

Some papers relating to the **AGRICULTURISTS' DEBT REDEMPTION SCHEME** adopted by Council Resolution No. 219, dated the 4th October 1929, as also **THE GRAMYA (VILLAGE) PANCHAYAT SCHEME** adopted by Council Resolution No. 226, dated the 4th October 1929.

BHAVNAGAR STATE

BHAVNAGAR
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NOTE

The Scheme introduced by the Bhavnagar State, for the redemption of Agricultural Indebtedness, while it has elicited enquiries in some quarters, has, in others, also given rise to doubts as to the advisability of the course pursued.

In this little booklet are published some correspondence bearing on the subject, as also relevant extracts from official speeches and State papers, which will show the genesis and purpose of the Scheme. These, it is hoped, will satisfy all reasonable enquiries and answer legitimate doubts, which, this rather unique attempt to effect a total and complete redemption of the whole of the indebted peasantry, may naturally give rise to. If the earnest student or busy official, who has more than a passing interest in this subject, is allured, as a result of reading these few pages, to dive deeper into this intriguing question, he will please then refer to the Evidence and Report Volumes of the Khedut Debt Inquiry Committee appointed by the State. It is indeed as a logical sequel of the investigations and findings of this Committee that the present rather unique experiment has been embarked upon by the State.

The booklet further includes connected passages bearing on the Scheme of Village Panchayat, which is a complementary measure to the Debt Redemption Scheme in the general work of rural reconstruction.

Paper XXI contains an extract from the Administration Report of the Revenue Department showing the progress of the Debt Redemption Scheme upto the end of the last official year, *i. e.*, October 31st, 1932. Since then three more Tappas have been brought under the operation of the Scheme, and up-to-date 15 Tappas or Peta-Mahals have been redeemed. The total number of Kheduts or individual holders accounted for by these operations is assessed to the total sum of Rs. 13,57,365. The total nominal debt compounded amounts to Rs. 42,55,737 and the same was compounded and compromised by the State paying out on behalf of the Kheduts a total sum of Rs. 10,74,844. In terms of assessment Kheduts paying nearly 50 per cent of the total land revenue of the State have come under the operation of the Redemption Scheme and are totally free from debts to-day.

Bhavnagar,
21st March. 1933.

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I

Copy of a letter from Vinayak Nandshanker Mehta, Esqr., I. C. S.,
Secretary, Government, United Provinces, dated Lucknow, January
20th, 1932.

LUCKNOW,
January 20th, 1932

MY DEAR SIR PRABHASHANKERBHAI,

I understand that you as President of the State Council were taking comprehensive action in connection with reducing the burden of debt on your tenants. I wrote to Mr. Bhaskerrac, requesting him, if possible, to send for my private use a copy of the Committee's report. I believe he will be obtaining your orders in this connection. What I am very anxious to know is that after the State in its beneficent activity has succeeded in getting the debt compounded and compromised for a smaller sum and paid off, what precaution is it going to take to prevent the flood of indebtedness rolling back on the Khedut? We require some kind of dyke to prevent this; otherwise it will be love's labour lost, a kind of Sisyphean waste of effort. Are you going to do something to re-mould the cultivator and make him through the village Community an individual proof against thoughtlessness, thriftlessness and immune against facile facility of running into debt? Are you going to do something to change his social customs which will prevent him running into extravagance? Are you going to provide him with seasonal doses of credit so that he should not be thirsty when he should be in need of financial assistance? I would very much like to know what a sage counsellor is going to do in an important State of Kathiawar. We have our schemes, but the difficulty of modern democracy is "Nobody sees beyond his nose, and takes care to spend timely money". While in a State of unified control, a far-reaching step can be taken just as Stein did in Prussia in the beginning of the nineteenth century. If you are at all free, I shall be very much obliged to receive from

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you some communication on the lines on which the cultivator is going to have a fuller and freer existence. Please treat this as personal communication.

With kindest regards,

Sir Prabhashanker Pattani, K. C. I. E.,
President, State Council,
Bhavnagar, Kathiawar.

Yours sincerely,
(Sd.) VINAYAK N. MEHTA.

II

Copy of the reply sent by Sir Prabhashanker D. Pattani, K. C. I. E., President of the State Council, to Mr. Mehta's letter printed overleaf.

Bhavnagar,
February, 1932.

MY DEAR MR. MEHTA,

I was in due receipt of your letter dated January 20th, but I regret that in the press of more urgent work, I have not been able to reply to it earlier.

I take it, you have by now received the Committee's Report as also the Evidence Volume, which Mr. Bhaskerrao tells me, he has forwarded to you. The sanctioned scheme for the Redemption of the Indebted Peasantry is attached as Appendix VIII to the Report Volume.

So far we have redeemed five Tappas or Peta Mahals paying an annual assessment of Rs. 4,86,658-0-0. The total nominal debt of the Kheduts of these Tappas amounted to Rs. 14,19,378-0-0 which has been compounded by paying a total sum of Rs. 3,67,991-0-0. You will readily understand that the nucleus of the original sum borrowed is seldom very large and the swollen figures of indebtedness are mostly made up of additions by way of interest, premia and numerous other charges, which the Sowcars' ingenuity, sharpened by greed, is so fertile in inventing. Further, the loan advanced for redemption has necessarily to be limited according to the capacity and solvency of the Khedut concerned. But there is little doubt, as mentioned in the concluding chapter of the Report, that the Sowcar under the Scheme is enabled to recover in cash and at one stroke far more than he could, if left to his own devices, have hoped to collect in a number of years from his Khedut customers suffering from chronic indebtedness. But this is by the way.

It is a very pertinent query which you raise when you enquire as to how to prevent the redeemed Khedut from again relapsing into the slough of indebtedness, after he has been once rescued therefrom. The answer in a way is indirectly suggested in your own brief but very interesting and thought-provoking letter when you ask: "Are you going to do something to remould the cultivator and make him through the village community, an individual proof against thoughtlessness, thriftlessness and immune against facile facility of running into Debt?"

But is the uncertainty regarding the future to be made an excuse for total inaction or for postponing action indefinitely, in regard to a problem, which, in all conscience, is grave enough and is daily getting worse and worse? A beginning has to be made sometime somewhere and that sooner the better, the risks of the future notwithstanding. But naturally we should be incapacitated for making any move at all, so long as we thought only of the risks involved in the future and kept saying to ourselves, 'there is a lion in the path', making that an excuse for inaction. But it is forgotten that the price that may have to be paid for total inaction may be ultimately much greater. At least, I for one apprehend that if the needed action is delayed too long, it might precipitate a grave agrarian situation, whose premonitory symptoms are already too visible. Such desperate and heroic remedies are suggested as total repudiation of all debts or the setting up of Village Bankruptcy Courts making it easy for the Khedut to be declared an insolvent. This might seem like Cutting the Gordian Knot, but what will be the moral reactions on the Khedut Society of such hasty and ill-considered remedies, practically disowning all legal and moral responsibility involved in past indebtedness, nobody seems to have thought of.

No system, which the wit of man can devise, will be fool-proof and knave-proof, and of course there will be always Kheduts ready to incur debts and unscrupulous Sowcars, too willing to exploit them by advancing money and entangling them in fresh usurious transactions. But some protection against such future victimisation is sought to be

given by the Khedut Protection Act, which has been enacted simultaneously with the passing of the Debt Redemption Scheme, and this Act you will find printed as Appendix VI of the Report Volume. But all Sowcars are not bad, nor can they all be altogether ousted and their place taken by some other Agency. At one time these very Sowcars played a very useful and helpful part in the village economy; and is it too much to hope that with the Kheduts once freed from debts, some at least of the Sowcars would resume their old connection with them, charging moderate rates of interest, and that simultaneously the old nexus of personal touch and sympathy between the two classes would be restored.

But of course the best and most effective guarantee for safeguarding the future lies in the growth of an around healthy and self-sufficient village community as suggested in your letter. The germs of such a community are sought to be planted here by the extension of the Village Panchayat Scheme which is embodied in Appendix IX to the Report. I recognise that indebtedness after all is a symptom, whose treatment alone is not sufficient and any permanent hope of rehabilitating the village life lies in the establishment of a community, which will not only be economically strong but where the prevailing public opinion will provide an effective moral check against thoughtlessness and thriftlessness and the too ready tendency to run into debts. What is hoped to be achieved through these Panchayats is explained at some length in the last chapter of the Report.

But the full development of such a Panchayat must, in the very nature of things, be a very slow process. Meanwhile we must remain content with such palliatives, as may be provided by the advance on a liberal scale of State Tagavi, and the extension of the Co-operative Credit Societies. These two between them will finance all reasonable agricultural needs of the Khedut and make him independent of the Sowcar.

It has been long recognised that the chief stumbling block to the success and progress of the Co-operative movement is the burden

of past debts, and where, in total disregard of this handicap, an attempt has been made to unduly push forward the movement, it has generally ended in failure. It has been noticed that if the borrowing cultivator, while still continuing in the clutches of the Sowcars, also becomes a member of a Credit Society, he alternately resorts to the Sowcar and the Society to pay off in turn the debt due to one or the other. He may thus be able to put off the evil day for some time, but meanwhile there is little doubt that his economic condition has worsened and not improved. Altogether I have little doubt that any Scheme aiming at the economic betterment of the Kheduts must include in its purview, and that, as a first step, the redemption of old debts; for, while the dead weight of old debt hangs like a millstone round the cultivators' neck, it is impossible that he can make any progress.

Arguments by analogy are often misleading, but, as you know, it has come to be increasingly recognised that if the world is to be cured of the universal economic malaise which has overtaken it and a fresh start made possible, it can only be done by first removing the intolerable burden of reparations and War debts. In a smaller way this also applies in the case of a poor debt-depressed and all but insolvent class like the Indian Khedut.

I admit, the present attempt to effect a wholesale redemption of all the cultivators of the State is unique and uncommon, and there is necessarily some risk involved in the attempt. But all things considered, the risk, I am honestly persuaded, is well worth taking and we have taken the bold step in the hope of success.

Yours sincerely,
(Sd.) P. D. PATTANI.

P. S.

I would add that one immediate good result of the liquidation of old debts has been better and easier recoveries of the land revenue

in the five Tappas redeemed. The cultivators of these Tappas, being freed from the pressure of indebtedness, have willingly agreed to pay this year, the full unit of the current assessment and also a little more towards past arrears, while in other parts where the conditions in regard to the character of the rainy season and general crop-yield are not dissimilar, the recoveries will fall short by 4 to 6 annas, because the incubus of past indebtedness still remains to be removed from the cultivators there, and large amounts will have to be suspended and carried over as arrears.

The original debts compounded so far as stated in the letter approximately came to Rs. 14/- to 15/- lacs, and on this amount the cultivators would have had to pay annually, in interest charges alone, anything between 3 to 4 lacs, calculating interest at the rate of 25 per cent which is unfortunately the ordinary rate levied, though harder cases in which the Sowcar doubles and even trebles the original sum advanced in the course of a single year, by various ingenious devices are fairly numerous. In brief the Kheduts have had their huge outstandings compounded and paid off by an amount which is not more than one year's interest charge to which they were subjected for these arrears.

(Sd.) P. D. F

Vinayak N. Mehta, Esqr., I. C. S.,
Lucknow.

III

Extract from the opening speech of Sir Prabhashanker D. Pattani, K. C. I. E., delivered at the opening of the 7th Session of the People's Representative Assembly held at Motibag on the 22nd December 1925.

* * * *

"A Committee of experienced officers has been appointed to make a departmental enquiry into Agricultural Indebtedness. When the enquiry is over, the Council will consider the matter and if they think that, in taking final decisions, the experience of the cultivators and the moneylenders will be helpful, they will certainly do the needful in the matter.

"In the course of the present enquiry, accurate information is being collected from the cultivators and moneylenders having dealings with them. The secret of the prevailing harmony between the Ruler and the Ruled in the Bhaynagar State is to be found in the fact that the State of its own motion is fully alive and attentive to the interests of the subjects, and the latter have implicit trust in the good faith of the former."

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IV

Extract from the concluding Chapter of the Report of the
Khedut Debt Enquiry Committee.

* * * * *

“The grave economic condition of the peasantry, that was revealed as a result of the Committee’s enquiry, was amply borne in upon the Council, and Sir Prabhashanker D. Pattani, the President of the Council, with his characteristic imagination and sympathy and wide knowledge of affairs at once realized that, unless grave agrarian trouble was to be risked in the near future, it was imperative to take immediate remedial measures to restore economic health to the debt-depressed and all but insolvent Khedut. So with both a view to afford him relief in regard to past usurious transactions and protection against victimization in the future, a Khedut Protection Act has been passed, which is attached hereto as Appendix VI.

* * * * *

“The Khedut Protection Act has been largely modelled on the lines of the Deccan Agriculturists’ Relief Act, with such modifications as were deemed necessary to meet local conditions. * * *

“But, as is well known, the Deccan Agriculturists’ Relief Act has not succeeded in relieving the Khedut class, to the extent it was expected to do, though it has certainly achieved a great deal more than those, whose interests were adversely affected by the Act, are willing to admit. All the same, there is an obvious limit to the good, that can be achieved by a mere legislative measure, howsoever well-intentioned and carefully elaborated such a measure may be. It can at best render only negative help, which, the Council very naturally thought, was not adequate to meet the requirements of the case.

“So, along with the Khedut Protection Act, the Council has sanctioned a Debt Redemption Scheme, which would help wipe off at one stroke, all the outstanding debts of the Khedut and enable him to write on a clean slate once again.

“ The highly indebted Khedut is practically bankrupt, and if he was made legally insolvent as he really is, it is practically certain that the money-lender will get little or no dividend from the insolvent Kheduts' assets available for distribution. It is to be hoped, therefore, that the money-lenders, in their own interest, would avail of the liberal terms for compounding their debts, which are offered by the Redemption Scheme and help themselves and the Darbar in economically rehabilitating the Khedut class. The scheme is published herewith as Appendix VIII. The scheme will be applied in any big compact area, such as a Mahal or a Tappa, where a majority of both the cultivators and Sowcars are prepared to settle up their accounts according to the terms and conditions laid down in the Scheme. The scope of the Scheme covers all the customers of the same creditor and all the creditors of the same debtor. Further, as the redemption loan is advanced by the Darbar on behalf of the indebted Khedut and has to be recovered from him, though of course by easy instalments, the amount of such loan has necessarily to be limited according to the capacity and solvency of the Khedut concerned. But there is little doubt that the creditor under the Scheme will be able to recover, if not the whole of his outstanding arrears, at least a reasonable portion of the original principal together with a moderate rate of interest. At any rate he is certain to recover in cash and at one stroke far more, under the Scheme than he can, if left to his own devices, hope to collect in a number of years from his Khedut customers suffering from chronic indebtedness.

“ It is obvious the State cannot replace all the Sowcars nor has the Darbar any intention of doing so. No one acquainted with rural life will grudge to acknowledge the important and useful part the Sowcar once played in the economic life of the village. At the same time, it cannot be denied that of late years both the Sowcar and his Khedut customers have been greatly estranged, and the breach is daily widening. Certainly there is nothing left of the old personal touch and sympathy which made their mutual relations so happy and useful to both sides. And it is because the Darbar earnestly wish that these

old happy relations may be early restored to the mutual benefit of both the Khedut and the Sowcar that this big experiment has been undertaken of wholesale and simultaneous redemption of all the Kheduts of the State, and surely it is not too much to hope that, with the Kheduts freed from old debts, the Sowcars would resume their old connection with them, charging only moderate rates of interest, and at the same time the old nexus of personal touch and sympathy will be restored.

“The heavy indebtedness of the Agriculturist classes is a phenomenon, not confined to Bhavnagar alone, and the same has been attracting universal attention all over India for years past. Various palliative and tentative measures have been applied to lighten the burden of the heavily indebted agriculturist and improve his financial condition. But the present attempt to effect a total and complete redemption of the whole of the agriculturist class and thus enable it to make a fresh start is unique and uncommon. No doubt this will necessitate the advance of a very large sum and some risk is also inevitable under the circumstances. But, considering the lofty and benevolent aim which has motivated this attempt, the risk involved is not excessive and certainly worth taking.

“But, by far, the most constructive measure is that relating to the grant of Gramya Panchayat to those villages, which are prepared and apply for the same. It was felt and rightly felt that the problem of agricultural indebtedness is not one that can be separately tackled without dealing at the same time with the whole economic life of the village. Indebtedness is, after all, a symptom whose treatment alone cannot achieve the desired object, which is nothing less than the rehabilitation of the whole village life itself, and so the Panchayat is deliberately intended to cover more or less the whole field of village life.”

* * *

“Where the ground is prepared and a demand is made, freedom will be given, within limits, to the village, to determine its own method and procedure of revenue collection. It can also punish con-

tumacy to the extent of forfeiture of land and auction a vacant holding. It can also build up a reserve, from the savings remaining after payment of the Darbar dues, and the reserve will be available for any common use which may be decided upon by the Panchayat. Where the reserve is large enough, it can be even utilised for financing the agricultural needs of the Kheduts.

* * * *

“ In brief the Panchayat is at once an educative and ameliorative measure, and it combines in itself both self-determination and self-Government. And the Panchayat, if properly understood and administered, will greatly improve the economic and other condition of the village and bring to it, in an increasing measure, a sense of corporate life, security, peace, happiness and prosperity.”

V

Extract from the Minute of Dewan Bahadur Tribhuvandas Kalidas Trivedi, Member of the State Council, dated the 22nd July 1929.

* * * * *

“I know it full well that the President of the Council believes that this evil will not disappear by merely enacting a new law and that belief is true to a great extent. The whole question is very complicated. The financial relations of the lender and borrower—a very delicate matter always—are involved therein. Kheduts do need the help of money-lenders every now and then. The money-lender is a vital and indispensable factor in the village economy and the Darbar cannot replace him. In this dilemma, I believe, the best course would be to take such steps as are indicated by the needs of the situation, ultimately with a view to restore both parties to their former position of mutual trust and service, without exploitation on the one side and victimization on the other. Moreover, we cannot connive at and condone the practices brought to light during the Committee’s inquiry. If that be allowed, the conditions of the Kheduts would soon worsen and economic ruin overtake the whole class, which would again react on the money-lenders themselves and involve them in heavy losses.

“This is fully realized by the money-lenders or at least by the better and more far-seeing section of them, and that is why they have come to see and acknowledge the necessity of some restrictive legislation, which would stop the present unchecked exploitation of the Khedut classes. Of course, I do not mean that we should remain content with merely enacting a law. Considering all the circumstances the money-lenders, the Kheduts, and all are agreed as to the urgency of some action being taken.”

In this connection the President of the Council had a good deal of discussion with the Members of the Committee, as a result of which certain conclusions have been formed. They are as follows:—

“Where it is possible, endeavours should be made to liqui-

date the past debts of the Kheduts, and for this the co-operation of the money-lenders should be enlisted.

“ Where in future suits are filed against Kheduts, the law should be so amended as to enable the courts to examine the whole history of the transactions, out of which the suit has arisen, in order to find out the additions by way of interest and premium and the manipulations in accounts, and finally to make an equitable award fair to both sides.

“ Of the measures, the first, though feasible, can only be adopted in practice if the money-lenders are agreeable. In such wholesale liquidation, it is not possible to award the full amounts shown as due according to the accounts of the money-lenders. Simple interest at 12 per cent per annum should be calculated on the amount actually lent, and payments on account should first be appropriated to the interest accrued due; and then the balance remaining together with interest not exceeding the amount of the unpaid principal could with propriety be awarded to the Sowcar. In order to examine the history of all transactions from the commencement, a Committee should be formed of two Darbari Officers, two Panch of the Mahal and two Panch of the village. The lines on which the Committee should carry on their work are laid down in Exhibit I, and the Kheduts' redemption from indebtedness can only be achieved, if the money-lenders co operate and assist in adjustment, at the rate of four annas in the rupee of total nominal arrears according to their books of account. This would restore the Kheduts' old relations with the money-lenders. The amount required for the liquidation of the Kheduts' debts may be advanced as a loan by the Darbar at the rate of 4 per cent interest, and the recovery of the same may be effected by enforcing the scheme shown in Exhibit I, and this will not cause any hardship to the Khedut, especially as the rate of interest charged will be so moderate.”

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VI

Extract from the opening speech of Sir Prabhashanker delivered at the 10th Session of the People's Representative Assembly held at Motibag on the 14th November 1929.

* * * *

“His highness, though a minor, desires that the burden of debt on his cultivators should be lightened as much as possible, before he ascends the Gali. That is the reason that has prompted the Darbar to pass orders to write off, during the current year, between 19 and 20 lacs of the arrears of revenue. At the same time, an enquiry is afoot into Agricultural Indebtedness to merchants, and arrangements have been made, which will ensure that, while relief is afforded to farmers against illegal mercantile exactions, the legal and legitimate dues will be paid to merchants. It is hoped that the farmers and merchants will realize that their true interest lies in whole-heartedly falling in with the scheme. During the enquiry it was found that over 50 per cent of the farmers of this State have been very honest and have no arrears of land revenue to pay to the Darbar nor have they blindly incurred private debt. This is a matter of congratulation. As for the remainder it should be remembered that those who rely on external help are apt to lose their honesty and ultimately they may lose their status as farmers as well. While remissions are being given to those in debt to the Darbar, I, for one, feel that those who are free from Darbar debt, should be rewarded for their honesty and industry; and so orders are being passed that in the case of those farmers, who are free from debt, any suspension of revenue ordered during the current lean year should be remitted altogether as a reward for fair dealing.

“While the Darbar are writing off from 19 to 20 lacs of the farmers' debt, it is felt that the Darbar's generosity would not by itself be sufficient to save the farmers unless the question of their private indebtedness was thoroughly gone into, and unless relief was afforded

to them against the usurious practices and falsification of accounts on the part of some of the money-lenders.

“ This was the conclusion arrived at by the Committee appointed to enquire into Agricultural Indebtedness. As a result of this enquiry, I went with my colleague Dewan Bahadur Tribhuvandasbhai to Gadhada to induce the merchants to accept, by private negotiations, a fair sum in amicable settlement of their loans ; we proposed that the Darbar should examine their individual accounts and should allow them a fair rate of interest and so long as the sum due to them with interest did not amount to more than twice the amount of the original loan, the Darbar were prepared to give such sum as a loan to the farmers to fully liquidate their debt to the merchants. Owing to the obstinacy of the merchants the negotiations proved abortive. An act, therefore, to give relief to farmers against private indebtedness has been framed and published as a Bill in the State Gazette. The scheme proposed is beneficial to both parties, if blind self-interest does not come in the way. The Darbar are even now prepared to liquidate the farmers' debts to merchants on the above lines, if the latter are so willing. If this cannot be, the new law will come into operation and justice will be meted out to both sides in accordance with its provisions.

“ Even after the great relief thus afforded to the cultivators from Darbar and private indebtedness, I fear the same conditions will recur in course of time unless the cultivators will learn economy, and unless a scheme can be devised which will enable them to meet their liabilities without incurring further debt. It, therefore, becomes the duty of the Darbar—and I invite the co-operation of the merchants—to find out a way by which the whole village community can live in peace and manage their own village affairs.

“ Thus and thus only can the seeds of self-reliance and mutual co-operation be sown. With this end in view a Bill for the grant of Village Panchayats has been published. This legislation, it is hoped, will be of benefit all round. The cultivators and merchants will both work together. This scheme very nearly approaches full self-government of villages.

"It is the desire of the Darbar to see as many Village Panchayats established as possible, and that is the reason for framing the new rules. Any village asking for the establishment of a Village Panchayat under these rules will get it. A Panchayat has already been established in Hanol during the current year. I have been promising for the last five years that Panchayats will be established in those villages which ask for it under a constitution framed by the village itself and approved by the Darbar. Finding that the people did not take advantage of this offer, the Darbar have framed the rules themselves.

"Complaints that the Darbar do not wish the people to manage their own affairs are groundless. The Darbar are giving the people a free hand to have a Panchayat based on conditions they themselves ask for, and wish that they would take advantage of the liberal offer. I hope the response will be adequate.

"It is not my order but my request to the Vahivaddars and Thandars to persuade the people to establish at least two Panchayats in each Mahal and Thana respectively. They should assist the people, where necessary, and make these Panchayats such conspicuous successes that other villages may be tempted to come forward and ask for them. The encouragement of the movement and making it a success will be considered as one of the criteria of good service when promotions are to be given in the future.

"All these three measures have been adopted simultaneously so that their cumulative effect may render the life of the farmers, who comprise 75 per cent of the population of the State, more happy and contented; other results will be that the monetary relations of the merchants with the cultivators will become purer and more secure and village life will become rosier.

"I invite the co-operation of the cultivators and merchants to bring about this happy state of affairs."

VII

Extract from the speech delivered by Sir Prabhashanker at the opening of the Patel House in Bhavnagar on the 29th June 1930.

After announcing on behalf of His Highness the Maharaja Saheb, the remission of land Revenue arrears amounting to some Rs. 27/- lacs, the President proceeded to say :—

“ Please do not think that your goal has been reached now that you have got the money, and are free from Darbar debt. All that is fruitless without the right kind of education. An uneducated and short-sighted prodigal will easily squander away his father's fortune even though it may amount to rupees one lac. Education does not mean mere reading and writing ; it means training in managing the affairs of the village. Peasants of England and Europe read Scriptures on Sundays and procure newspapers. Yet I say, with all the experience at my back, that the average farmer of India, who knows neither reading nor writing, possesses more practical common sense than the average farmer of a European village. I say this openly in the presence of my European friends. Under the circumstances how much more competent our farmer would be, if he had proper education.

“ I have been trying to establish Village Panchayats for a long time, but as a consequence of my efforts of a decade, only four villages have accepted Panchayats. You will be able to administer your affairs better, only when this activity is undertaken on a larger scale. I say on my own behalf—for I can't say what the other officers' views are—that we have not the slightest intention of meddling in your affairs. It is likewise the desire of the Maharaja Saheb that you should manage your own affairs and be happy. He wishes to see you as happy in your homes as he is in his palace. A greater joy

than what you are feeling now will be His Highness' portion, when he knows that you have become competent enough to manage your own affairs.

“ Even the Kheduts themselves will agree that the main reason why Village Panchayats are not established in large numbers is the mutual jealousy of the villagers themselves. No amount of Darbar's help will ever be of any avail if there is no unity amongst you. The Maharaja Saheb will be again touring the districts after the monsoon, and will ask you about this and you will have to be ashamed of yourselves if you are unable to give him a satisfactory answer. Village Panchayats alone are likely to make you really more happy than any other indulgences given to you by the Darbar.

“ Another sword that hangs over your heads is that of indebtedness to merchants. The Darbar are going to—will—find a solution of that matter also. The Maharaja Saheb desires to reign in tranquility. He does not wish to see crowds of petitioners at the Nilambag gates such as gather at my house to-day. He desires to bring about a state of affairs, where no cause will be left to you for complaints.

“ I know that you are quite prepared to come to a settlement, but the merchants as yet are not found to be equally willing. I am not prepared to say that the merchants should forego all their claims just as the Darbar have done. On the contrary they must be paid the amount of their legitimate dues. It would be unjust to ask them to let go the tinkling silver which they lent you. If you do not return ten times the amount taken, you must at least repay the principal with a fair amount of interest. Merchants also form an important limb of the body politic of the State, and they cannot be wantonly displeased. I want to hear them carefully and bring about a legitimate settlement of their debts.”

VIII.

Extract from the Administration Report of the State for the Year 1929-1930.

* * * *

Debt Redemption Scheme.

“Among the noteworthy events in the Revenue Department will be found an item relating to the passing of an Act for the protection of the Agriculturists, *viz.*, The Agriculturists’ Relief Act. What remained after protecting the farmers from exactions of merchants was to try to bring about an amicable settlement between the merchants and the farmers without their having to resort to Civil Courts under the new Law. The Debt Redemption Scheme was, therefore, devised simultaneously with, and as a necessary adjunct to the Bhavnagar Agriculturists’ Relief Act, whereby it was proposed to settle private debts of the farmers in such a way that the Sowcars might recover the amount of principal with a moderate amount of interest.

“Taking advantage of the Scheme a majority of the merchants and agriculturists of Panchtalavda in Lilia expressed willingness for settlement of their accounts and consequently a Committee of the following officers and representatives of money-lenders was appointed for settlement of accounts:—

Assistant Revenue Commissioner, Southern Division... President.

Mr. Chaturbhuj Moolji, Vahivatdar	... Member.
„ Vrajlal Ratanshi, Nyayadhish	„
„ Permanand Dayal Hakani, Money-lender	{ Representative of Money-lenders
„ Tribhovan Keshavji Sheth	„

“The result of the examination of the money-lenders’ account-books showed that the total nominal amount owing by the cultiva-

tors according to Sowcars' books was Rs. 3,59,702, while the sum found actually due (as a result of investigation of accounts according to prescribed rules came to Rs. 1,84,597.

“ But the amount to be actually paid to the creditors is governed by a two-fold limitation : (1) That it should not exceed a sum equal to three times the annual amount of assessment payable by the debtor Khatedar. (2) That the total amount paid on account of a particular Tappa should not exceed $\frac{1}{4}$ th of the total outstandings of that Tappa.

“ The application of these limitations further reduced the amount, ascertained to be as above and the sum that was finally paid out on behalf of the cultivators as a loan to them from the Darbar came to Rs. 1 02 747.

* * * * *

“ The whole of Panchtalavda Tappa having been thus redeemed, both the Sowcars and the Kheduts of the two remaining Tappas of Lilia Mahal, *viz.*, Saladi and Amba, have come forward and asked to have the benefit of the Scheme extended to them. So the Committee is at present engaged in examining the accounts of the Sowcars of Saladi and when that work is finished, it will next be the turn of Amba to be taken up. The result is that at present there is not a single suit or execution proceeding filed against a Darbari Khedut in the Civil Court of the Lilia Mahal.

Village Panchayats.

“ The question of granting local Panchayats as a means of making the villages self-reliant and self-governing engaged the early attention of the Darbar. It was, however, intended that no ready-made constitution from without should be imposed upon the people, but that a system which was adapted to local environments and which was suitable both to the State and the people, should be evolved from a series of experiments.

“During 10 years of the Minority Administration only 3 villages came forward to start Panchayats, and they proved fairly successful though not uniformly so. The institution of the Village Improvement Fund of Rs. 27 lacs given as a gift by the Darbar and the adoption of measures to relieve the agricultural indebtedness made it imperative that more villages should take over the management of their own affairs. Therefore a Village Panchayat Code was framed and promulgated under which any village was free to claim the grant of a Panchayat. It laid down a general standard which was acceptable to the Darbar, but the villages were nevertheless free to negotiate any other constitution if they chose to do so.

* * * *

“The grant of Panchayat will mean the practical transfer of the whole village administration to the villagers themselves, with the minimum of outside interference. For, it vests the Panchayat with the power to select and nominate persons of its own choice, for the village offices of Talati, Mukhi, Patel, Chowkidars, &c., and the latter, therefore, will be real servants and not masters of the village, rendering better, more loyal and efficient service. This will also better enable the Panchayat to control and keep on their proper behaviour the bad and more intractable characters in the village. In an extreme case the village can also ask for the removal from their midst of a particularly desperate and dangerous character, who cannot be tackled by the ordinary process of Law.

* * * *

“The Panchayat will also exercise municipal powers. It will look after its own sanitation and attend to road repairs, maintenance of the village wells, Choras, Avedas, &c. The Panchayat will be in charge of the village cattle-pound, and it can, if it so choose, acquire power to try and decide small civil suits and criminal complaints relating to cattle-trespass, &c. In brief the establishment of a Panchayat is at once an educative and ameliorative measure, and it combines in itself both self-determination and self-government.”

* * * *

IX

Extract from the Minute of Dewan Bahadur Tribhuvandas Kalidas Trivedi, Member of the State Council, dated the 15th January 1932.

“Every occupation or industry requires funds and we need not be afraid of the productive debts, our Kheduts may have to incur in future, provided they do so on healthy lines. As far as I understand, it is not our idea to destroy the relations between our Kheduts and their money-lenders, indispensable as they are in a village community. What we aim at is to remove the present conditions and to restore the pristine purity of those relations. I would not mind if our Kheduts incur productive debts even at 12 per cent interest. That would not kill the goose. But we know these conditions do not exist at present between them, and the present unproductive debts of our Kheduts are accumulations of ages of principal and the exorbitant rates of interest and commissions charged thereon. The whole class is involved therein beyond redemption and by our measures we desire to extricate them from their present embarrassments. The Khedut Relief Act we have passed, would control the rates. But the object of redemption of these debts by Darbar loans is to lighten the burden of the past unproductive debts. Once this burden is removed, I believe, it would be possible to have the old relations re-established. The capacity of the Kheduts to repay the loan with reasonable interest would increase and this condition would naturally reduce the present rigorous terms.

“Thus when the whole class has been affected by an economic disease, I believe, partial treatment of a part would not be of much use. The whole question must be tackled in its entirety if we are in a position to do so.

“The problem of rural indebtedness has drawn the attention of all Governments in India and I should like to invite Council's attention to Chapter V of the Report of the Indian Central Banking

Committee marked A. It gives in a few pages the conditions of things in this matter as they exist in British India.

"The perusal of the said Chapter and the recommendations forwarded therein would show that the timely steps taken by us long before even that Committee was appointed, have been almost on the lines suggested therein. There also the composition of the past unproductive debts of the Kheduts has been insisted upon. The agencies there are the Land Mortgage Banks and the Co-operative Credit Societies financed, if need be, by Government. Here no such agencies exist and hence the Darbar have thought fit to undertake the work. In my opinion, if we desire to tackle the question, we should encourage composition of debts on lines we have decided, everywhere.

"I need not say that this new loan to the Kheduts would not be a bad investment. It would not only bring us interest at 4 per cent but we would thereby create a debt-free and contented peasantry, which forms about 70 per cent of our population and which is the only highly taxed class in our State. I may point out that delay in final composition of these debts is likely to increase the chronic indebtedness as we have found in Lilia figures, as finally compounded and as approximately ascertained five years ago by the Committee. The Lilia debt was about Rs. 6½ lacs five years ago. It is now more than Rs. 9.9 lacs, which we have redeemed by payment of Rs. 2,62,000. Taking lowest rate of 12 per cent the Kheduts have been saved an addition to their debts of Rs. 1,20,000 per year, whereas to the Darbar they shall have to pay Rs. 10,400 a clear saving of Rs. 1,10,000. This would have a beneficial effect upon their future economic condition. This is why if the creditors and debtors are coming forward for final composition of their debts, we need not hesitate to extend the Scheme. If delayed, it would be impossible even for the Darbar to extend this help and we shall have to leave the parties to struggle in the best way they can under the ordinary law, where I am sure the Kheduts would not be a winning party, ignorant and helpless as they are because of the unbearable burden of unproductive debts.

This is not the place to discuss politics. But I feel that the recent movement in politics has its origin in chronic indebtedness of the agricultural classes and their rack-renting by the superior holders to be met with everywhere. Any person can satisfy himself by visiting a village and examining the conditions of the poor classes. It is no wonder that political extremists easily find this a fertile field for their exploitation. It is, therefore, for the several Administrations to try to remove these possibilities, by adopting all available means for the amelioration of the conditions of these classes. Our efforts are distinctly directed to this end, though we are no propagandists but silent workers in our own way and in our own spheres."

(Sd.) T. K. T.

D/ 15-1-32.

X

A leaderette appearing in the ' *Times of India* ' dated the 2nd February 1932.

Debt Prevention.

"The report on the Administration of Bhavnagar State is always interesting because for many years past that State has been regarded as a model for the whole of Kathiawar. In the latest of these reports, which has just been issued, particular attention is devoted to describing a scheme *for settling the debts of farmers in such a way that money-lenders might recover the principal with a moderate amount of interest. This scheme was devised as a compliment to an Agriculturists' Relief Act and has been tested in a way which should compel attention all over the country. Merchants and agriculturists in certain areas in the State expressed their willingness for their accounts to be settled and a Committee of officers and representatives of money-lenders was appointed for the purpose. It was found, the amount owing, according to money-lenders' books, was Rs. 3,59,702, and the sum found actually due according to certain prescribed rules was Rs. 1,84,507, a sum which was eventually reduced to Rs. 1,02,747. As the report says, 'this attempt to effect a complete redemption of the whole of the agriculturist class and thus to enable it to make a fresh start is unique. No doubt this will necessitate the advance of a very large sum and some risk is also inevitable under the circumstances; but considering the lofty and benevolent aims which have motivated this attempt, the risk involved is not excessive and certainly worth taking.'

"The Committee is now engaged in extending the scheme and next year's report, which should show the effect of its operation on the State as a whole, should prove of particular value to all, who are concerned in trying to devise means to relieve the heavy indebtedness of the agriculturist class. Another notable reform that has been

* *Vide Paper VIII.*

introduced in Bhavnagar is the grant of local Panchayats to villages. During ten years of the minority administration only three villages started Panchayats. It is necessary now that more villages should manage their own affairs because a Village Improvement Fund of Rs. 27 lakhs has been given by the Darbar on the ground that the problem of agricultural indebtedness could not be tackled without at the same time dealing with the whole economic life of the village. The establishment of Panchayats is looked upon as an educative measure combining in itself both self-determination and self-government, and the application of those principles to village life is something, of which the State may well be proud."

XI

Extract from the leading article of the *United India and Indian States* dated the 13th February 1932, reviewing the Administration Report of the State for the year 1929-30.

“ The question of revenue arrears has for a long time been a vexed question in Bhavnagar, and we are glad that the Darbar has cut the Gordian Knot by wiping off a good portion of the debt as un-realisable. This long needed measure was no doubt delayed on account of the minority of the Ruler and its adoption at the present juncture will come as a much appreciated relief to the agriculturist, who is after all the back-bone of the State's prosperity. The balance of the arrears of Revenue has been donated by His Highness the Maharaja to the agricultural population of the State and is to constitute a Village Improvement Fund (the interest of which being used to give amenities to the village agricultural population who will themselves administer the fund). Another measure of relief to the agriculturists brought into effect during the year was an Act for the protection of the Agriculturists, viz., the Agriculturists' Relief Act, by which it was proposed to settle the private debt of the farmers in such a way that Sowcars might recover the amount of principal with a moderate amount of interest. The result of the examination of the money-lenders' account books showed that the total nominal amount owing by the cultivators in Lilia according to the Sowcars' books was Rs. 3,59,702/-. While the sum actually found due by the committee appointed under the Act was Rs. 1,84,597/-. The scheme of the Act is for the State to advance the sum thus found on behalf of the cultivators and the sum finally paid in this way during the year came to Rs. 1,02,747/-. The report claims with truth that “ the present attempt to effect a total and complete redemption of the whole of the agricul-

turist class and thus enable it to make a fresh start is unique and uncommon." A Village Panchayat Code was framed and promulgated under which any village fulfilling certain qualifications was free to claim the grant of a Panchayat, involving the practical transfer of the whole village administration to the villagers themselves with the minimum of outside interference. The scheme provides in the last resort for a very large transfer of powers of internal autonomy and its results in Bhavnagar will be watched with interest even outside the State. The key-note of the report before us is the anxiety of the Darbar to improve the lot of the rural population * *

XII

An article appearing in the *Times of India* dated the 14th April, 1932.

Freeing the Ryots from Debt: Bhavnagar Scheme.

Relief Measure makes Progress.

In the *Times of India* of 2nd February, there appears under the caption "Debt Prevention" a leaderette* reviewing the report of the Administration of Bhavnagar State for 1929-30. The article has been appropriately entitled "Debt Prevention", since therein you draw pointed attention to the unique scheme of wholesale redemption of agricultural indebtedness which is being applied in the State. Citing figures, you state that the Sowcar's book debts amounting to Rs. 3,59,708/- have been compounded for a sum of Rs. 1,02,747/-. These figures relate only to the cultivators of 12 villages of one Tappa or Peta-Mahal, viz., Panchtalavada under Lilia Mahal. But since the Report was written, considerable progress has been made in the work of redemption, and now the whole of Lilia Mahal, comprising some 36 villages, as also Umrata Mahal comprising 53 villages have been redeemed and operations for redeeming another Mahal Gadhadra, consisting of 25 villages are also nearing completion.

Debts Redeemed.

The total number of registered Khatedars, including co-sharers in the two redeemed Mahals, is 5,131, and the annual assessment payable by them is Rs. 6,43,542/-. All these cultivators have had all their private debts redeemed under the scheme. The nominal arrears owing by them according to the Sowcars' books amounted to Rs. 17,98,784/-. These were paid off and compounded by the State advancing on behalf of the indebted cultivators a sum of Rs. 4,62,644/-.

* *Vide* Paper X.

These nominal outstandings as shown in the Sowcars' books, it need hardly be said, are mostly made up of interest, premia, etc., while the nucleus of the original debt is seldom very large. Another factor that goes to reduce the ultimate amount for which the nominal debt is compounded and compromised, is the capacity and solvency of the Khedut which, it is notorious, is always very limited. But there is little doubt, as remarked elsewhere, that the money-lender on the whole is enabled under the scheme to recover in cash and at one stroke far more than he could, if left to his own devices, have hoped to collect in a number of years from his Khedut customers suffering from chronic indebtedness.

Benefit to Cultivators.

Of course, the benefit to the cultivators is obvious. There is to-day not a single suit or execution proceeding pending against any Khedut in the Civil Courts of these two Mahals. Further the economic improvement brought about in the Kheduts' condition is reflected in easier and better recoveries. For instance, in Lilia Mahal on a moderate calculation, the recoveries this year would be better by 4 to 6 annas than would have been the case under the old conditions, when the agriculturists were still weighed down by the burden of past debts. So even putting it on the low ground of self-interest, the State itself stands to gain enormously by the redemption of its peasantry, and the favourable result in recoveries, though only an incidental advantage, is by itself, a sufficient justification, if one were needed, for redeeming agricultural indebtedness.

Saving Interest.

It may be further added that the cultivators by this measure of relief would annually save in interest charges alone a sum of nearly Rs. four lakhs and a half calculating interest at the rate of 25 per cent, which is unfortunately the ordinary rate levied, though cases of still more extortionate rates being levied occur only too frequently. But even taking the average rate of interest at 25 per cent, the

Kheduts, it will be observed, have had their outstandings compounded by payments of a sum which is only a little more than the annual interest charge to which they were subjected for these arrears.

Originally only one Committee was appointed for investigating accounts and fixing the amount to be paid in composition. But now applications are coming in from Sowcars and Kheduts of other Mahals of the State to have the benefit of the Debt Redemption Scheme extended to them and this has necessitated the appointment of three more Committees, which may have to be further multiplied to cope with the increasing demand.

XIII

Extact from a letter of V. L. Mehta, Esqr., B. A., Editor,
Bombay Co-operative Quarterly, dated Bombay, the 10th May 1932.

* * * * *

You have initiated a most interesting experiment in undertaking debt settlement and redemption ; and I believe in no part of India has the work been undertaken on so large a scale or with such elaborate systematic inquiries into the whole problem of indebtedness, particularly in its practical aspects. Any success that you achieve is bound to affect the trend of action in other parts of India although elsewhere circumstances may not be quite so favourable, as we feel they have been with you in Bhavnagar State.

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XIV

Leading article appearing in the *United India and Indian States* dated the 14th May 1932.

Agricultural Indebtedness.

An Experiment in Bhavnagar.

In our issue of 13th February 1932 in the course of a review of the Bhavnagar Administration Report we had the pleasure of drawing public attention to the scheme for the redemption of the Agriculturist's private debts which was being tried in that State. In the case of Bhavnagar, agricultural indebtedness in one way or another has been a grave stumbling block to real agricultural prosperity a fact to which we were frequently drawing attention in our columns. The matter has, we believe, been engaging the serious attention of the administration. "Monstrous" rates of interest were levied in the villages which it was alleged in some specific cases enabled the lenders to obtain "in one year only civil decrees for amounts four to six times as large as the original sums advanced." The result was in a large number of villages there persisted a low economic level in the village population as a consequence of which not only was the standard of life low but the State also suffered in the way of huge arrears of land revenue which the Khedut was unable to pay. As a consequence of a petition from certain Kheduts and the report of the Revenue Commissioner on the same, the Government appointed a Committee of Inquiry; Dewan Bahadur (then Rao Bahadur) Tribhuvandas K. Trivedi being nominated as the Chairman and the Chief Judge Mr. Bhasker Rao V. Mehta and the Revenue Commissioner Mr. B. N. Gohel being members of the Committee. The preliminary survey of the situation by the Chairman disclosed an alarming state of things—oppression and hardship being the chief characteristic of the indebtedness which was established beyond a doubt. In most villages, the Kheduts had not the requisite implements of agriculture, some being even without

bullocks and dependent upon others for having their land ploughed. The cost of cultivation was also rising, due to increased labour charges. "Indeed" says the report, "in several villages, the Ubhads (labourers) seemed to fare better than the regular Kheduts, a few Ubhads here and there being able to advance moneys to Kheduts from their savings". The alarming conditions revealed in the preliminary inquiry indicated the need for a comprehensive investigation embracing the whole State. This was ordered and the result was a painstaking inquiry and a thorough and comprehensive report constituting an authoritative pronouncement on the question of agricultural indebtedness in the State. Action was soon taken. The grave economic condition of the peasantry that was revealed as a result of the Committee's inquiry was amply borne in upon the Council and Sir Prabhashanker Pattani, the President, soon realised that unless grave agrarian trouble was to be risked in the near future, it was imperative to take immediate remedial measures to restore economic health to the debt-depressed and all but insolvent khedut. So with a view to afford him relief in regard to past usurious debts and protection against victimisation in the future, a Khedut Protection Act has been passed. The Act provides for the court going into the history and merits of a case from the commencement of the transactions between the parties and for taking accounts and the Act also provides for the court giving a decree in instalments only. The debtor also is entitled to sue for accounts and for declaration of the amount due by him to the creditor, such a suit being exempt from court fees. The Act so far as it goes is undoubtedly an ameliorative measure and its unusual provisions seem to be justified by the somewhat unusual conditions of usury obtaining in the State. We have read with particular interest the very comprehensive and informative minute prepared by the chairman Dewan Bahadur Tribbuvandas Kalidas Trivedi and published as Appendix VII to the report, which contains several constructive suggestions to put down the tricky and tortuous modes of accounting adopted by the Sowcars. As we have pointed out the Khedut Protection Act is an ameliorative measure to

relieve the agriculturist, a term more clearly defined in the Bhavnagar Act than in the Deccan Agriculturists' Relief Act on which the former Act is primarily modelled. But this was negative help which the Committee thought was inadequate to meet the needs of the case. So with the Act, the Council sanctioned a Debt Redemption Scheme " which would help wipe off at one stroke all the outstanding debts of the Khedut and enable him to write on a clean slate once again." The principle is that the Darbar will liquidate the past debts of the Kheduts by advancing loans to each individual khedut at easy rates of interest, if such liquidation is possible and if the Sowcars are prepared to accept the actual principal originally lent plus interest at a moderate and equitable rate. A majority of the Kheduts and Sowcars in any Mahal may apply jointly to avail themselves of the liquidation scheme : upon such application, the Darbar is to form a Debt Liquidation Committee consisting of two Darbari officers. The creditors of the Mahal are to have two representatives who will be members of the Committee and one or two representatives will be selected (or co-opted) by the Darbari officers from respectable persons belonging to the village in regard to which the work of liquidation is taken in hand. The creditors and debtors are to give an undertaking to the Committee that its awards shall be binding on both parties. The amount will be fixed and advanced to the lender and the Khedut whose debt has been thus liquidated has to present the produce to the Darbari Khalawad after deducting the Khedut's share of the same. The balance will be appropriated towards the various payments due to the State under the Bhagbatai system, or as Tagavi loans and also as loan advanced under the Redemption Loan Scheme. The scheme has now been applied to two Mahals of the State, viz., Lilia and Umrala. The first comprises 36 villages and latter 53 villages. There were 5,131 registered Khatedars paying an annual assessment of Rs. 6,43,542/- in the two Mahals and all these have taken advantage of the liquidation scheme. The nominal arrears owing by them according to the Sowcars' books amounted to Rs. 17,98,789/-, this being made up of interest, premia, etc. The

same was paid off and compounded by the State advancing on behalf of the indebted cultivators a sum of Rs. 4,62,644/-. At the same time, it is not correct to say that the scheme is a burden on the money-lender class, because under it "the money-lender on the whole is enabled under the scheme to recover in cash at one stroke far more than he could, if left to his own devices, have hoped to collect in a number of years from his Khedut customers suffering from chronic indebtedness." The result on the whole has been to benefit the Khedut considerably in the two Mahals, there being not a single suit or execution petition pending against any Khedut in the civil courts. The State also gains, because the method of redemption employed helps the better recovery of revenue. In Lilia Mahal, we are told that during the current year the recoveries this year would be better by 4 to 6 annas than would have been the case under the old conditions, so that the favourable result in recoveries though only an incidental advantage is by itself a sufficient justification, if one were needed, for redeeming agricultural indebtedness. It is calculated that the cultivators will save in interest charges alone a sum of nearly Rs. 4½ lakhs calculating the interest at 25 per cent. We are informed that the scheme is popular and requests for liquidation are coming in from other Mahals also. Originally only one Committee was appointed for the investigation of accounts, and fixing of the amounts to be paid in composition. On account of the demand from other Mahals, three more Committees have been appointed and more may become necessary, with the increased demand from all the Mahals. We are sure that our readers will have read this account of the heroic attempt by the Bhavnagar Darbar to get rid of agricultural indebtedness by one stroke of the pen with instruction and interest, because the problem of the heavy indebtedness of the Agriculturist classes is a phenomenon not confined to Bhavnagar alone. It is a fairly common enough condition and the various palliative measures, proposed or in part adopted have been only too partially successful. The present attempt in Bhavnagar is on a large scale, because the attempt is

nothing less than to effect a total and complete redemption of the whole of the agriculturist class and thus enable it to make a fresh start involving the advance of a very large sum from the State at some risk. The risk is worth taking if we consider the lofty aim that inspires it. Another aim kept in view at the same time is the reconstruction of the economic basis of the village which was the old village community and for this purpose Panchayats are to be given to the villages which are prepared and apply for the same. This means the practical transfer of the whole village administration to the villagers themselves with the minimum of outside interference. The Panchayat is given the power to select and nominate persons of its own choice for the village offices of Talati, Mukhi, Patel, Choukidars, etc. In course of time when the ground is prepared and the demand is made, freedom is to be given to the village within limits to determine its own method and procedure of revenue collection. The Village Panchayat can also punish contumacy by forfeiting land and auctioning a vacant holding and it can build up a reserve from the savings remaining after paying the Darbar dues and the reserve will be useful for the common purposes of the village. It can finance the agricultural needs of the Kheduts and will also exercise municipal powers. The Council Resolution No. 223 regarding the establishment of Village Panchayats gives them liberal powers. We consider that Bhavnagar deserves our hearty congratulations for the bold bid she has made for rural reconstruction and the result of the State scheme in this regard will be watched with sympathetic interest by well-wishers of the State in particular and generally by all interested in agricultural reconstruction throughout India.

XV

Leaderette appearing in the *Times of India* dated the 23rd June 1932.

Agricultural Debt Redemption.

No State in India has done more to lighten the burden of debt of its cultivators than Bhavnagar. Even when His Highness the Maharaja of Bhavnagar was a minor he desired that the burden of his cultivators' debt should be lightened as much as possible and that this should be done before he ascended the Gadi. That was the reason which prompted the Darbar to pass orders to write off about Rs. 20 lakhs of arrears of revenue in 1929. At the same time an inquiry into agricultural indebtedness to money-lenders was ordered and arrangements were made to ensure that, while relief was given to the farmers against illegal and usurious exactions, the legitimate dues were paid to the Sowcar. The inquiry was thorough and it was discovered that the rate of interest charged by money-lenders averaged between 18 to 25 per cent and that advantage was further taken of the ignorance and helplessness of the farmers by falsification of accounts. The grave economic condition of the peasantry revealed as a result of the Committee's enquiry prompted Sir Prabhashanker Pattani, President of the Council, to adopt urgent remedial measures to restore economic health to the debt-depressed farmer and thus to avoid agrarian trouble. With a view to afford relief in regard to past usurious transactions and protection against victimisation in the future, the State passed a Protection Act, the working of which should arrest the attention of the whole of India.

This Act has been largely modelled on the Deccan Agriculturists' Relief Act, with modifications to meet local conditions. Sir Prabhashanker was quick to note that, even after the great relief afforded to the cultivators from the Darbar and private indebtedness, the same conditions might recur unless the cultivators learnt economy and

unless a scheme was devised which might enable the farmers to meet their liabilities without incurring further debt. With this end in view it was resolved to establish Village Panchayats which approach full self-government of villages. The State has thus not only embarked on a debt redemption scheme but all practical measures have been adopted for the prevention of debt in the future. In reviewing the recent administration report we pointed out that Sowcars' book debts amounting to Rs. 3,59,702/- had been compromised for Rs. 1,02,747/-. Those figures applied to cultivators of 12 villages only. One more Mahal of 36 villages has now been redeemed for Rs. 2,61,427/- against indebtedness amounting to Rs. 9,95,463/-. Thus cultivators of Bhavnagar who were suffering from chronic indebtedness will by this measure of relief annually save nearly Rs. 2,50,000/-. The Committee is now engaged in taking figures of other big Mahals and the result of their efforts deserves to be watched with sympathetic attention.

XVI

Extract from the Presidential Address by Sir Chunilal V. Mehta, K. C. S. I., M. A., LL. B., J. P., to the Seventeenth Bombay Provincial Co-operative Conference, September, 1932.

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To quote the Indian Central Banking Committee, the problem (of debt redemption) is one "of supreme importance from the point of the economic prosperity of the country as well as for the purpose of stemming the growth of discontent among a large section of the population." As the Royal Commission on Agriculture pointed out the worst policy towards debt is to ignore it and do nothing. The Central Banking Inquiry Committee have themselves suggested directions along which constructive effort can proceed; and much valuable work on these lines has been conducted in the Central Provinces, in the Punjab, in Bihar and Orissa and only very lately, in our near neighbourhood, in the State of Bhavnagar in Kathiawad.

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XVII

Leading article appearing in the *United India and Indian States*, dated the 12th November 1932.

Agricultural Indebtedness in Bhavnagar.

We had occasion sometime ago to comment in these columns* on the praiseworthy efforts taken in the Bhavnagar State to get rid of the demon of agricultural indebtedness in the State. Bhavnagar was a particularly bad sufferer from this kind of indebtedness; the result was reflected in the never-do-well condition of the agriculturist as an individual. The State suffered, because it did not get its revenue promptly or punctually and huge arrears of land revenue was, as we had occasion to notice in our reviews of the administration report of the State, a permanent characteristic. Agriculture suffered, because after all the human factor cannot be regarded as negligible and you cannot expect much from the labour or enthusiasm of an agriculturist round whose neck hang the huge mill-stone of debt represented by his dues to the Sowcar on account of loans and to the State as arrears of land revenue. The administration of the State on the initiative of that sage statesman Sir Prabhashanker Pattani tried its best to give the agriculturist a new lease of free life by remitting arrears of land revenue from time to time and giving other facilities; but this policy by itself did not succeed, because as the State receded, the Sowcar made his inches into ells—so that the indebtedness remained and the sacrifice by the State of its revenue did not benefit the agriculturist for whose benefit it was intended. This led to the constitution of a Committee of experienced officers to make a departmental inquiry into Agricultural indebtedness. We have already had occasion to refer to the action taken by the Bhavnagar Administration on that Report. So far the State has redeemed five Tappas or Peta-Mahals paying the annual assessment of Rs. 4,86,658. The total nominal debt of the Kheduts as in February of this year amounted to Rs. 14,19,378 which

*Vide Paper XIV.

has been compounded by paying a total sum of Rs. 3,67,991-0-0. To appreciate this statement, we have to bear in mind that the nucleus of the original debt was in reality a very small amount and the swelling of this figure into more than four times the original principal sum borrowed was due to "addition by way of interest, premia and numerous other charges which the Sowcar's ingenuity sharpened by greed is so fertile in inventing." There is thus no question of confiscation of or robbing Peter to pay Paul. It is obvious that the agriculturist is benefited by the process. It is also true the Sowcar also benefits because under the Scheme he is enabled to recover in cash and at one stroke far more than he could, if left to his own devices, have hoped to collect in a number of years from his Khedut customers suffering from chronic indebtedness. With any further grievance of the Sowcar in this connection any temptation at sympathy is considerably mitigated by the consideration that an interest of 25 per cent is the prevailing rate in the State while rates of double and treble this rate are not uncommon. In the circumstances a heroic remedy was called for and we think on the whole the arrangement now adopted by the State can be defended on principles of equity and good conscience as well as of sound administrative policy. In a letter sent by Sir Prabhasker Pattani to an inquirer regarding the Scheme from the United Provinces—Mr. V. N. Mehta, I. C. S., the then Secretary to the Government of the Province and now member of the Kashmir Government—Sir Prabhasker Pattani well says:—

"Arguments by analogy are often misleading, but as you know it has come to be increasingly recognised that if the world is to be cured of the universal economic malaise which has overtaken it and a fresh start made possible, it can only be done by first removing the intolerable burden of reparations and war debts. In a smaller way this also applies in the case of a poor debt-depressed and all but insolvent class like the Indian Khedut."

In Bhavnagar, a good beginning has been made in what after all is an All-India problem. Speaking at the Calcutta University Institute the other day, the President of the Bengal Chamber of Com-

merce, Mr. Nalini Ranjan Sirkar emphasised the importance of public attention being directed to a concrete attempt at the wholesale redemption of the indebted Khedut class. The efforts now made in Bhavnagar to this end must therefore deserve the serious consideration of all official and non-official persons in this country interested in the revival of Indian agricultural prosperity. We are glad that serious-minded people in other parts of India are showing interest in the Bhavnagar solution of a vexed but common problem as the letter of the Secretary, Government, United Provinces, to Sir Prabhashanker Pattani, well illustrates. Mr. Mehta, I. C. S., in his letter to Sir Prabhashanker queries—once you wipe out indebtedness in this way, what is there to prevent the flood of indebtedness rolling back on the Khedut? We require, he says, some kind of dyke to prevent this; otherwise it will be love's labour lost, a kind of Sisyphean waste of effort. The reply of Sir Prabhashanker Pattani to this obvious criticism is published in a pamphlet along with a number of papers connected with the Debt Redemption Scheme and the Gramya Panchayat Scheme to which it would be well if public attention is directed in other parts of India not free from this particular malady. The Gramya Panchayat scheme is the natural complement of the Redemption Scheme. It would not be statesmanship to allow agricultural indebtedness to grow unchecked till the agriculturist became a free, enlightened, economic, human unit. It is a vicious circle, really, and a beginning has to be made somewhere in the reform of the conditions under which the agriculturist lives, moves and has his being. But the problem is only half solved if we have given relief to the agriculturist from his immediate troubles. That is no protection to him against a recurrence of what has become a chronic malady. How to get over this? Or is the malady incurable? If it were the last, one may wonder whether the end really justifies the means in the particular solution of the problem adopted by Bhavnagar. We, however, shall never correctly appreciate the Debt Redemption Scheme in Bhavnagar, if we do not regard it as only a partial solution : its complete success depends on the success of the Gramya Panchayat scheme and the other measures of uplift of

the Khedut which the State has adopted consistently with its policy of uplift of the agriculturist. This last, however, will take time. "The full development of such a Panchayat", says Sir Prabhashanker in his letter to Mr. Mehta, referring to the Gramya (Village) Panchayats, "must in the very nature of things be a very slow process. Meanwhile we must remain content with such palliatives as may be provided by the advance on a liberal scale of State Tagavi and the extension of the Co-operative Credit Societies. These two between them will finance all reasonable agricultural needs of the Khedut and make him independent". The result of the experiment in Bhavnagar has been already such as to encourage hopes. One immediate good result has been better and easier recoveries of the land revenue in the five Tappas redeemed. We hope that efforts will be made to follow the advantage thus secured with the constitution of Village Panchayats in this area. Under the Village Panchayat code, any village fulfilling certain qualifications is free to claim the grant of a Panchayat involving the practical transfer of the whole village administration to the villagers themselves with the minimum of outside interference. Another measure which will stabilise the scheme of village uplift thus started is the organisation of the Co-operative Movement in the State. It will generally be agreed that in the past the process of the movement has been arrested by the unholy competition of the Sowcar, which let us hope, has once for all disappeared in Bhavnagar. A third aspect of the attack on agricultural indebtedness—not the least important, by any means—is through an increase in popular enlightenment due to education. The average farmer in India may be a fatalist in most things even to an unhealthy extent; but he has common sense and patience, habits of industry and thrift of rare degree: with a little more education, he should be an admirable specimen of agriculturist equal to his compeer in any part of the world. We wish the Bhavnagar experiment every success, and hope that it will have imitators among other Indian administrations.

XVIII

Extract from the leading article in the *United India & Indian States* dated the 26th November 1932, reviewing the Administration Report of the State for the year 1930-31.

Bhavnagar in 1930-1931.

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“We recently dealt in detail in these columns with the Debt Redemption Scheme, a comprehensive Scheme of relief of agricultural indebtedness unique in this country which will be watched with interest in India, as the evil which the Scheme was designed to cure is not confined to Bhavnagar alone. The fact that even Sowcars are praying for the application of the scheme shows that it is not one-sided and is to the interest of the lender. Another progressive measure which deserves mention is the scheme of rural reconstruction which is intended by the Village Panchayat Code. The adoption of measures to relieve agricultural indebtedness would have been merely a temporary palliative unless the improvement effected by it was made permanent by villagers taking over the management of their own affairs and being made responsible for the development of the economic welfare of the ryots. * * * ”

XIX

Extract from the *Times of India Annual*, 1933.

Bhavnagar.

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“ Though the present Maharaja has inherited a rich State and an administration that has acquired an all-India reputation under the guidance of that veteran, Sir Prabhashanker Pattani, his task cannot be said to be easy owing to most difficult times which the whole of India has now to meet. But he has entered upon a life of responsibilities of which he is not only conscious but by reason of his training and natural intelligence he is capable of shouldering those responsibilities in a manner which has added to the prosperity and contentment of his people and enhanced their traditional devotion towards him. He regards the agricultural population as the back-bone of the prosperity of the State and his first act has been to confer a real boon on them by allowing them the right of selling and transferring their property to agriculturists only. His Highness is paying particular attention to a scheme for settling the debts of farmers in such a way that money-lenders might recover the principal with a moderate amount of interest. This Scheme was devised as a compliment to an Agriculturists' Relief Act and has been tested in a way which should compel attention all over the country. Merchants and agriculturists in certain areas in the State express their willingness for their accounts to be settled and a Committee of Officers and representatives of money-lenders was appointed for the purpose. It was found the amount owing, according to money-lenders' books, was Rs. 3,59,702 and the sum found actually due according to certain prescribed rules was Rs. 1,84,507, a sum which was eventually reduced to Rs. 1,02,747. This attempt to effect a complete redemption of the whole of the agriculturist class and thus to enable it to make a fresh start is unique. “ No doubt this will necessitate the advance of a very large sum and some risk is also inevitable under the circumstances ; but considering

the lofty and benevolent aims which have motivated this attempt, the risk involved is not excessive and certainly worth taking.

“Another notable reform that has been introduced in Bhavnagar is the grant of local *panchayat* to villages.

XX

The Debt Redemption Scheme and other cognate measures adopted by the State for the amelioration of the cultivators have been reviewed at some length in the Editorial Notes of the December 1932 number of the *Bombay Co-operative Quarterly*. In the course of the review, it is remarked :—

“ We are indebted to this description of the Village Panchayat Scheme contained in an extract from the report of the Administration of Bhavnagar State included in “ Some papers relating to the Agriculturists’ Debt Redemption Scheme, etc.” above referred to. We note with pleasure that an earnest attempt on the part of an Indian State to remove the chronic indebtedness of its peasantry is really laudable. We would commend all the three measures each forming the complement of the other two, for the consideration of any State willing to follow the lead given by an important State in Kathiawar such as Bhavnagar. Not only the other States of Kathiawar can certainly enter into the spirit of the work initiated herein by Bhavnagar but some of the major States as well can follow with profit the example thus set by a smaller State. In British India and the Indian Federation, if that is to come in near future, nothing will do the peasant so much good as the removal of the curse of rural indebtedness, if a nation-wide scheme is followed, apart from any consideration of the benefits we may anticipate and derive from the development of the co-operative credit societies and the establishment of land mortgage banks.*

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XXI

Extract from the Administration Report of the Revenue Department for the year St. 1988. (A. D. 1931-32.)

Progress of Agricultural Debt Redemption Scheme.

* * * *

Mention was made last year of the Debt Redemption Scheme having been extended to the Umralla Mahal where three Committees were employed in examining the accounts of the Sowcars to expedite the work. The three Committees having finished Umralla, next tackled the Gadhada Mahal, and after completing of the Gadhada Mahal, two Committees were sent to Kundla and the third to Mahuva. Altogether in the year under Report the three Committees have finished examining accounts of the Kheduts' creditors in 9 Tappas. The total number of Khatedars thus redeemed in addition to those of the Lilia Mahal referred to in the last year's report is 5,502 assessed to the sum of Rs. 3,38,811/- and their total nominal outstanding debts came to Rs. 21,27,397/- The same was compromised and compounded by the State paying out to the creditors on behalf of the debtor Kheduts a sum of Rs. 5,29,462/- Inclusive of the figures of the Lilia Mahal done in the previous year, the total number of Kheduts so far redeemed comes to 7,942 assessed to the total sum of Rs. 10,25,000/- and the total nominal debts compounded amount to Rs. 31,22,860/- The net sum advanced by the State in composition of these debts comes to Rs. 7,90,889/- Excepting for a little inevitable and understandable opposition from a section of Sowcars, the Scheme has found increasing favour with a large body of Sowcars in almost all parts of the State and of course with the whole class of Kheduts. This is evident from the fact that hardly had the three Committees tackled half of Kundla and Mahuva Mahals, when the remaining parts of these two Mahals fell into line and three Mahals more, *viz.*, Botad, Victor and Talaja have now come forward to have the benefit of the Scheme extended to them. This has necessitated further multiplication of the Committee which are now increased to six, and if they continue to progress in the way they have

hitherto done, the whole of the remaining State will be brought under the operation of the Scheme before another year or year and a half have elapsed at the outside.

Agricultural indebtedness is a chronic malady of almost universal prevalence in a predominantly agricultural country like India, and naturally this unique scheme of the wholesale redemption of agricultural indebtedness has attracted wide notice and elicited inquiries from many quarters.

Measured in terms of assessment the Kheduts paying 38 per cent of the total land revenue of the State have been freed from debt and do not to-day owe a single pie to any Sowcar. It is to be hoped that they will make the best of the fresh start they have thus been given. It may be noted that in Umrالا Mahal even before the compounding loan was actually paid out to the Sowcars by the State, the Khedut deposited in advance nearly Rs. 21 thousand to be set off against the loan to be advanced on their behalf in discharge of their debts. The debt redemption loan for Umrالا amounts to Rs. 2,00,648. That is in other words, the grateful redeemed Khedut of the Mahal has paid the Darbar nearly 10 per cent of the redemption loan before it was actually paid out on their behalf. I wish, the same promptness was displayed by the Kheduts of other places which would be some concrete appreciation of the Darbar's beneficent efforts on their behalf.

XXII

Reply sent by Sir Prabhashanker, President of the State Council, to V. N. Mehta, Esqr., I. C. S., Revenue Minister to the Government of Jammu and Kashmere's letter inquiring about the progress made with the Redemption Scheme since he wrote his last letter.*

Bhavnagar,
27th February 1933.

MY DEAR MR. VINAYAK MEHTA,

I was in due receipt of your letter dated the 2nd instant. I regret I have not been able to reply to it earlier owing to my absence in Delhi whence I returned to Bhavnagar only five days ago.

I am glad the Bhavnagar Scheme still continues to interest you. I enclose herewith an extract† from the Administration Report of the Revenue Department for St. 1988 and the same will give you in a brief compass an idea of the progress made in the extension of the Scheme upto the end of October, 1932. In the few months that have elapsed since then, three more Tappas or Peta-Mahals have been tackled, and to cope with the increasing demand for extension of the Scheme, the Committees have now been increased to six, and if we continue to progress at the present rate, we hope to be able to finish the rest of the State in about a year or so from now.

It is yet too early to judge of the beneficent effects of the Scheme. But as I have told you in my last letter the Scheme has certainly resulted in easier and better recoveries. The redeemed state of the peasantry combined with the right of sale of their holdings newly granted on the occasion of the installation of His Highness the Maharaja Sahib which has given them a sense of proprietorship, has enabled the State to recover even in areas where the season has been below normal the full unit of assessment and also a little more towards arrears.

* *Vide* Paper I.

† *Vide* Paper XXI.

Another favourable result noticed in the areas that have come under the operation of the Scheme is that where formerly the Khedut was a mere listless and indifferent cultivator owing to the ever-present fear of his creditor attaching his harvested crops, he is now seen to put more heart and industry in his work owing to the sense of greater security and relief brought about by the removal of the burden of the past debts.

We are trying as far as we can to keep a look-out as to whether the redeemed Kheduts recklessly incur any fresh debts. So far no marked tendency in that direction has been noticed, except for a few stray cases here and there. Of course, a certain percentage of the redeemed Kheduts will again relapse in the old indebted condition after a few years. But it is not too much to hope that the warning of bitter past experience will act as an effective deterrent in the case of the larger number against their repeating their past improvident practices. However, it is rather premature to forecast the future which must to certain extent always remain uncertain.

I am glad you intend doing something to afford relief to the agriculturists suffering from chronic indebtedness, but I am not sure if compulsion is the right way to go about it. No doubt conditions in Kashmere are not exactly similar to those of Kathiawar and Gujarat, but the problem of agricultural indebtedness, even allowing for local differences, is fundamentally the same all over the country, and if my experience on the matter is any authority I should say that mutual agreement and co-operation between the lender and the borrower is necessary for the permanent solution of the problem, while compulsion may not prove equally fruitful of success if indeed it may not leave an after-taste of bad feeling and bad blood which may lead to future trouble between the two classes.

V. N. Mehta, Esqr., I. C. S.,
Kashmere. }

Yours sincerely,
(Sd.) P. D. PATTANI.