

SELECTIONS  
FROM THE  
RECORDS OF THE GOVERNMENT  
OF THE  
PUNJAB AND ITS DEPENDENCIES.

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NEW SERIES—NO. XII.

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REPORT  
ON  
CURRENT RATES OF INTEREST ON LOAN TRANSACTIONS IN  
THE PUNJAB.

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Lahore:

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# SELECTIONS

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### REPORT

ON

### CURRENT RATES OF INTEREST ON LOAN TRANSACTIONS IN THE PUNJAB.

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No. 1138, dated Lahore, 18th October 1875.

From—C. R. HAWKINS, Esq., Offg. Secretary to Financial Commissioner, Punjab,  
To—The Secretary to Government, Punjab.

WITH reference to your demi-official letter of July 6th, 1875, I am directed to forward, for the information of Government, a statement which has been prepared in this office showing the current rates of interest on loan transactions in the Province.

2. Returns have been obtained from nearly all districts, and the rates have been compiled from the records of the Registration and Judicial offices, and from information supplied by the leading members of the mercantile communities.

3. The statement has been arranged so as to show separately the rates charged on transactions between money-lenders and agriculturists, and also on dealings between members of the mercantile classes.

4. The rates shown must in some cases be only taken as approximate. In transactions where real property is mortgaged money interest is rarely taken; the produce of land or rent of houses mortgaged is usually taken by the mortgagee in lieu of interest. In loan accounts between traders there is often a customary deduction made on balancing accounts.

5. The most noticable features in the return are summarised below :—

Average rate of interest on loans to agriculturists :—

	Minimum.	Maximum.
On land	... 11·5	25·8
On accounts	... 13·5	27·8
Do. between mercantile classes	... 6·2✓	13·2 ✓

6. The interest on advances in grain is usually paid in kind and ranges from 50 to 100 cent. per annum.

7. As, however, a return of this nature has now been obtained for the first time, it must be somewhat imperfect in many important particulars. The district returns show a maximum and minimum rate, but the prevailing rate for the district can hardly be ascertained from this as the minimum rate is probably rarely used. On this point the Deputy Commissioner, Jullundur, has some remarks worthy of notice.

8. The rate of interest charged to agriculturists is generally higher than that charged to other borrowers. It is stated in some of the reports, and it is no doubt generally true, that the rate of interest varies according to the social position and respectability of the borrower and the nature of the security offered. This general assertion does not, however, apply to cases where the security of land is taken. The returns of transfer of lands submitted with the Annual Revenue Report show that the value of land is steadily increasing, and it is a matter of notoriety that there is a general desire among all classes of the people to acquire land. Notwithstanding this the interest charged upon loans granted on the security of land does not decrease with the increasing value of the security.

9. The Deputy Commissioners of Lahore, Mooltan and Ráwalpindi, ascribe the high rate of interest charged on loans made on the security of land to the difficulty of obtaining possession of the land if the loan is not repaid. This is no doubt one reason, and another may be found in the general poverty and improvidence of agriculturists. To these reasons must be added the absence of competition among village money-lenders. The Financial Commissioner believes that an agriculturist who has dealings with a village money-lender (and this is universally the case) cannot open an account with another money-lender, and transfer his dealings to him, however much he may desire to do so. It would be contrary to the custom of the money-lenders to compete in this way for clients, and to do so would cause bitter animosity.

10. If another class of money-lender could be induced to enter into business of this kind, the Financial Commissioner believes that the rate of interest to agricultural borrowers might be lessened, while at the same time the lenders might obtain very good interest on the money lent.

11. I have the honor to forward in original with this return the reports of the district officers,

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*Statement showing the Rates of Interest charged on Loans and  
Accounts in the Districts of the Punjab.*

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## REPORT ON CURRENT RATES OF INTEREST

Statement showing the Rates of Interest charged on Loans and Accounts in the Districts of the Punjab.

1	2	3	4	5	6	7	8	9
NAME OF DISTRICT.	ON SECURITY OF					On Accounts.	On advances of Grain.	REMARKS.
	Government Promissory Notes deposited.	Land.	House.	Movable Property.	On Personal Security.			
Delhi.	Ra. ...	Ra. 6-24	Ra. 3-12	Ra. 3-12	Ra. 9-24	Ra. 12-30	Ra. 12--37½	Grain lent at a per less than current rate and paid at a ser in excess of current rate, besides interest at 1 or 2 per cent.
Delhi and London Bank ...	8-10	10-12	10-12	--	12	12	...	
Bank of Bengal ...	6	...	...	...	8	12	...	The business of this bank consists only in loans on Government Paper and Government Guaranteed Railway Stock, the discount of local bills and hundis, and the sale of its own drafts.

<i>Gurgaon.</i>	...	...	6-30	6-12	9-12	12-24	5 sers per maund per harvest.
Between cultivators	...	9-18	6-30	6-12	9-12	12-24	Ditto.
Between mercantile men ...	...	9-18	6-30	6-12	9-12	6-15	10 sers per maund.
<i>Karnal.</i>	6-12	12-37½	6-37½	12-42	6-37½	6-42	...
Charged to agriculturists and other non-mercantile classes.	6-12	6-12	6-12	6-12	6-12	...	...
Charged to mercantile classes.	6-12	6-12	6-12	6-12	6-12	...	...
<i>Hissar.</i>	...	9-18½	12-24	9-18½	18½-24	18½-37½	24-37½ or 25 per cent. in weight.
Charged to agriculturists and other non-mercantile classes.	...	9-12	6-9	6-9	...	6-12	...
Charged to mercantile classes.	...	9-12	6-9	6-9	...	6-12	...
<i>Rohatak.</i>	...	9-24	3-24	3-24	6-37½	20½-37½	12½ or 25-50 per cent. in weight per harvest.
Charged to agriculturists and other non-mercantile classes.	...	...	3-24	3-9	6-7½	6-9	...
Charged to mercantile classes.	...	...	3-24	3-9	6-7½	6-9	...

REPORT ON CURRENT RATES OF INTEREST

Statement showing the Rates of Interest charged on Loans and Accounts in the Districts of the Punjab.—(Continued.)

1 NAME OF DISTRICT.	2 LOANS OF MONEY						7 On Accounts.	8 On advances of Grain.	9 REMARKS.
	ON SECURITY OF								
	3 Government Promissory Notes deposited.	4 Land.	5 House.	6 Movable Property.	7 On Personal Security.	8 On Accounts.			
<i>Sirsa.</i>	Rs. ...	Rs. 13—36	Rs. ...	Rs. 7½—12	Rs. 18—24	Rs. 18—36	Rs. 25 per cent. in weight per harvest.	The conditions usually made for the re-payment of advances of grain are— (1) That, unless re-paid within the period agreed upon, failure of such engagement is to be made good by giving up cattle or other articles to the extent of the estimated value of grain already engaged for; or (2) interest is charged on this value at 12 per cent. per annum.	
Charged to agriculturists and other non-mercantile classes.	...	...	12—18	7½—12	18—24	6—18	...		
Charged to mercantile classes.	...	...	12—18	24—37½	12—37½	12—18	10—37½ or 25 per cent. in weight.	25 per harvest.	
<i>Umballa.</i>	12	12—37½	12—18	24—37½	12—37½	12—18	10—37½ or 25 per cent. in weight.		
Umballa	...	6—24	6—24	6—25	9—24	6—24	25 per harvest.		
To non-agriculturists	...	6—12	6—24	6—25	9—24	6—24	25 per harvest.		



<i>Ludhiana.</i>									
Ludhiana	...	7½	18½-24	7½	9	7½	7½	25 ditto.	
Charged to mercantile classes.	...	...	...	...	...	...	5½	...	
<i>Simla.</i>									
Charged to agriculturists and other non-mercantile classes.	...	...	24	12-24	18-37½	18-24	12-18	25 per cent. in weight per harvest.	
Charged to mercantile classes.	...	...	...	12	12	12	6-12	...	
Alliance Bank	...	9-11	12	12	12	12	12	...	No returns from Simla Bank.
<i>Jullundur.</i>									
Charged to agriculturists and other non-mercantile classes.	...	6	6-24	6-24	6-18	12-24	9-24	24 or 25 per cent. in weight per harvest.	The ordinary rate on bonds is 30 per cent.
Charged to mercantile classes.	...	6	6-24	6-24	6-18	6-18	6-15	6-12	
<i>Hoshiarpur.</i>									
Between bankers and agriculturists.	...	6-12	12-30	12-30	6-15	15-30	15-30	25 per cent. in weight per harvest.	
Mercantile men	...	6-12	6-30	6-30	6-15	6-30	6-30	...	

Statement showing the Rates of Interest charged on Loans and Accounts in the Districts of the Punjab.—(Continued.)

1	2	3	4	5	6	7	8	9
NAME OF DISTRICT.	LOANS OF MONEY							
	ON SECURITY OF							
	Government Promissory Notes deposited.	Land.	House.	Movable Property.	On Personal Security.	On Accounts.	On advances of Grain.	REMARKS.
<i>Katgra.</i>	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	
Charged to agriculturists and other non-mercantile classes.	...	12-24	12-24	12-24	12-24	12-24	25 per cent. in weight per harvest.	
Charged to mercantile classes.	...	9-12	9-12	9-12	9-12	9-12	...	
<i>Amritsar.</i>								
Agriculturists	...	12-24	9-24	9-24	12-24	18-50	25-50 per cent. in weight.	
Mercantile classes	√5-10	24	9-24	9-18	6-18	6-12	...	

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<i>Sialkot.</i>	...	18-24	7½-24	18-24	24	12-25	50 per cent. in weight per bar-vest, 25 per cent. do.
Agriculturists and non-mercantile classes.	...	18-24	7½-24	18-24	24	12-25	50 per cent. in weight per bar-vest, 25 per cent. do.
Mercantile classes	...	...	7½-24	9-24	...	6	...
<i>Gurdaspur.</i>	...	Produce generally taken in lieu of interest.	Rent generally taken in lieu of interest.	12-18	24-30	24-30	50-100
Charged to agriculturists and other non-mercantile classes.	...	...	...	12-18	24-30	24-30	50-100
Mercantile classes	...	Ditto.	Ditto.	6-6½	6-12	6-12	...
<i>Lahore.</i>	...	24-37½	24	12 on jewellery.	12	18	25-36
Charged to agriculturists and non-mercantile classes.	...	24-37½	24	12 on jewellery.	12	18	25-36
Charged to mercantile classes.	...	9-12	9-12	9-12	9-12	9-12	...
Punjab Native Banks	8-10	12	12	...	12	12	...
English Bank	6-10	12	12	...	12-24	10-12	...
<i>Ferozapore and Gujrdnwala.</i>	...	18	18	24	18	18	...
Charged to mercantile classes.	...	18	18	24	18	18	...

Statement showing the Rates of Interest charged on Loans and Accounts in the Districts of the Punjab.—(Continued.)

1 NAME OF DISTRICT.	2 Government Promissory Notes deposited.	3 Land.	4 House.	5 Movable Property.	6 On Personal Security.	7 On Accounts.	8 On advances of Grain.	9 REMARKS.					
									LOANS OF MONEY				
									ON SECURITY OF.				
<i>Rawalpindi.</i> Charged to agriculturists and other non-mercantile classes.	Rs. 12	Rs. 24	Rs. 12-24	Rs. 9-12	Rs. 12-24	Rs. 12-24	Rs. 25-100 per cent. in weight.						
	6	...	9-18	9-18	9-18	6*	...	* There is also a deduction of 2 pice in the rupee made when accounts are closed.					
English Bank ...	12 per cent. usually charged for loans on security; interest on advances or other varies with market rate.	24	24	18½	24	27	50 per cent. in weight per harvest.						
<i>Jhelum.</i> Charged to agriculturists and non-mercantile classes.	...	24	24	18½	24	27	50 per cent. in weight per harvest.						

	12-18	12-18	12	12-18	18	12-18	12-18	12-18
Charged to mercantile classes.	...	12-18	12	12-18	18	12-18	50 per cent. in weight per harvest.	12-18
<i>Gujrat.</i>								
Charged to agriculturists and non-mercantile classes.	...	18½	18½	25	25	25	50 per cent. in weight per harvest.	12-18
Charged to mercantile classes.	...	9-12	6-9	12	6	6	...	12-18
<i>Shalpur.</i>								
Charged to agriculturists and other non-mercantile classes.	...	12-18	6-21	6-36	6-24	6-36	25 per cent. in weight per harvest.	12-18
Charged to mercantile classes.	...	6-12	9-12	12	6-12	6-12	...	12-18
<i>Mooltan.</i>								
Charged to agriculturists and other non-mercantile classes.	...	16	18½	24	36	24	50 per cent. in weight per harvest.	12-18
Punjab Bank Limited ...	...	12	12	12	...	12	...	12-18
Charged to mercantile classes.	...	...	...	...	6	...	...	12-18
<i>Jhang.</i>								
Charged to agriculturists and non-mercantile classes.	...	12-40	6-24	12-24	12-50	12-24	12	12-18
Charged to mercantile classes.	...	12-40	6-9	12-24	3-12	12-24	12	12-18

Statement showing the Rates of Interest charged on Loans and Accounts in the Districts of the Punjab.—(Concluded).

1	2	3	4	5	6	7	8	9						
									LOANS OF MONEY					
									ON SECURITY OF				On Personal Security.	On Advances of Grain.
Government Promissory Notes deposited.	Land.	House.	Movable Property.											
NAME OF DISTRICT.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.							
<i>Montgomery.</i> Charged to agriculturists and non-mercantile classes.	...	12-18	12-18	24-25	24-25	12-25	25							
	...	6	6	6-9	6-9	...	...							
<i>Muzaffargarh.</i> Charged to agriculturists and non-mercantile classes.	...	9-12	12	18	12	12	25							
	...	...	4½	...	6	6	...							
<i>Dera Ismail Khan.</i> Charged to agriculturists and non-mercantile classes.	...	12-18½	12-15	10½-12	12-37½	18½	25-50 per cent. in weight per harvest.							

Charged to mercantile classes.	...	6-9	6-9	9-12	9-12	6	...
<i>Dera Ghazi Khan.</i>							
Charged to agriculturists and non-mercantile classes.	4	9-12	7½-12	7½-12	6	...	
Charged to mercantile classes.	4	9-12	7½-12	7½-12	6-24	9-24	
<i>Barnes.</i>							
Charged to agriculturists and non-mercantile classes.	...	24	16½	13½	24	25 per cent.	
Charged to mercantile classes.	...	24	16½	13½	12		
<i>Peshawar.</i>							
Charged to agriculturists and non-mercantile classes.	...	12-18 per cent.	12-36	12-36	6-36	10-21 per cent. per annum.	
Charged to mercantile classes.	...	12	12-36	...			
<i>Hawdra.</i>							
Charged to agriculturists and non-mercantile classes.	...	24-37½ per cent.	18-37½	18-37½	24-75 per cent.	50 per cent. per annum.	
Charged to mercantile classes.	...	...	...	...	6-12		

FINANCIAL COMMISSIONER'S OFFICE,

LAHORE:

The 18th October 1876.

C. R. HAWKINS,

Offg. Secretary to Financial Commissioner, Punjab.

Extract from Deputy Commissioner of Sirsa's Report, No. 128, dated 19th July 1875.

THE rates usually demanded have been fully discussed by a Committee composed of the following native gentlemen :—

- |   |   |          |
|---|---|----------|
| <ol style="list-style-type: none"> <li>1. Rám Sukh Dás,</li> <li>2. Hukm Chund,</li> <li>3. Devidat,</li> <li>4. Govind Rám,</li> <li>5. Badar Mal,</li> <li>6. Kamr-ud-din Khan, Land-holder,</li> </ol> | } | Bankers, |
|   |   | and      |
| <ol style="list-style-type: none"> <li>7. Mehfuz Ali, Naib Tahsildár, acting as Secretary to the Committee.</li> </ol>  |   |          |

The rates of interest charged to agriculturists or other non-mercantile classes have been stated separately from those charged to mercantile men. It will be seen from the distinction made that the rates of interest on "movable property" and "personal security" are uniform both in regard to agriculturists and mercantile men, while those on other accounts differ to some extent, being favorable to mercantile men.

The rates usually charged on advances of grain are exorbitant and ruinous to the agriculturists, and the conditions noted in the column for "Remarks" are very unfavorable to them. A succession of bad harvests for the last few years has, as far as this district is concerned, diminished their credit and enhanced the demands of bankers. The only means to protect them from the grinding policy of bankers is to establish Government Savings Banks and make advances from them on easy terms.

In this district both creditors and debtors, whether agriculturists or mercantile men, adjust their accounts annually. Interest charged on loans is then added to the principal, and on the aggregate sum fresh interest is allowed to run. This is detrimental to the interests of debtors, who often find it difficult to repay the loans thus swelled up to an alarming figure.

Any aid from the establishment of Savings Banks could not be rendered properly unless one of the first principles on which these Banks have been worked successfully in Europe is borne in mind. *They must be brought, like the Post Office Savings Banks in England, to every man's door.* Agriculturists cannot, with economy, make long journeys to draw or deposit small sums in Savings Banks; and I would advocate, as I have often previously reported, that every patwári be made the Savings Bank agent of his <sup>village</sup> tahsil, and allowed to *receive and issue deposits*, while the issue of loans might be confined to tahsils.



Memorandum by D. G. BARKLEY, Esquire, Deputy Commissioner, Jullundur,  
dated 4th August 1875.

LOANS on deposit of Government Promissory Notes are unknown; the rate stated is that which the native bankers say would be charged if such loans were applied for.

When possession of mortgaged land is given, the mortgagee pays the Government revenue, and the profits are balanced against the interest, which is thus extinguished. The same rate prevails both in the city and in villages for mortgage of land.

When possession of mortgaged houses is given, the interest is treated as extinguished by the rent. Rs. 6 to 12 is the ordinary rate, but in special cases of necessity on the part of the borrower Rs. 18 is charged.

The interest charged on pledge of ornaments and vessels is 6 to 12 per cent. in the city, 12 to 18 per cent in cantonments; on clothing, carts and other conveyances, from 6 to 18 per cent. in the city, from 12 to 24 per cent. in cantonments.

On advances of grain, the custom is to charge no interest for the first 15 days to the mercantile classes. No such indulgence is given to agriculturists. Grain is also advanced to agriculturists for seed on the terms of repaying in grain with the addition of one-fourth at harvest. If the advance is not repaid for a year, one-half is added. It is the custom that if a debt remains unliquidated for several years, the interest does not exceed half the principal if the loan is of cash, or the total amount of the principal if it is to be repaid in grain.

In towns and villages throughout the district the ordinary rate of interest charged in bonds is 30 per cent. per annum; but 9, 12, 15, or 18 per cent. is sometimes charged when the debtor is in such circumstances that the debt is likely to be recovered without trouble or risk of dispute: for instance, when he is a jágírdár.

The authorities consulted were, in the city, Lála Jamna Dás, Jowála Dás, Bágh Mal, Hukm Chand, of Basti Gazan, Gokal Chand, of Basti Gazan, Rádha Mal, of Basti Gazan, and Dittu Mal, of Basti Shekh; and in cantonments, Lála Mutsaddi Mal, Diwán Singh, Shi Gopal, Gomáshta of Sri Kishn Dás, Bhajjan Lál and Lála Rámjas. The enquiry was made by Extra Assistant Commissioner Hádi Husain Khan.

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Memorandum by Captain G. G. YOUNG, Deputy Commissioner, Hoshiárpur.

I CAN trace no instance in which Government Promissory Notes have been deposited to secure a loan, but I am told that 6 to 12 would be charged if notes were deposited as security.

As a rule 30 per cent. are charged to agriculturists. In very few instances is a smaller rate allowed. I have known 12, 15, 18, 24, 27

per cent. charged; the lower rates have been agreed upon when the amount is composed in a great part of interest.

Sums advanced on "mál ráb" transactions run without interest up to a certain time, generally up to Mágr or Poh; but on settlement of accounts on any balance remaining due, after deducting value of "mál ráb," 30 per cent. is charged on the balance due.

Interest on securities of land and houses between mercantile men and agriculturists varies from 12 to 30 per cent. when possession is given; the usufruct from the land ceases the interest. This is therefore dependant on the quality of the land and its capabilities of production.

A great deal depends upon the condition upon which the parties have been dealing before and on the condition in life of the borrower. In very far the larger proportion interest is 30 per cent., in some cases 15, 18 and 24, and very rarely 12 per cent. If there had been dealings for some time between the parties, and the banker considers the assurance a good one and worth keeping on his books, he reduces the interest from 30 gradually to 15.

Agriculturists can raise money on the pledge of jewellery at from 6 to 15 per cent. according to the quality of the article pledged, and whether in excess or below the value of the money borrowed. Personal security does not command much confidence in abatement of the rates of interest. Interest in such securities is usually at 30 per cent., and in some few instances at 15 and 24. Interest on accounts is generally 30 per cent. against agriculturists and in some few cases a little less on cash transactions; but on the purchase of shop-goods, interest runs from date of settlement on any balance that may be due. Interest on advances of grain is generally  $1\frac{1}{2}$  per fassal or "siwáya" and sometimes 2 annas per fassal on value of grain; and though the interest is settled at  $1\frac{1}{2}$  per fassal or "siwaya," it does not follow that the banker will realize this. It may be a great deal more or it may be a great deal less; it depends on the market rates prevailing at the time of the fassal; he will get the quantity stipulated for.

*Bankers and non-mercantile men.*—There is hardly any difference between this class and agriculturists. In some instances among weavers and manufacturers of Pákpattan work, interest is allowed at 18 to 24 per cent; but the well-to-do weavers of Khánpur and Hoshiárpur, and who are considered very reliable, can get advances at 12 per cent.; there are not many who can command such favorable terms.

The interest on land and house security among mercantile men varies from 6, 9, to 12 per cent. as a rule among the leading men; the interest on whatever may be the nature of the security never exceeds 6 per cent., and it goes up to 12 per cent. as the quality of individual diminishes. There are a class called "sábúcárs," who have their dealings principally among the agriculturists; these borrow from the bankers of Hoshiárpur and Bijwára at from 12 to 15, and lend out at 30 per cent.

No. 447, dated 30th July 1875.

From—Captain R. P. NISBET, Officiating Deputy Commissioner, Lahore,  
To—The Commissioner and Superintendent, Lahore Division.

IN reply to Financial Commissioner's Circular No. 4036, dated 9th Instant, received with your Circular No. 97-1552, dated 13th Idem, I have the honor to report that, after consulting two native banking firms in the city of Lahore, together with two money-lenders (who also deal in grain) in the interior of the district, it has been ascertained that the following are the ordinary rates of interest charged on loans in this district.

2. As stated by the firms of Gulzari Mal, Jaswant Rai, and Mehtab and Deviditta, Bankers of the city of Lahore :—

- 1st.—On loans by non-agriculturists or non-mercantile men on the security of land from ... Rs. 2 to 3 2 0 per cent per month.
- 2nd.—On ditto by non-agriculturists on the security of houses at „ 2 do. do.
- 3rd.—On ditto by ditto on the security of gold and silver ornaments at ... „ 1 do. do.
- 4th.—On ditto by ditto on approved personal security at ... „ 1 do. do.
- 5th.—Interest on accounts is charged at ... „ 1 8 0 per month.
- 6th.—Interest on loans or credits between—mercantile men varies from ... 12 annas to 1 per cent per month.
- 7th.—Interest of loans to agriculturists, whether with or without security, varies from Rs. 25 to 36 per cent per annum according to circumstances.

3. The ordinary conditions of payment by agriculturists in the city is half yearly at the time of harvest, either in cash or in grain, the latter being converted into money at the market price of the day; sometimes the debt is made payable by instalments, but the period of payment in full is seldom allowed to go beyond the second year, except in cases where a decree has been obtained, and a settlement made in Court by razinama on execution of decree. On such occasions the instalments are often allowed to extend over a period of 6 years or more.

4. Loans on the deposit (as security) of Government Promissory Notes are not known in the city of Lahore.

5. Of the money-lenders in the interior of the district,—the rates charged by Kesar Shah and Gopala of Ichra, in tahsíl Lahore, and Khudian in tahsíl Chunian respectively, are the same as those indicated above, but these men also make advances in grain and charge interest at the rate of 25 per cent. per annum. Sometimes if the borrower is hard pressed for money they charge even as far as 3 per cent. per month. In the interior also it is customary to repay loans at harvest time, either in cash or in grain. They say that they debit and credit the grain at the ordinary market rates, but in cases brought into court it has often been found on enquiry that at the time of advancing the grain they have debited the borrower at rates much below the existing market rate, and *vice versa* at the time of repayment, in case the payment is also made in grain.

6. The reason assigned for charging a higher rate of interest on loans taken on the security of land is that, in the event of non-payment, they cannot touch the said land, and have therefore to wait for their money until they can recover it slowly by attachment and sale of the produce thereof, after deducting the Government demand payable on the land by the judgment-debtor.

7. The records of the Registration Department, however, show that the rates of interest entered in the bulk of the bonds registered during 1874 are as follows:—

- 1.—For loans on personal security from ... Rs. 2 to 3 2 0 per cent per month.
- 2.—For ditto on security by mortgage of movable property from... „ 2 to 3 2 0 do. do.
- 3.—For loans on the mortgage of land from ... „ 1 4 0 to 2 do. do.
- 4.—For loans on the mortgage of houses. The same.

8. The rates obtaining in the Punjab Bank at Lahore are given below, as kindly furnished by the manager thereof. The Agra Bank was also applied to, but the manager writes to say that the information asked for had already been furnished on requisition from the Commissioner of the Division.

- 1.—On loans given on the security of Government paper ... Rs. 8 to 10 per cent per annum.
- 2.—On loans given on the security of land ... „ 12 per cent per annum.
- 3.—Ditto of houses ... „ 12 do. do.
- 4.—No advances are made on the mortgage of movable property.
- 5.—On loans given on personal security ... „ 12 do. do.
- 6.—Interest charged on accounts at ... „ 12 do. do.

9. The native bankers have been personally consulted, one of the largest of whom, Lala Chota Lal, states as follows:—

On loans secured by mortgage of land or houses from	...	Rs. 1 to 2 per cent per month.		
Loans given on personal security	...	do.	do.	
Loans given on mortgage of gold and silver ornaments from	...	annas 8 to 10	do.	do.
Loans on credit to mercantile men from	...	„ 10 to 12	do.	do.
Interest on accounts at...		Rs. 1 to 1 8 0	do.	do.

No. 1894, dated Ráwalpindi, 28th July 1875.

From—H. E. PERKINS, Esquire, Deputy Commissioner, Ráwalpindi,  
To—The Commissioner and Superintendent, Ráwalpindi Division.

IN answer to your No. 104, dated 11th Instant, I have the honor to send the information required in the tabular form. The information supplied by the Bank was given by its Head Manager, and the rest was supplied by the natives noted in the margin, who are all bankers and money-lenders of this place.

2. Two interesting economic questions arise upon these statistics: the first that the maximum rate of interest obtainable here is 24 per cent. even when security is not very good, whereas in the Jullundur Doab 30 per cent. is a common rate even on good security. This may be due to the greater abundance of money which prevails here in comparison to that region. I do not think, however, that this can be the case. The general style of living shows that wealth is neither widely-diffused nor abundant even amongst men who are among their fellows considered wealthy. I therefore believe we must take the low rate of interest to be due to the fact that lenders are more cautious than in our older and richer provinces, and that where they deem security insufficient, they will refuse to lend sooner than lend on bad security even at the higher rates prevailing there.

3. The other consideration arises from the low esteem in which land is held. It being no longer marketable owing to the restrictions upon sale, which the policy of Government and of the Chief Court have lately placed upon it; it goes now into the rank of indifferent securities. It may be said that these protectionist doctrines applied to land are out of place. If we had any guarantee that money borrowed in the open market on security of land would be spent on its improvement, they certainly would be so; but experience leads one to believe that

the money that would be borrowed on security of land would often be spent in ostentation at weddings and funerals. Money really required for improvements can be borrowed from Government particularly under the much more liberal rules promulgated by *Punjab Gazette* of July 22nd Current. The rules, therefore, imposing restrictions on sale of land are, on the whole, perhaps wise up to a certain point.

4. It is, however, necessary that one very important exception should be noted, and it does go far towards counterbalancing these advantages. Government gives no advance, as a general rule, for purchase of cattle; yet there are many times when through starvation or murrain cattle die unexpectedly and in such numbers as to seriously cripple the agriculturist. On these occasions it is an unmitigated calamity to him that the Government have depreciated his land by excluding it from sale. He can only raise money for what is an absolute necessity to him at 24 per cent., or, as in the Jullundur Doáb, at 30 per cent. instead of at 6 per cent. which the bankers told me they would willingly agree to if land were in the market. I cannot help thinking, therefore, that we are over-doing our protection to the agriculturist and are in truth coddling him to death. I would still make ancestral land liable to sale only by sanction of the Chief Court, but I think the judges might be invited to give that sanction more freely than it has been their practice for some years past to do. I am convinced that the next-to-absolute prohibition which has been in vogue during the last 8 years or so is paralyzing, instead of fostering, agricultural interests and creating the very evil it is meant to avoid. The money-lenders will outwit us in some way. Denied legitimate interest and good security, he resorts to forgery, to entering fictitious items in accounts, and this causes ill-will and promotes crime.

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No. 363, dated Mooltan, 16th July 1875.

From—Colonel T. W. MERCER, Deputy Commissioner, Mooltan,  
To—The Commissioner and Superintendent, Mooltan Division.

IN reply to your circular No. 125, dated 12th Instant, enclosing letter from Secretary to Financial Commissioner, No. 4036, dated 9th July, requesting information as to the prevailing rates of interest in this district, I have the honor to state that the following information may be relied on as correct, it having been obtained from the following representatives of the different classes who are mostly concerned :—

Duncan Macbean, Esquire, Manager, Punjab Bank.

Rai Shám Lál, Extra Assistant Commissioner, who has the subject constantly before him in court.

Rai Manohar Lál, Officiating Extra Assistant Commissioner, Treasury Officer, and the Treasurer, Sálig Rám.

Lála Hákim Rái, Tahsildár of Mooltan, acquainted with customs of all classes.

Ghulám Kádir Khan, Raes of Mooltan, representing largely the agricultural class.

Chaudri Múl Chand, Sáhukár.  
 Lála Sukhdeo Bux, Treasurer's Agent.  
 Lála Gokul Dáss, Merchant.  
 Naitú Dáss, Ditto.  
 Malik Khuda Baksh, Agriculturist.  
 Chaudhri Asánmand, Sáhukár, of Shujabád.  
 Abdulla Khan, Pathán.  
 Seth Jaggan Náth, Sáhukár.

2. The rates of interest shown in the first line are those charged to agriculturists and non-mercantile classes.

3. The most common kind of security on loans at the higher rates of interest are house property by simple mortgage, articles of value, such as jewellery, deposited as security.

4. Land is mortgaged as collateral security, but to a limited extent, as there is always difficulty in obtaining possession or the usufruct of a land mortgage in consequence of the parties having to resort to our courts\* to effect the transfer, and the security of land becomes useless when the debtor fails to pay up, and the mortgagee is unable to obtain satisfaction by the permanent transfer of the land.

5. It will be seen that loans on the security of house property are obtainable at 15 per cent., while loans on security of landed property are charged with 18 per cent. interest.†

6. Loans on personal security are generally at 24 per cent., and for limited periods, so as to bring them within the law of limitation.

7. The profits on loans of grain are always charged for at very high rates, generally 50 per cent.‡

8. This is to allow for the fluctuation of price and the risk it entails to the lender.

9. Re-payment is generally insisted upon in kind. If to be in cash then at the current rate of grain at time of delivery.

10. The second line shows the rate charged by mercantile classes to others of same class.

11. Loans between them are so exceptional§ that there cannot be said to be any common rate of interest.

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\* And revenue courts for dákhilkhárij, which is a long and troublesome and tedious process, and probably needs much expenses in presents &c.,—A.B.

† I enclose a translation of a report of arbitrators in a case now before me, in which they say 12 per cent, is the custom on landed security, and this is generally the rate in cases, but I have found even 24 per cent. sometimes agreed upon in bonds on land security.—A.B.

‡ I have generally found 25 per cent. in cases.—A.B.

§ Except the ordinary loans to start a (dependent) shop, where the interest is 12 per cent. and half the profits besides.—A.B.

12. Advances on account are usually charged with 6 per cent.\* interest to cover profit and loss, but this is sometimes as high as 12 per cent. when the credit of either party is not very good.

13. The third line shows the rates at which money is lent in the European bank at this station, a common rate of 12 per cent., whatever the security.

14. They have few transactions on accounts, and therefore do not seem to understand the meaning of that column. They would probably call such transactions a "cash credit."

15. Their advances on shipments of grain to Bombay or Karáchi varies very much; several circumstances regulate the rates of interest on such transactions; the state of their own cash balance; the credit of the party whose bills they take up on the grain; the húndi rate of exchange between Mooltan and port of consignment, &c.

16. The opinion of the Manager of the Bank as to rates charged for loans on security of land is that it is as high as 24 per cent.

17. I think the average is nearer 18 per cent.

18. The natives are still of opinion that our limitation laws prejudice the interests of the money-lender to too great an extent.

19. It is not that so much as the distrust which the money lender has in the agricultural borrower; he thinks that he will not renew his bond when due date comes, and knows the difficulty he will have in realizing his security; and so limits the amount of loans and charges exorbitant interest upon it.

20. If the law rendered it impossible for the lender to recover more than a certain rate of interest, and made it easier to him to obtain temporary possession of the land when the borrower failed to pay up, their relative position would be more equal and the money-lender less grasping.

21. I think these remarks and the statements submitted answer all the questions put.

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\* The Shikárpurias generally take only  $4\frac{1}{2}$  per cent. from each other—but take it most strictly, up to 5 o'clock being one day; after that a day's interest is taken.—A.B.









SELECTIONS  
FROM THE  
RECORDS OF THE GOVERNMENT  
OF THE  
PUNJAB AND ITS DEPENDENCIES.

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NEW SERIES—NO. XII.

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