

# What are Hundis? What are its types?

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An age-old tradition of business transactions, peculiar to India, Hundis are negotiable instruments written in various vernacular local languages in the country. The term is derived from the Sanskrit word hundi which means ‘to collect’. These are generally in the form of bills of exchange but may sometimes look like promissory notes in shape and contents.

In other words, a hundi, though a negotiable instrument, is not necessarily a bill of exchange as defined in the Act per se. Hundis are popular among Indian merchants, especially those operating in sub-urban areas, even today, and are governed by the Negotiable Instrument Act, 1881 unless there is a local usage to the contrary.

For example, contrary to the Act, if the custom or usage in a particular area or part of the country allows interest on hundis drawn and payable for as many days after sight, it would be recognized as lawful.

## Forms or Types of Hundis

The following are some of the popular forms of hundis.

- Darshani hundi
- Shahjog hundi
- Dhanijog hundi
- Jawabee hundi
- Firmanjog hundi
- Miadi hundi

- Namjog hundi
- Jokhmi hundi
- Zikri hundi

1. **Darshani hundi**: A hundi payable at sight is called darshani hundi. It is negotiable and is like a demand bill. It may be sold at par or at premium or at discount. A darshani hundi should be presented for payment within a reasonable time of its receipt by the holder. If the drawer suffers a loss due to delay in presentment, holder shall be responsible for it.

2. **Miadi hundi**: Also known as muddati hundi, miadi hundi is one which is payable after a specified period of time like a 'time bill'. Banks usually provide loans against the security of such hundis.

3. **Shahjog hundi**: This is a hundi made payable only to a Shah (a respectable person of financial worth and substance in the market). It may be miadi or darshani and can be transferred freely from one person to another by mere delivery but it is not payable to bearer. In some respects it is similar to a crossed cheque.

4. **Namjog hundi**: It is a hundi payable to the party named in the hundi or his order. Such a hundi is similar to a bill of exchange payable to order.

5. **Dhanijog hundi**: 'Dhani' in vernacular language means owner. Thus, a dhanijog hundi is one which is made payable to the owner, or a holder or bearer-owner. It is just like a bearer cheque and the holder of it becomes holder in due course if he takes it bona fide and for value.

6. **Jokhmi hundi**: The term 'Jokhmi' has been derived from the Hindi word 'jokhim' meaning 'risk'. Such a hundi is usually drawn against goods shipped on a vessel and implies a certain risk involved in the shipment of goods. Jokhmi hundi, in fact, is a combination of bill of exchange and insurance policy and payable only when the goods arrive in safe and sound condition. If the goods are lost in transit, the consignor cannot claim payment of the hundi from the consignee, i.e., the drawee. Thus, a jokhmi hundi safeguards the interests of both, consignor and the

consignee. It acts as a bill of exchange if the goods arrive safely and if the goods are lost or destroyed en route, such a bill works like an insurance coverage

7. **Jawabee hundi**: A hundi, which is in the form of letter or recommendation to a banker for payment of a certain sum of money to a specified person, is termed as jawabi hundi.

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8. **Zikri hundi**: This is a hundi accepted for honour in writing on a Zikri chit (letter of protection) without being protested. It is drawn in the name of a specified person residing in the town or city where the hundi is payable. In case, acceptance is refused by the drawee or when a refusal is likely to occur, the hundi is furnished to the holder by some prior party to it.

9. **Firmanjog hundi**: The term Firman refers to order in vernacular language and therefore, a firmanjog hundi is made payable to the order of payee. It is just opposite of dhanijog hundi which is payable to the bearer only.