dust and *patri* that the cotton contains. There is no difference in *kanda* or *takri* weighing, weights are checked by the Agricultural Department once or twice a year. If it is out of municipal limits, then the zemindar pays three pice per maund as weighing charges and there is no octroi. Octroi on the stocks taken to the city is paid by the zemindars. Octroi is paid on the *phuti*, because it contains seed. *Dhanvais* (weigh-men) have got money with them, because they do other business as well. A *dhanvai* earns about Rs. 500 to Rs. 600 a year from his weighing profession.

In reply to Rao Sahib Pohap Singh, witnesses stated that the cotton maund of 42½ seers was introduced in Multan when cotton factories were first introduced in the district, so as to make an allowance for the weight of dust, leaves, etc., that might be mixed up with the cotton brought to the ginning factories. In practice no heed

is paid as to whether there is actually any dust or leaves mixed up in the cotton or not. Sometimes even bricks are found in the bundles, though they could not say whether this was done purposely or not. They suffered a loss of about 1½ seers in the maund on account of waste material found mixed in the cotton. They have not found any change in the quality of the cotton during the last twenty or thirty years. *Narma* is not grown in the Multan District to a very large extent. Only about 600 maunds has been brought to their factories this year. The price of cotton in the city was about four to six annas more than in the district as carriage charges are added to the cost. A carriage charge of about Re. 0-4-0 per maund would be paid if the cotton is brought in from a place about six miles away. The roads were bad. They themselves never buy outside in the villages.

In the villages *ahrtis* and *dhanvais* are synonymous terms. Such *dhanvais* get four pice per maund and so do not earn much. *Tolas* or weighmen in the cities charge 3 pice per maund. They are servants of the factory.

The price of cotton is fixed according to the prices ranging in Karachi or Bombay. On this price they calculate the cost of ginning (about 7 annas) pressing (Re. 1-2-0 to Re. 1-8-0 a maund), railway freight, storing charges and profit and fix the price. Profit is calculated at about 6 or 7 annas per maund on raw cotton (*phuti*). After deducting the cost of running the factory, etc., the net profit comes to about 1 or 2 annas per maund on *phuti*. If the price falls, there is a loss to them.

There are eleven or twelve factories in Multan, out of which only five or six are working. There is no pool among the factory owners.

Zemindars who grow cotton of good quality do get better price for it, but the zemindars of the district have not learnt to do this.

If a dispute arises owing to bad cotton being found mixed up with good cotton and the brokers of the two parties cannot come to an understanding, the unweighed cotton is returned to the owner. This sort of thing is not common in the city, though it sometimes happens in the mandis.

S PBL—340—18-9-50—SGPP Lahore.