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Press Notes, on the working of Debt Settlement Boards in Mymensingh and Tippera Districts.

The Debt Settlement Boards established all over the province have been affording relief to the agriculturists by helping them to liquidate their indebtedness and saving them from ruin which such indebtedness was inevitably leading them to. Be it remembered that this has been achieved not by any process of coercion but by a process of persuasion and conciliation. Their success is due as much to the tact and ability displayed by these Boards in settling cases as to the practical wisdom shown by the creditors in their readiness to agree to large remissions where the circumstances of the debtors necessitated them.

These efforts of the Boards have resulted in wholly extinguishing the debt in some cases or in reducing it by a very substantial percentage in a large number of cases on the debtors agreeing to pay the award in cash or in easy instalments. Instances have come to notice in which mortgagees in possession have been successfully persuaded to accept the view that the usufruct already engaged by them had more than wiped away the debt. In such a case, in Jamalpur subdivision in Mymensingh district, the creditor agreed to forego the entire claim of as much as Rs. 980. In the same subdivision two other claims of Rs. 100 and Rs. 175 were similarly written off. Again there have been cases in which similar claims have been settled for cash payments of a nominal amount as for example a claim in Netrokona for Rs. 194 was settled for a cash payment of Rs. 8 and two of Rs. 200 each were composed for Rs. 10 and Rs. 25, respectively. A debt of Rs. 280 was extinguished on a cash payment of Rs. 80 only. Similarly in the district of Tippera a debt of Rs. 300 was composed for Rs. 205 after the creditor had possessed the land in lieu of interest for 3 years only.

There are tenants who contracted debts out of all proportion to the lands held by them and the creditors could never hope to realise their dues from such debtors. By putting pressure on them they could only lead the debtors to bankruptcy. In such cases Boards have found creditors readily agreeable to a composition for a reasonable cash award based on the debtors' capacity to pay. Thus a tenant in Mymensingh holding 2 acres of land contracted a debt of about Rs. 4,800 which the creditor was glad to write off on receiving Rs. 695 in cash. Another tenant in the same district owning only 14 acre of arable land was involved in debt to the extent of Rs. 496. The creditors accepted Rs. 120 only in lieu of the entire dues to be paid by instalments ranging over 18 years.

Kot mortgages are more difficult to deal with as in such cases besides the land being enjoyed by the creditor, in lieu of interest, till the loan is repaid there is an added stipulation that the mortgage is to be deemed to be a sale if the loan is not cleared within a certain period. Even such cases have been satisfactorily settled by the Boards. In a case in Tippera district a loan of Rs. 130 on these terms was composed, after the land had been enjoyed by the creditor for 10 years, for Rs. 70 to be paid in 7 years. A similar loan in the same district for Rs. 100

was settled for Rs. 20 to be paid in 5 years. The creditors had possessed the land already for 14 years in lieu of interest. In both the cases the lands have been returned to the debtors.

In other cases debts have been substantially scaled down on mutual agreement and long instalments have been arranged on the basis of the debtors' annual paying capacity. The following are a few typical examples from the districts of Mymensingh and Tippera of such composition:—

- (1) Claim—Rs. 3,667.
Settlement—Rs. 2,013 payable in 10 annual instalments.
- (2) Claim—Rs. 1,800.
Settlement—Rs. 625 in 15 annual instalments.
- (3) Claim—Rs. 1,413.
Settlement—Rs. 765 in 11 annual instalments.
- (4) Claim—Rs. 1,575.
Settlement—Rs. 645 in 17 annual instalments.
- (5) Claim—Rs. 10,000.
Settlement—Rs. 8,000 in 11 annual instalments.
- (6) Claim—Rs. 1,095.
Settlement—Rs. 700 in 12 annual instalments.

In all such cases interest ceases to accrue in future though the awarded debt is to be paid by instalments spread over a number of years. Lands have in all cases been returned to the debtors except when the land is transferred to the creditor in complete usufructuary mortgage for a limited period in composition of the debt, as in a Tippera case, 62 acre of land was transferred to the creditor for 13 years for a debt of Rs. 360 scaled down to Rs. 260. After the period the debt will have been extinguished and the land will revert to the debtor.

Even Civil Court decrees have been allowed by creditors to be composed by the Boards on terms satisfactory to both parties. Thus a claim of Rs. 467 in the Tippera district, covered by a Civil Court decree was settled for a cash payment of Rs. 285. In another case, in the same district, debts amounting to Rs. 635, of which Rs. 293 was covered by a Civil Court decree, was settled at Rs. 200 paid off in cash.

Communique, dated the 4th June 1937.

1. Speeches made at the recent Conference of Representatives of Bengal Loan Companies and subsequent discussions in certain newspapers reveal some serious misapprehensions about the scope and provisions of the Bengal Agricultural Debtors Act.

2. At the Conference it was urged that by the operations of the Act the Loan Companies would be ruined, and that, therefore, they should be exempted from its scope, and later in the editorial column of one newspaper this proposal has been supported on the ground that Co-operative Credit Societies are so exempted by a provision in the Act itself. There is no provision in the Act whereby Debt Settlement Boards are precluded from dealing with the dues to Co-operative Societies in the same manner as they deal with other debts of agricultural debtors; the only section in the Act which specially relates to Co-operative Societies provides that awards concerning dues to such societies shall be subject to approval by a prescribed authority; and in order to minimize delay in disposal the power to give approval has been delegated to Assistant Registrars.

3. Loan Companies have no cause to apprehend ruin from the operations of the Agricultural Debtors Act, the two main purposes of which are to reduce the dues of debtors to an amount which they can pay without losing their means of livelihood, and to apportion the amount so payable as fairly as possible among the several classes of creditors. Unless a debtor is to be completely deprived of his home and his property it is humanly impossible to realize from him more money than is left to him as surplus after allowing him to retain sufficient property and income to cover his necessary costs of living. If a debtor can only pay Rs. 50 it is immaterial whether he is sued for Rs. 60 or for Rs. 1,000. But whereas by the sale of his entire holding in execution of a Civil Court Decree a debtor can be brought to ruin and starvation, the Debt Settlement Boards will make him pay as much as possible without rendering him homeless and landless.

4. On the contrary if loan companies were exempted from the scope of the Act, they would be the losers. As soon as an agricultural debtor files an application before a Board, a Board may attach all his immovable property; this step is not ordinarily taken as yet, but if debts to loan companies were excluded from the scope of the Act such a step would be necessary in order to prevent a debtor from being dispossessed of the land from the products of which he will repay his debts dealt with and awarded by the Board; thereafter, a loan company could not execute any decree against the debtor till all the amounts due under the award had been paid. At the Conference it was urged that loan companies are often dispossessed to settle debts amicably of their own accord; this is not denied, but there can be no satisfactory and lasting solution to rural indebtedness unless all the debts of a debtor are considered simultaneously.

5. If loan companies find themselves subject to any unnecessary inconvenience or loss through undue delay in disposal of cases before Debt Settlement Boards, Government feel confident that on a reference by the directors of the company concerned to the Collector of the district the difficulties will be removed.

Press Note dated the 15th March 1937, regarding Debt Conciliation Boards.

The Bengal Debtors Act was enacted for the solution of the problem of rural indebtedness by an amicable, inexpensive and expeditious method.

2. Debt Conciliation Boards were first established in Chandpur subdivision as an experimental measure and proved a great success in liquidating rural indebtedness by a method which gave satisfaction both to the creditors and debtors.

3. Following the success achieved by these Boards, the Act has now been extended to 16 districts of Bengal and 922, Ordinary and 11 Special Boards have already been established out of an estimated total of 1378 Ordinary and 18 Special Boards proposed to be established by the end of the present financial year. There is a persistent demand for more Boards from several districts of Eastern Bengal. An estimate, admittedly provisional, puts the total number of Ordinary Boards which may eventually be established at over 5500 for the whole province.

4. The actual work of forming and supervising Debt Settlement Boards is being done primarily by the Circle Officers. In addition, 80 Special Debt Settlement Officers have recently been appointed to assist in carrying out propaganda with a view to establishing Boards and guiding the Boards when formed. More than half of these have been recruited, after personal interviews, from the list of candidates declared qualified in the last Bengal Civil Service Examination, 5 are retired Officers (appointed for one year), 9 are retrenched officers of the Government, with considerable revenue experience to their credit, and the remainder, two Sub-Deputy Collectors and 15 Kanungos, are still in Service. The new recruits have been given a preliminary training first in Calcutta in the details of the Agricultural Debtors Act and Rules, the work of the Settlement Department and the use of records, and subsequently, in the districts where they will eventually be working, in the actual work of debt conciliation. The training of these officers was completed at the end of January last. An officer of the Indian Civil Service and an experienced Deputy Collector have been appointed as Supervising Officers to tour the districts, advise the local officers and keep the Rural Development Commissioner in touch with what is being done, but the responsibility for administering the Act rests with the District Officer.

5. The Agricultural Debtors Act provides for debt settlement by agreement, debt settlement with a certain degree of compulsion when there is already substantial agreement between the creditors and the debtor, and debt settlement purely by compulsion in insolvency cases.

6. Attempts are being made to get all debts, as far as possible, settled by way of agreement in the first instance in order not to alienate the creditors and to make it difficult for debtors to obtain credit in future. Ordinary Boards who have no powers of compulsion at all will in the first place consider all applications and investigate the circumstances of each case and do their utmost to induce creditors and debtors to come to amicable agreements on principles suitable to the particular area where the Board exercises jurisdiction.

7. If any creditor unreasonably refuse to come to an amicable settlement the Ordinary Board would report the matter to the "Collector", i.e., normally the Subdivisional Officer who has been given powers as a Collector under the Act, and this Officer would consider, after calling for reports from the Circle Officer or Special Officer concerned, whether it is advisable to transfer the case to a Special Board which means a Board with powers of compulsion. It is hoped that these Special Boards will be able to come to a decision very quickly as they will have the advantage of being able to refer to the opinions of the Ordinary Boards and to the reports of the Officers. It is probable that a certain proportion of the debtors whose cases are thus referred to Special Boards will be unable to repay their debts even as reduced under the above procedure, and such cases will have to be dealt with under the insolvency sections. No Boards have yet been given powers under these insolvency sections and it is not intended to apply them until the methods of conciliation sketched out above have been fully tried.

8. The colossal amount of work involved in implementing the Act may be gauged from the fact that 900 maunds of forms have already been printed and 3,500 maunds more will have to be printed to meet the requirements up to the end of the next financial year. This is roughly equivalent to one-third of the total number of other forms printed by the Press and Forms Department each year for the whole of Bengal. In addition, a large number of copies of the Act and of the Rules in English and in Bengali and of an Abstract specially prepared of those portions of the Act and of the Rules which are of immediate interest to the Ordinary Debt Settlement Board have been distributed to the districts.

9. It is considered probable that the amount to be expended on the work under the Agricultural Debtors Act during the financial year 1937-38 will be in the region of Rs. 12 lakhs but it is hoped that this sum will be covered by the fees that will be charged from the parties even though these are very much lower than would be charged in suits for the recovery of similar sums.

Press Notes, dated the 18th September 1937, on the working of Bengal Debt Settlement Boards.

The Central Banking Enquiry Committee opined that a vigorous policy of debt conciliation on a voluntary basis is the most effective means of restoring economic prosperity and of stemming the growth of discontent among a large section of population. The procedure adopted by the Debt Settlement Boards, with the parties speaking informally before their fellow-villagers in their own villages, makes for an easy determination of the truth as also for settlement of debts upon principles in which humane considerations predominate.

The appearance of a poor neighbour in rags and tatters excites a feeling of sympathy amongst all present which a creditor cannot but reciprocate in action. A few examples of settlements achieved up-to-date are quoted below: all these cases were settled amicably by Ordinary Boards exercising no special powers. In a Howrah case a debt of Rs. 112 was compounded for a cash payment of Rs. 15; similarly in Rajshahi two debts of Rs. 212 and Rs. 127 have respectively been settled for Rs. 80 and Rs. 25.

Mortgagees in possession are difficult to tackle, but even they have been known to yield to the persuasion of the members of the Boards. Only last year 60 bighas of land—the main source of maintenance of the family—were given in usufructuary mortgage for 15 years by a debtor of Rajshahi against a debt of Rs. 1,200. The creditor has given back the land to the debtor on his stipulating to pay back the money in seven annual instalments. Older debts on usufructuary mortgages are settled on even easier terms, and in another case in the same district the land, by which a debt of Rs. 1,400 was secured, was redeemed for a cash payment of Rs. 50.

Thirty years is half the span of human life in the enervating climate of Bengal and a mortgage of 12 bighas in lieu of interest on a debt of Rs. 1,500 is something like a complete sale. Although a creditor in Bogra had already enjoyed the land for 15 years, it was, perhaps, unexpected when by settlement the debtor got back his land immediately on payment of Rs. 100.

What was done about another such debt in Bogra of Rs. 299?—(curiously enough some creditors have a prejudice against showing debts in amounts ending in zeros). The creditor had enjoyed the use of 2.21 acres of land for 11 years in lieu of interest and admitted that she had received much more from the land than the legally permissible amount of interest. By amicable settlement the land was released, and the principal of the debt was adjusted at Rs. 80 payable in twelve annual instalments.

Terms of settlement sometimes reveal a degree of elasticity and ingenuity which the ordinary Civil Law does not allow to a regular Court. What is a debtor to do when he has a large number of able-bodied youths in his family but not sufficient land to keep them employed? Of such a case we hear from Rangpur where the creditor

has given some of his own land to the debtor to cultivate and the entire crop is to be delivered to the creditor; the half value of the crop liquidates the adjusted debt, while as an additional benefit the debtor secures occupation for his whole family.

The old man in Bogra with no heirs must be said to be remarkably shrewd when he utilises immediately on his personal comfort a cash payment of Rs. 30 in lieu of a debt of Rs. 100.

Great patience and confidence were revealed by two creditors in Bogra, one of whom agreed to take Rs. 36 in 18 annual instalments and the other to compound a Civil Court decree of Rs. 200 for ~~Rs. 30 payable in 10 annual instalments~~: they were both creditors of the same debtor.

Although Civil Court decrees have always been considered sacrosanct, yet a claim of Rs. 772 on such a decree in Rajshahi is settled at Rs. 312, of which Rs. 250 is payable in 5 annual instalments, the balance having been paid by sale to the creditor of a small plot of land close to his homestead.

The mahajan is not always as hard-hearted as he is depicted to be; one in Bogra tore up a mortgage bond of Rs. 150 principal on a cash payment of Rs. 20 only.

To conclude, two cases may be cited, from Dinajpur in which banks registered under the Indian Companies Act or Loan Offices as they are called, have also responded to the persuasion of Boards to reduce their claims considerably along with private creditors.

In one case the Loan Office reduced its claim of Rs. 2,061 to Rs. 975, of which Rs. 900 was the original amount of loan, payable in 14 annual instalments, while a Civil Court decree for Rs. 110 by another creditor was settled for 6 annual instalments—the zemindar also agreed to the payment of his arrears of rent in 3 annual instalments.

In the other case of a mortgage debt to another bank, the claim of Rs. 1,675 was settled at Rs. 800 payable in 15 annual instalments, whereas the zemindar agreed to get the decretal amount of Rs. 100 in 5 annual instalments.

These instances—only a few amongst many—are very heartening and bring a ray of hope to the country-side; it is hoped that it may not be said of the future generation of cultivators that they “are born in debt, live in debt and die in debt.”

Instances from other districts are coming which will be recounted later on.

Press Notes, dated the 27th February 1938, on the working of Debt Settlement Boards.

The popular impression that debtors alone are anxious to take advantage of the provisions of the Agricultural Debtors Act has no actual basis. As a matter of fact creditors have been found equally keen on settlement through the Debt Settlement Boards. An examination of the cases before the different Boards in the Howrah district reveals that on some Boards the bulk of applications came from creditors and in others the bulk came from the debtors and in others again the proportion was about half and half. Quite satisfactory results have been obtained from the operations of the Boards in the different districts. Both the debtors and creditors were satisfied with the decision of the Boards, the debtors on being relieved of the heavy burden of debts and the creditors on getting an award without having to go through the costly process of litigation in Civil Courts.

One Board in Howrah district composed a total of eleven debts aggregating Rs. 1,046 for Rs. 479 only.

Report of an interesting case comes from Bakarganj district where a cultivator in 1926 borrowed Rs. 300 in exchange for the usufructuary mortgage of 2½ acres of land, the principal and interest to be extinguished after 1,200 years (*sic*). Even this transaction which was virtually a sale was successfully tackled by the Board. The creditor returned half the land to the borrower and retained half for himself for a period of 14 years and agreed to pay rent for the whole. In another case, in the same district a Katkabila to the extent of Rs. 975 was allowed satisfaction without any further payment as the creditor had already received thrice the amount loaned in produce.

In a Faridpur case the claim was for Rs. 800 on account of a usufructuary mortgage. The land had already been enjoyed by the creditor in lieu of interest for 9 years. The debtor, having paid nothing towards the principal of the loan, was sued in Civil Court and the land was about to be sold when the suit was stayed on account of the filing of the case before the Board. The claim was settled at Rs. 425.

Here is a case from Noakhali which presented several interesting and complex features. A creditor owning 4½ acres of land worth about Rs. 1,500 contracted debts amounting to Rs. 1,105 from 14 creditors including the landlord. The 13 creditors (excluding the landlord) claimed Rs. 1,719. The Board reduced them to Rs. 588 of which Rs. 283, being the amount awarded to 6 creditors, was paid off in cash. In order to do this the debtor had to part with 6 acre of his land. On the other hand, he has had restored to him 68 acre of his land which he had previously transferred to his creditors in lieu of interest on the money he had borrowed. The awarded dues of another 3 creditors, Rs. 145 will be automatically paid off out of the usufruct of the land amounting to 64 acre that was already in possession of the creditors and which will now revert to him within 9 to 15 years. There is now only 3 creditors left whose awarded dues amounting to Rs. 150 were due to be paid off early this year. He will be freed of all liabilities as soon as this award is satisfied. It took eleven months to settle this case but the result, no doubt, has justified the labour involved.

Debt Conciliation Boards in Pabna, Rajshahi and Midnapore.

Calcutta, the 24th January 1938.

Some of the more interesting cases settled by the Debt Settlement Boards in Pabna, Rajshahi and Midnapore districts enumerated in this note will show how far they have succeeded in liquidating rural indebtedness with the mutual consent of the creditors and debtors.

Cash payment has naturally been the most attractive method of conciliation as then the creditors agree to a composition on surprisingly easy terms. Thus a Board in Rajshahi succeeded in settling a liability of Rs. 1,400 (in principal and interest) for the cash payment of an incredibly low sum of Rs. 50 only. Two other Boards in the same district composed debts amounting to Rs. 476 and Rs. 312 each for Rs. 80 only. In Serajganj subdivision of Pabna district debts amounting to Rs. 407, Rs. 119 and Rs. 550 were settled respectively at Rs. 147, Rs. 27-8 and Rs. 125. Another debt of Rs. 545 covered by a Civil Court decree in the same subdivision was settled at Rs. 110. In the Sadar subdivision of the same district debts amounting to Rs. 85, Rs. 133 and Rs. 146 were settled at Rs. 13, Rs. 17 and Rs. 25 respectively. In a Midnapore case the amount claimed was Rs. 1,205, the principal amount of the debt being Rs. 125. In view of the very poor circumstances of the debtor the creditor accepted Rs. 100 only in full satisfaction of the debt.

The Boards were also successful in considerably scaling down debts in cases where the debtors were allowed to pay off the award in easy instalments calculated on the basis of debtors' capacity to pay. When the money-lenders are assured of regular payments, they not only readily agree to reduce the interest but even to forego a part of the principal. Thus a claim for Rs. 599 in Midnapore district was settled at Rs. 332 to be paid in 9 annual instalments. In Pabna district debts amounting to Rs. 3,347, Rs. 1,172 and Rs. 1,029, most of which were covered by Civil Court decrees were composed respectively for Rs. 1,250, Rs. 280 and Rs. 587-8 payable in annual instalments, the period varying from 8 to 20 years. A liability of Rs. 240 in Rajshahi district was settled at Rs. 120 to be paid in eight yearly instalments of Rs. 15 each.

In a Midnapore case a debtor mortgaged his entire property consisting of 18 bighas of land and a homestead worth Rs. 500 only for a loan of Rs. 690 which subsequently amounted to Rs. 892. He also contracted unsecured small debts from eleven persons to the extent of Rs. 222 and arrears of rent amounting to Rs. 75 were also due to the landlord. Creditors realised that it was impossible for the debtor to repay the debts even in 20 years. So with the consent of all the parties the following agreement was reached. The homestead and 6 bighas of land were left to the debtor and the remaining 12 bighas of land worth about Rs. 300 were transferred to the mortgagee in full satisfaction of the debt. The small creditors gave up their claims as, even in a Civil Court they had no chance of recovery of even a small fraction of their unsecured debts, the entire assets not being sufficient to satisfy the secured debts only. (Press note.)