

CORRESPONDENCE RELATING TO
THE AGRARIAN CRISIS
IN THE
UNITED PROVINCES

OCTOBER—DECEMBER
1931

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FOREWORD

In view of the developments that have taken place it is desirable that the correspondence between the United Provinces Provincial Congress Committee and the local Government should be published and placed before the public. It is not possible however to publish all the correspondence as it is too voluminous. Immediately after the Delhi Settlement the United Provinces Provincial Congress Committee put themselves in touch with the Provincial Government and a large number of letters were exchanged. Pandit Govind Ballabh Pant was specially appointed by the Provincial Congress Committee to bring to the notice of Government the various grievances of the people and to put before them the view-point of the Congress. The continuing agrarian crisis particularly occupied the attention of the Provincial Congress Committee, and the correspondence largely dealt with this. Pandit Jawaharlal Nehru also wrote frequently to the Local Government. Both Pandit Govind Ballabh Pant and Pandit Jawaharlal Nehru had several interviews with the Chief Secretary and other officials. Pandit Jawaharlal Nehru also sought an interview on two occasions with His Excellency Sir Malcolm Haily but this could not be arranged. Mahatma Gandhi interested himself in the United Provinces agrarian crisis and besides writing to the officials of the Government of India and the Local Government interviewed Sir Malcolm Haily.

The condition of the United Provinces peasantry became progressively worse during the months that followed the Delhi Settlement. Inadequacy of remissions inspite of the heavy fall in prices resulted in great distress and this was intensified by large numbers of ejections and coercive processes. In many rural areas the tenantry were subjected to a reign of terror and atrocities were perpetrated on them. The United Provinces Provincial Congress Committee appointed several enquiry committees to visit the affected districts and to report on the prevailing agrarian conditions and the distress. These reports supported by evidence taken on the spot were then considered by a special provin-

cial agrarian enquiry committee. The reports of this special committee, known as the Pant Committee, was published in September 1931.

Meanwhile attempts continued to be made by Mahatma Gandhi and the United Provinces Provincial Congress Committee to obtain relief for the unhappy and suffering peasants. In the Simla conversations between Gandhiji and the Government of India in August 1931 the United Provinces agrarian crisis was specially considered and it was pointed out by Gandhiji that failing relief the peasantry would be entitled to defensive direct action or Satyagraha. In the letter dated August 27, 1931 addressed by Gandhiji to Mr. Emerson, Home Secretary to the Government of India, which formed an integral part of the Simla agreement it was expressly mentioned that "if unfortunately any grievance is so acutely felt that it becomes a paramount duty of the Congress to seek some method of relief, in the absence of an enquiry, in the shape of defensive direct action, the Congress should be held free to adopt such remedy, notwithstanding the suspension of civil disobedience." This statement of the position of the Congress was noted in the reply of Mr. Emerson to Gandhiji, dated August 27.

It may be added that the President of the Congress, Sardar Vallabhbhai Patel, addressed the Government of India on several occasions on the United Provinces agrarian crisis.

It will thus be seen that the Congress in the United Provinces did everything in their power to co-operate with the Government in finding a solution of the agrarian problem. Repeated letters were sent after the Simla agreement but no relief was forthcoming for the ejected tenants and others and coercive processes and enforced collections, often accompanied by physical violence, continued long after the usual period for collections.

Before any satisfactory solution was found for the last season's difficulties and ejectments, a new situation arose with the beginning of the new Fasli year 1339 when the question of fresh collections had to be considered. The peasantry, exhausted and worn out, by a continuous struggle against heavy odds, had to face a repetition of this. The remissions announced by the Local Government were considered

wholly inadequate and no arrangements were made for the ejected tenants or for the arrears or for local calamities. On the top of this came the official announcement in many districts that if the full rent as demanded was not paid within a month, even the remissions sanctioned might be withdrawn. Further, it was stated that the tenants could only raise any objections after they had paid up the rent demanded. These announcements brought about an immediate crisis. It has to be borne in mind that in fixing the remissions neither the Congress nor any other representatives of the tenants was consulted.

The correspondence now being published deals with new crisis only. Correspondence previous to this is not being published at present. The Allahabad District Congress Committee raised the issue immediately after the official announcements were made and pointed out that it was not possible for the peasantry to pay the amounts demanded. Most other districts were in the same or in a worse position. The local Government was again approached and it was pointed out how unfairly the tenants were being treated in regard to remissions, ejectments, arrears and local calamities. A conference was arranged between some local officials and the Settlement Commissioner on the one hand and Congress representatives on the other, in order to discuss specially the case of Allahabad district as exemplifying most districts in the United Provinces. This conference proved ineffective as it was stated on behalf of Government that they were not prepared to discuss any of the vital matters in issue. They could only discuss the application of the rules already laid down by them. The crux of the problem was thus not touched.

During the last months repeated attempts were made on behalf of the United Provinces Provincial Congress Committee to arrange a conference with representatives of the local Government who would be in a position to discuss all the aspects of the problem. The Provincial Congress Committee appointed a special committee with full powers to negotiate with Government. These attempts did not succeed as this correspondence will show.

In the course of the correspondence it was made clear on behalf of the Congress that they were prepared to accept any

solution, however arrived at, provided it gave sufficient relief to the peasantry. When the time for collections came advice was repeatedly sought by the tenants as to what they should do. The United Provinces Congress wished to take no step to put an end to negotiations which might result in a settlement. At the same time they could not remain silent when advice was sought and they could not advise payment of a demand which they were convinced was grossly unfair and likely to ruin the peasantry whom they represented. The Congress thereupon after obtaining permission therefor from the President of the All-India Congress Committee, advised the peasantry to withhold payment of rent and revenue temporarily pending negotiations. They made it clear, however, that they were ready and willing to negotiate and, as soon as relief was given, to vary their advice. They further suggested to the Government that they would withdraw their advice as to withholding payment if Government would suspended collections while negotiations were going on. The suggestion was not accepted by Government and, the United Provinces Provincial Congress Committee had no alternative left but to repeat its advice to the peasantry to withhold payment. In spite of all developments the Provincial Congress Committee adheres to the position that it is prepared to explore all avenues leading to a settlement and to withdraw its advice regarding non-payment as soon as sufficient relief is in sight or collections are suspended.

Allahabad

December 4, 1931

RAFI AHMAD KIDWAI

Secretary

United Provinces Provincial Congress Committee

I

Letter from Pandit Jawaharlal Nehru to Kunwar Jagdish Prasad, Chief Secretary, U. P. Government, dated, Allahabad, October 15, 1931

DEAR KUNWAR JAGDISH PRASAD,

I have written to you on many occasions in the course of the last few months and brought to your notice various activities of Government officials, the police and zamindars' agents. You have been good enough to enquire into many of these matters and to inform me of the Government viewpoint in regard to them. Sometimes some relief has also followed. But, as a whole, the position has not improved and indeed it has deteriorated in many respects. We continue to get reports from a large number of districts showing that the tenantry are being ill-treated and Congress workers are harassed, and, what is even more important, that the rent policy of Government and its application is causing misery to vast numbers of people. I hesitate to write to you again and again on the same subject. Attempts to communicate directly with District officials have often been met with snubs from them. I do not know if Government have any uniform policy in regard to such matters. If they do not want us to communicate directly with District officers, please let me know so that we may issue our instructions accordingly. Would you like our Provincial Congress Committee to address you directly in regard to all complaints from districts?

I have recently visited some rural areas and many complaints were brought to my notice. In Bahraich district a note containing a number of recent complaints from the Nanpara, Payagpur and other estates was sent to the Deputy Commissioner. These complaints included charges of molestation and outrage on women. In his reply the D. C. indicated that he could only take action if the tenants approached him direct. The District Magistrate of Bareilly has consistently refused to take any notice of complaints forwarded to him by the local Congress people. I was in

Bareilly about two weeks ago and I wrote to him about these complaints. In his reply he has said that he will send his answer to them to the local Government. From Basti district many complaints have come of the activities of the employees of zamindars.

In Muttra it appears that the Thanadars of Chaumunha and Brijhari are again instituting cases under Section 107 Criminal Procedure Code. You will remember that the police of these two places were criticised in the recent judgments of the Sessions Judge. No steps have been taken against these police officers and they appear to be free to continue to act in the old way.

I presume the Government have made up their mind about the Semri and Baraipur occurrences, judging from the long communique they have published. I should like to tell you however that after personally meeting the parties concerned and talking to them at some length, I am quite convinced of the truth of the charges made. You know that the Baraipur occurrences were brought to the notice of the Deputy Commissioner of Gonda at the beginning of June by the President of the District Congress Committee. About Semri I was told that a registered letter containing an account of what had happened was sent to the Deputy Commissioner the day after the occurrence. I have seen the postal receipt for this. I do not refer here to other facts, such as the reported attempt of the women to lodge a complaint at the police station. The evidence is really overwhelming.

I have drawn your attention on several occasions to the ejections, specially in Allahabad district. Many of these ejected tenants driven by their passionate attachment to their land, have got them back, but they have done so at the cost of heavy additional debts and selling their cattle. They are in a bad way and are sinking deeper and deeper into the mire. Their capacity to pay anything in future is being reduced to vanishing point. Collections backed by coercive processes have continued without a break both here and in other districts, in some of which Section 12-A Oudh Rent Act is being enforced now.

It has been a continuous story of pay, pay, pay or lose your lands and in addition suffer other penalties. Cases of

trespass against ejected tenants have been frequent and have resulted in imprisonment and fine. And before the old chapter has ended, a fresh one of payment backed by threats has now begun.

It has been our contention that the basis of the remissions for the new year is incorrect and inadequate. But even worse has been the method of applying this basis. A great deal has been left to the discretion of the district officials and remissions have thus varied in accordance with individual temperaments. In Allahabad district the remissions for the current year as announced are actually less than for the last Rabi, although they are meant to be for two seasons while the Rabi remissions were for one season only. Apart from this it would appear to be obvious that this year's remissions should be greater than last years as they are supposed to be based on the 1901 figures. The District Magistrate of Allahabad has come out with many columns of figures and contends that the figures for 1901 were the same as those for 1914-15. This is difficult to believe and such figures as we have in our possession go to contradict it. In this connection it is interesting to note that the District Magistrate allowed less remissions in Rabi last year than the Government had actually sanctioned.

The tenants have had practically no opportunity to object to the amount of the remissions. It is now stated that they may file objections provided they pay up the full demand first. This proviso is curious and instructive. The tenants are not flush with money and their difficulty is often that they cannot pay the full amount. If they cannot do so then they are debarred from even raising objections. If they manage to pay by begging or borrowing or selling then prima facie they were in a position to pay and little value need be attached to their objection.

In some of the districts I have visited notices have been officially circulated that if the tenant does not pay within a month the remission may be cancelled. I understand that this has been done under directions from the local Government. The object of such a direction can only be to frighten the tenants into payment anyhow. So far as I know it is very seldom, if ever, that the full amount due is paid up in November. For many tenants, dealing in

particular crops, this is quite impossible as some such crops are only gradually collected. Then again if all the tenants have to pay up within the month this necessarily means that the tenants must sell their produce immediately and more or less together. If a large quantity of grain or other crop is thrown on to the market at the same time this is bound to result in a fall in the price of grain or other crop, and this in its turn will make the condition of the tenant as well as his zamindar worse.

It may be that Government does not intend to enforce rigidly this direction about payment within a month and that it was meant merely as a threat. Even so many zamindars will take shelter under the direction and profit by it and the poor tenant will go to the wall.

Thus the outlook for the tenant is about as black as it could well be and there seems no way out. If the Government policy is enforced, he is doomed to even greater suffering than he has passed through. We have been anxiously considering this and the Allahabad District Congress Committee have felt that they can be no parties to this continuous oppression of the Kisan leading to his economic death. They feel that it may be necessary for them to advise the tenantry to withhold payment of rent till a satisfactory solution is found. They do not wish to take any decision, involving far-reaching consequences, without the fullest thought and consultation. As at present advised however they see no other way. They are however calling a representative kisan conference to consider the question, and are also communicating with the Provincial and the All India Congress.

I regret greatly that such a step should be contemplated by them, specially at a time when Gandhiji is attending the Round Table Conference. But the question of payment or non-payment is an urgent issue and cannot await the deliberations of the Round Table Conference or the return of Gandhiji. We have tried to avoid raising any issue which might lead to friction and we shall continue to do so. But the fates seem to be against this.

Yours sincerely
(Sd). JAWAHARLAL NEHRU

Letter from Pandit Jawaharlal Nehru to Kunwar Jagdish Prasad, dated, Allahabad, 15, 1931

DEAR KUNWAR JAGDISH PRASAD,

Mr. R. F. Mudie, the Collector of Allahabad has giving some figures to the press to show that the remissions he is giving are fair and in accordance with the principles laid down by the Local Government. He has also made certain statements that the Settlement Officer's standard rates were taken as fair rates as these were based on rents fixed between 1271 and 1300 Fasli, i.e., 1863 and 1892. I do not know how far these figures are correct as other figures obtainable from the Gazetteer and Settlement Reports conflict with them. In this connection I should like to draw your attention to some of these latter figures and to the amount of remissions given and announced.

In 1338 Fasli the remissions were calculated as follows:

- (i) Fifteen years increments to be remitted.
- (ii) Less than 12½ per cent increments not to be remitted.
- (iii) Remissions for Rabi only.

For 1339 Fasli, i.e., the current year, remissions are supposed to be calculated on the following basis:

- (i) Thirty years increments to be remitted.
- (ii) Remissions to apply to all increments, including those less than 12½%.
- (iii) Remissions are for both Kharif and Rabi.

Prima facie the remissions for the current year should thus be far greater than the remissions for 1338 F. The actual figures are:

In 1338 Fasli—

For fall in prices	.. ..	Rs.5.55 lakhs
For local calamities	.. ..	Rs.6.75 lakhs
		Rs.12.30 lakhs
Total remission	Rs.12.30 lakhs

For 1339 Fasli—

For fall in prices	Rs.9.50 lakhs
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Although the sanctioned amount for 1338 F. was 12.30 lakhs it appears from the Collector's statement that the only 11 lakhs were distributed. The Collector has also stated he gave 7 lakhs for fall in prices and 4 lakhs for calamities. Further he states that the remissions were for both Kharif and Rabi 1338 F. although Government have previously stated definitely that they were for Rabi only.

The total remissions for 1339 F. are thus apparently less than they should be even if the 1338 F. remissions are taken into account.

In this connection it is pertinent to compare the population figures for Allahabad district for different years, as also the figures for area of holdings and under cultivation.

Population in—

1911	.. .. .	12.96 lakhs
1921	.. .. .	12½ lakhs
1931	.. .. .	14½ lakhs

(the population of the municipality and cantonment has been excluded).

Area of holdings in—

1907-08	.. .. .	12,37,000 acres
1925-26	.. .. .	12,31,000 acres

Area under cultivation in—

1903-07	.. .. .	10,67,000 acres
1922-27	.. .. .	10,47,000 acres

Thus while the population has gone up considerably in the last decade, the area of holdings and actually under cultivation has gone down. This obviously puts the greater burden on the tenantry. Mr. Drake Brockman wrote in his settlement report of Allahabad, basing his remarks on the population figures of 1911, that a bigger population could not be maintained economically. The outside margin, according to him, had been reached. Even then there were a large number of un-economic holdings. As the population has gone up by 12% and the area under cultivation has gone down the position of the tenants has greatly deteriorated.

The total rental demand in 1915-16 was Rs.44.7 lakhs; in 1929-30 it was Rs.57.3 lakhs. The increase in these 14 years was thus Rs.12.6 lakhs. If even the 1915-16

figures are taken the amount remitted now for 1339 F. (Rs.9.5 lakhs) is Rs.3.1 lakhs less. But the figures for 1915-16 must be greatly in excess of the 1901 figures and therefore the difference will be all the greater.

Mr. Mudie states that a special scheme was sanctioned by Government for Allahabad, Fatehpur and Etawah Districts. Under this he need not go, for Allahabad, beyond the last settlement in 1320 F. i.e., 1914-15. The Settlement Officer's standard rates are said to be based on rents fixed between 1271 F. and 1300 F. i.e., 1863 and 1892. This appears to conflict with figures given in Mr. Drake Brockman's report and in Allahabad Gazetteer. These figures are as follows:

	Occupancy		Non-occupancy	
	1907-08	1914-15	1907-08	1915-16
For Gangapar ...	5.93	6.15	5.59	6.96
For Doab ...	4.71	5.10	6.16	6.38
Average for above two ...	5.32	5.70	5.88	6.80

The figures for 1907-08 are from the Gazetteer and the figures for 1914-15 from Mr. Drake Brockman's Settlement Report. Jannapar has not been given as it is taken separately with Bundelkhand.

The figures for 1907-08 given above are likely to be greatly in excess of 1900 figures as rents went up rapidly after the passing of the Agra Tenantry Act in 1901.

Mr. Mudie's figures according to Tehsils may also be compared to the Gazetteer figures for 1907-08:—

Tahsil		Mr. Mudie's figures	Gazetteer 1907-08
Bara	Occupancy	2.90	2.95 per acre
	Non-occupancy	2.80	1.87 " "
Chail	Occupancy	5.90	5.07 " "
	Non-occupancy	6.60	6.24 " "
Handia	Occupancy	6.10	5.72 " "
	Non-occupancy	6.50	6.32 " "
Manjhanpur	Occupancy	4.70	4.16 " "
	Non-occupancy	5.70	4.83 " "
Phulpur	Occupancy	5.90	5.95 " "
	Non-occupancy	5.90	5.69 " "
Meja	Occupancy	2.80	2.64 " "
	Non-occupancy	1.80	1.70 " "
Sirathu	Occupancy	5.60	4.97 " "
	Non-occupancy	5.40	5.48 " "
Soraon	Occupancy	6.40	6.33 " "
	Non-occupancy	6.40	6.75 " "

All these figures go to show that the rents of 1914-15 were as a whole considerably in excess of rents of 1907-08 and it is reasonable to presume that they are still more in excess of those in 1900-01, specially as the Agra Tenancy Act was passed in 1901 and rents went up subsequently. It is thus not correct to say that the figures for 1914-15, taken as a basis by Mr. Mudie, are equivalent to the figures for 1901, which year the Government accepted as the basis of calculation. The result of having taken the wrong year as a starting point means a considerable reduction in the remissions.

Allahabad district has been particularly hard hit during the past six months. The large number of ejections and the attempts made by the ejected tenants to get back their

lands at any cost and at any loss has exhausted them completely. Even the most liberal application of the Government's directions as to remissions would not have brought enough relief to them. But the present application of this policy based on 1914-15 makes matters far worse.

So far as I know, no notice of payment within a month has been issued in Allahabad. In the adjoining district of Fatehpur this has been done. Apart from the obvious difficulties of tenants paying up within a month there is another point of consideration. It is well known that the receipts are often not given. This will make the poor tenant's position still worse as he will not be able to prove payment. Then again arrears are always with him. It is a little difficult to imagine how a tenant who is given remission because he cannot pay the full demand, is expected to pay arrears. Yet we have seen during the last six months that he was expected and was ejected for failure to do so.

I am told that every consideration will be shown to the tenant and every facility afforded to him. Our experience during these past months and even now has been unfortunate. The revenue staff seems to look upon the tenant as the enemy of society to be harassed in every way and made to pay up by any means. For him the period following the Delhi Settlement has been one of the most intense suffering, and it is a little difficult to concieve that he will get better treatment now. But if the treatment was good the fact remains that he must be made to pay and whether he can do so or not is immaterial.

Yours sincerely
(Sd.) JAWAHARLAL NEHRU

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**Letter from Pandit Jawaharlal Nehru to Mr. E. C. Melville,
Private Secretary to the Viceroy, dated, Allahabad,
October 16, 1931**

DEAR MR. MELVILLE,

You were good enough to write to me some time ago and convey His Excellency's message to me that he wished me to communicate with him in the event of my having any

difficulty. I pointed out in my reply that I was greatly troubled at the large number of ejections of tenants and the coercive processes employed to extort rent from them which they could not ordinarily pay without selling their cattle and other property or borrowing at a heavy rate of interest. I have not written again to you as I did not wish to trouble His Excellency. But I have been writing to the local Government and keeping them informed of our difficulties. I believe Sardar Vallabhbhai Patel has also written to Mr. Emerson on the subject.

I am now availing myself of His Excellency's suggestion to write to you, for his information, as the agrarian situation has again become critical. The tenantry have had to face during the last six months continuously coercive processes and forcible measures to extort rent from them. Large numbers of them were ejected from their lands. His Excellency will appreciate what the reaction of a peasant is when he is dispossessed of his land, specially if he has had an occupancy holding which has been in his family for generations. The Indian peasant like any other peasant, or perhaps even more so, is passionately attached to his land. Thousands of ejections caused deep distress and misery and repeated attempts were made by us to get the lands returned to them on fair terms. Mr. Gandhi discussed this matter with Mr. Emerson and I have been continually writing about it to the U. P. Government. The problem and the distress were recognised to exist but it was apparently hoped that something would happen which would automatically solve the problem and remove the distress. So nothing was done except to continue the coercive processes and to proceed for criminal trespass against those ejected tenants who remained on their lands.

Gradually the poor tenant was beaten down and made to feel that his land was going for ever. His passion for the land was too great for him to put up with this idea and so many sold their cattle and other belongings and often borrowed at heavy rates of interest. They managed to get back their land after paying not only the full demand but also various other charges. Thus the tenant, who was recognised to be very hard hit by the fall in prices and therefore entitled to remission on the usual rental demand ultimately

had to pay a sum often in excess of the full demand. He did so practically at the cost of selling himself to the money lender. It was an act of folly for which he and all concerned will suffer, but it is difficult to blame him for it. He has nothing in the world except his land to fall back upon.

Ever since the Delhi settlement the tenant in the United Provinces has had to face a most difficult situation. He has been treated to every kind of indignity and harassment and every device has been employed to make him pay. The general depression and the economic situation were against him. To this was added the treatment he got from his landlord and from the revenue staff. To both these the tenant seemed to be an enemy to be combatted and beaten down. His Excellency knows of the numerous complaints we have made from time to time about the treatment of the peasants. In varying degrees this treatment has continued and there has been no interval or period of rest for the tenantry. Ordinarily the period of collections is supposed to close about the time the rains break out and the peasant is left in peace to till his field. There has been no such break or suspension this year and forcible collections for the past season have continued and are continuing. In many cases, the peasant has been allowed to till his field and sow his crop and just when the crops appear and harvest time approaches and he hopes to get some return for his toil, he has been threatened with dispossession and actually dispossessed. Now the new season has begun and the new rental demand falls due. Thus before the tenant has survived the coercive processes of the last season, he is confronted with a repetition of the same processes. The period of the Delhi settlement has been one of ceaseless war against the tenant.

I do not wish to trouble His Excellency with lists of complaints. We have communicated these from time to time to the local Government. But I should like to mention two cases which have filled us with humiliation and indignation. These are instances of barbarous outrage on women in the villages of Semri and Baraipur in the Balrampur Estate under the Court of Wards in Gonda district. The U. P. Government has issued a long communique denying that anything of the kind alleged occurred. If this is

the U. P. Government's view after a private enquiry I suppose we cannot help it. But it is no one else's view. Many prominent public men have personally investigated the matter with care and are convinced of the truth of the charges. I have myself visited the localities and met the persons concerned. I have no doubt whatever that the outrages were committed. But the U. P. Government has ignored all the direct evidence and put forward certain circumstantial arguments which were not worthy of them. If they are so sure of their facts a public and impartial enquiry would have satisfied everybody. His Excellency will appreciate that people feel strongly where the honour of their womenfolk is concerned.

Our present difficulty is that the new scale of remissions, for the current agricultural year, is not only inadequate in principle, but has been applied in such a way as to reduce even the remissions which ought to have been given under it. Further, it is stated that if the tenant does not pay up in full within a month even these remissions might be cancelled. It is obvious that after all that has occurred during the last six months he is not in a position to pay up anything quickly. He has not got over his last payment yet. And if all the tenants tried to pay within a month, they would have to flood the market with their produce and thus further reduce the price of grain etc. This would be disastrous for the tenant as well as the landlord and the State. The prospect ahead of the tenantry is again therefore one of coercive processes, ejections, harassments, attachments, sale of cattle or property, if they still possess any, and all that has happened this summer will be repeated. They faced this prospect on our advice last season and they have come out of it terribly shaken up. We dare not offer them this advice again. Therefore we may be driven to advise them to withhold payment of rent for the present. One of our local Congress Committees—the Allahabad District Congress Committee—has after anxious and prolonged consideration decided to approach its superior body the U. P. Provincial Congress Committee and our President Sardar Vallabhbhai Patel for permission, should need arise, to advise withholding payment of rent till relief is given in regard to various matters connected with it. This refers to one district only but we

realise that this may have far reaching consequences. Circumstances and the miserable plight of the tenantry appear to leave us no option. They have suffered enough during the past six months. We cannot be willing parties to further suffering for them.

I am sorry to have to write at such length. I feel that some explanation is due to His Excellency for the step which one of our Congress Committees intend to take. It is with great regret that the taking of such a step has been contemplated, specially at a time when Mr. Gandhi is attending the Round Table Conference. But the question of payment or withholding of payment of rent is a vital and an urgent one for the tenantry and it cannot afford to be shelved till the conclusion of the London Conference.

I trust His Excellency is well now.

Yours sincerely
(Sd.) JAWAHARLAL NEHRU

4

Cable to Gandhiji from Pandit Jawaharlal Nehru, dated, Allahabad, October 16, 1931

Agrarian situation becoming critical coercive processes attachments forcible collection rent continued right through without interval many ejected tenants proceeded against for criminal trespass many for fear permanently losing land sold cattle belongings borrowed money paid full demand plus extras. Fresh demand now made for current season inadequate remissions threat that if full payment not made within month remission might be cancelled also no objection considered on behalf of tenants till full payment made. Condition kisans deplorable thoroughly exhausted after past six months continuous harassment forcible measures apparently process likely be repeated this season also. Allahabad District Congress Committee resolved under circumstances ask permission start Satyagraha if necessity arises by advising withholding payment rent application for permission made to Vallabhbai and provincial committee. Representative district kisan Conference being held next week to decide

question. Decision likely have far reaching consequences but question payment or withholding payment must be decided soon vital urgent problem for kisans admitting no delay.

5

Letter from Shri Purushottamdas Tandon to Mr. T. A. K. Sherwani, dated, Allahabad, October 17, 1931

MY DEAR SHERWANI,

I informed you verbally on the 15th of the resolution passed by the Allahabad District Congress Committee that morning asking the permission of the Provincial Congress Committee to start Satyagraha in Allahabad District by advising non-payment of rent and revenue. I also requested you to write to the President of the Congress and obtain beforehand the permission of the Working Committee, since it is likely to meet before the meeting of the Provincial Council comes off.

I forward herewith a copy of the whole resolution of the 15th instant.¹ Reference is made in that resolution to another resolution of September 22. The latter simply adopted a report of a Sub-Committee appointed by the District Congress Committee to consider and report on the Government policy regarding the agrarian situation. A copy of that report is also enclosed.²

When we stopped the no-rent-and-revenue campaign as a result of the Delhi Settlement we expected that Government policy would become more sympathetic and the oppression on tenants would cease. But what has happened is that taking advantage of their freedom from the political pressure of the Congress the Government with all its legal and illegal machinery and in combination with zamindars has concentrated on crushing the tenants. Coercive processes, ejections, tortures, collection of rent with police aid have been freely resorted to. When cases of torture have been brought to the notice of the authorities they have turned a deaf ear and have taken the side of the zamindars or the police.

¹ See Appendix A

² See Appendix B

The situation is full of misery for the poor cultivator. The combination of forces against him is strong. He is already exhausted after the payments for 1338 Fasli which obviously on account of the fall in prices he could not make out of the sale of the produce. He has had to sell his bullocks, and the few ornaments of his family or has had to borrow at heavy rates of interest. For the current Fasli year 1339 the remissions announced are again thoroughly inadequate. As the resolution of the District Committee shows there is to be a remission of two annas and seven pies in the rupee while the price of agricultural produce has gone down by over eight annas in the rupee. It will therefore be impossible for the tenant to pay the demand from the yield of the land, and the natural consequence will be that he will again be pursued, hunted and tortured.

In the circumstances it seems to us that the only course to be adopted is to advise the tenants to withhold payment of rent altogether. We know that this will also entail misery; but it is better to put up a fight and die than allow ourselves to be crushed under a grinding machine which knows no rest.

Yours sincerely
(Sd.) PURUSHOTTAMDAS TANDON

6

Letter from Mr. T. A. K. Sherwani to Shri Vallabhbhai Patel, dated, Allahabad, October 18, 1931

DEAR SIR,

I herewith send you a copy of the resolution passed by the District Congress Committee, Allahabad, on October 15, 1931, by which they have asked my permission to start satyagraha in the form of non-payment of rent and revenue. I also enclose a copy of the covering letter of the President of the aforesaid District Congress Committee summarily describing the condition of the district as regards the payment of rent for the coming crop.

The report of the sub-committee appointed by the said District Congress Committee to consider the Government

scheme of remission is also herewith attached.¹ They will show that the proposed remissions are utterly inadequate and under the present circumstances the tenants will not at all be able to meet the demand. I may further point out that the standard year taken by the Government in their scheme of remission was the year when the Agra Tenancy Act was passed, namely 1901. Before this Act there was no security of tenure whatsoever for the non-occupancy tenants who formed the bulk of agricultural population of the province. Every non-occupancy tenant then was a tenant from year to year and one can very well imagine the miserable condition in which the majority of tenants must have been in those days. There was complaint all round that the tenants were rackrented and this complaint forced the Government to secure the tenure at least for seven years by means of the enactments. Thus the standard year was fundamentally wrong as a standard.

The methods adopted by zamindars with the help of the Government for realising rent of the last season were so drastic and brutal that they have exhausted both the patience and the resources of the tenants and tenants in general will not be able to put up with them any longer.

Further most of the Government officials in the province never acted in the spirit of the Delhi settlement. They tried and are still trying their best to stop ordinary Congress work in the rural areas. They have freely used the preventive section as well as Sections 124-A and 153-A Indian Penal Code, for the purpose. In some districts there have been wholesale arrests and detention of our workers.

We here have been informing the local authorities as well as the local Government of the attitude of the various district officials; but the answers are mostly denials on most flimsy and technical grounds.

The situation demands an early decision and unfortunately the meeting of the Provincial Congress Committee takes place after the meeting of the Working Committee. My difficulty therefore is that I have not had the occasion to discuss the matter with the workers of the other districts. I feel that the campaign in Allahabad will not leave

¹ See Appendix B

other districts, especially the surrounding districts, unaffected. As regards Allahabad we are holding a conference of the tenants on the 23rd of this month, and I will be in a better position to intimate to you about the position of the district after the conference. However the question will remain whether Allahabad alone will be able to bear the miseries and hardships which the fight would entail and I will only be able to judge the position after the meeting of the Provincial Congress Committee. But if we are to start we must begin it soon because the time of collection has already come.

Under the circumstances I would request you and the Working Committee to authorise our Provincial Congress Committee Council to take action in Allahabad or in other place or places if it thinks necessary.

Yours sincerely

(Sd.) T. A. K. SHERWANI

President

U. P. Provincial Congress Committee

7

Cable from Mahatma Gandhi in reply to the cable of Pandit Jawaharlal Nehru, dated, London, October 19, 1931

Your cable you should unhesitatingly take necessary steps meet every situation expect nothing here.

8

Letter from Mr. E. C. Melville to Pandit Jawaharlal Nehru, dated, Simla, October 19, 1931

DEAR PANDITJI,

His Excellency wishes me to thank you for your letter No. G7/2655 of October 16, and for the information which it contains. Acting on His Excellency's instructions, I have requested the Home Department to ascertain from the Local Government the facts as mentioned in your letter under reference.

His Excellency wishes me to add that he is sure that Sir Malcolm Hailey is taking the keenest personal interest

in the agrarian situation in the United Provinces and knows that he will do his best to keep the balance between the landlord and the tenant.

I am glad to be able to tell you that His Excellency is quite well again.

Yours sincerely
(Sd.) E. C. MELVILLE

9

Letter from Pandit Jawaharlal Nehru to Kunwar Jagdish Prasad, dated October 26, 1931

DEAR KUNWAR JAGDISH PRASAD,

As I told you on the telephone yesterday we shall gladly meet the Settlement Commissioner and the Allahabad officials. I should have liked this meeting to take place before the Working Committee meets but that I am afraid is impossible. I am leaving shortly for Delhi as the Working Committee meets from tomorrow onwards. Soon after the Provincial Congress Committee will meet at Lucknow. As both these Committees will have to consider the agrarian situation in the U. P. and specially in the Allahabad district it would have been desirable if we had met the Settlement Commissioner and the other officials before the Committee meetings took place. Unfortunately that cannot be arranged now.

I cannot definitely suggest a date for our informal conference now. It will have to be sometime early in November—probably the 3rd November, Saturday, at Allahabad, may be provisionally fixed. Unfortunately Purushotamdas Tandon has gone to Lahore. I shall get into touch with him and inform him of the date. If no hitch occurs and you do not hear from me to the contrary, we shall adhere to November 3rd.

So far as Allahabad is concerned the presence of Purushotamdas Tandon, Venkatesh Narayan Tewari, Lal Bahadur, the Secretary of our District Congress Committee and myself will be necessary. I feel, however, that the questions to be discussed will raise wider issues and it will be desirable if some of our provincial representatives are also present. In

particular our president, Tasadduk A. K. Sherwani and Govind Ballabh Pant should be present. As the Provincial Congress Committee is meeting soon they will probably decide on a course of action or authorise their Council to take the necessary steps. It is difficult for me to commit them without consulting them.

Another difficulty that faces us is this. An important point at issue between the Allahabad District Congress Committee and the local officials has been the manner of calculation of the remissions and particularly the date from which such calculations should be made. But there are other important matters also. For instance the principle underlying the policy of Government in regard to these remissions is itself objected to. Further there is the question of arrears. It is difficult for us to understand how any arrears can be rightly demanded when it is admitted that the full current demand itself cannot be paid. Then there is the question of ejectments about which I have written to you so often. The date of payment is also important in view of the notices issued in many districts that the remissions might be withdrawn if payment is not made within a certain date. There are some other points also but I need not refer to all of these here. One matter however I must mention. This is the loss caused by local calamities. It is well known that the recent rains have ruined the crops in many areas. This has to be taken into consideration in assessing the current rent.

I might add that we continue to receive reports from districts which show that the repressive policy of Government in regard to rent collections and the like continues. In Bulandshahr we are informed that the police and kurkamins have been going about attaching property. In Barabanki quite a large number of Section 107 notices have been issued. In Sultanpur district a notice, dated October 19, under Section 144 Criminal Procedure was issued to Syt. Sitla Sahai last week forbidding him from speaking on the ground that he had been "wandering over the countryside and instructing tenants to withhold payment of rent full or partial." This is a totally wrong statement. He has only been once before in Sultanpur some weeks or months ago and he said nothing about withholding pay-

ment of rent.

I hope you will get over your indisposition soon.

Yours sincerely
(Sd.) JAWAHARLAL NEHRU

After writing the above I telephoned to you and immediately after I telephoned to Mr. V. N. Mehta and informed him that November 3, might be fixed provisionally for the Conference. He suggested to me that meanwhile it would be desirable that no aggressive propaganda was carried on on our behalf. I would gladly agree to anything that would avoid friction and make it easier to arrive at an understanding. But certain steps have been taken by us, for instance, the tenants' conference held on the 23rd which came to certain conclusions. A number of meetings in rural areas have also been fixed up and it was proposed to issue some leaflets. I shall suggest that propagandist leaflets be not issued for the time being but it is hardly possible or desirable to stop the meetings which have already been arranged. These meetings are held regularly by our workers and they need not be interpreted as constituting any special aggressive campaign.

10

Resolution of Working Committee passed at Delhi on October 29, 1931

This Committee has considered the statements of the Presidents of the U. P. Provincial Congress Committee and the Allahabad District Congress Committee about the agrarian situation in the U. P. and the resolutions of the Allahabad District Congress Committee asking for permission to offer Satyagraha as against the present agrarian policy of the U. P. Government and, in particular, the oppressive collection of rent and revenue at a time when the agriculturists are unable to pay on account of acute economic depression.

The Committee realises that the agriculturists of the U. P. have been subjected to a great deal of hardship and oppression, particularly in the course of the past five months, and that they have now to face a grave crisis. The Com-

mittee feels that it is the duty of the Congress to assist them in every possible way in removing the economic hardships they suffer from. In the opinion of the Committee however the question of defensive action should first be considered by the Provincial Congress Committee. The Committee therefore refers the application to the U. P. Provincial Congress Committee and in the event of the Provincial Congress Committee being of opinion that it is a fit case for defensive satyagraha on the part of the agriculturists, in terms of the Simla Agreement dated August 27, this Committee authorises the President to consider the application and to give such decision on it as he may consider necessary.

11

Resolution of United Provinces Provincial Congress Committee passed at Lucknow on November 2, 1931

The Provincial Congress Committee has considered the application of the Allahabad District Congress Committee for permission to start Satyagraha against the agrarian policy of the Government by recommending that the payment of rent and revenue should be withheld till such time as adequate relief is given to the agriculturists, and the resolution of the Working Committee passed on this application being forwarded to them by the president of this Committee. The Committee has also considered reports from various districts which show that the remissions announced by Government for the current Fasli year are wholly unsatisfactory and inadequate in principle; that the method according to which they have been worked out, and the limitations to which they are subject have made them still more ineffective and unacceptable; that no provision is made for the restoration of land to the ejected tenants or in regard to the arrears of rents and revenue and other debts which weigh down the agricultural classes; that no allowance has so far been made for the local calamities which have afflicted numerous districts in the province. The Committee has further been informed that coercive processes for the realisation of rent continue and tenants are still being harassed, and many zamindars have been subjected to hard-

ship and indignity to compel them to pay the full revenue demand. The Provincial Committee as well as many district committees have made continuous efforts to seek relief from provincial and local authorities, but the policy followed by the Government during the last six months has resulted in the progressive deterioration of agrarian conditions in the Province and has caused great suffering to the peasantry. The Committee is of opinion that unless immediate relief is given the Allahabad district and many other districts will be justified in resorting to Satyagraha in terms of the Simla agreement dated August 27, 1931, referred to in the Working Committee resolution. The Committee however is of opinion that another effort should be made to obtain adequate relief and authorises its Council in this behalf. In the event of such relief not forthcoming the Council is given authority to take the necessary permission from the President of the All-India Congress Committee to allow the Allahabad District Congress Committee as well as other districts similarly situated to take such defensive action as may be considered necessary.

The Council is further authorised to appoint, should necessity arise, a smaller committee to deal with agrarian matters and to give effect to this resolution of the Committee.

12

Letter from Pandit Jawaharlal Nehru to Kunwar Jagdish Prasad, dated Allahabad, November 3, 1931

DEAR KUNWAR JAGDISH PRASAD,

The informal conference with the district officials and Mr. K. N. Knox, that was arranged at your suggestion took place today. I am afraid it did not yield any useful result. We were told that we could not consider the basis of remissions, nor could we discuss arrears or debts or ejections or local calamities or similar matters. The interpretations put on the Rent and Revenue Committee's report and on the Government order defining Government policy were also novel and extraordinary. It is not quite clear what

the purpose of the conference was if no single important matter even relating to Allahabad district could be discussed. The result of lengthy discussions was that perhaps an additional Rs.25,000 or so might be added to the remissions for Allahabad district.

I have written to you so frequently on this subject that it is not necessary to trouble you again with a repetition of what I have previously said. I would only add that, so far as we are concerned, the situation is very grave and no relief seems to be in sight. The matter has been considered by the All India Working Committee of the Congress and the Provincial Congress Committee. The Provincial Committee has directed us to make a further effort to obtain relief from the Local Government. They have also appointed a special committee for the purpose of meeting representatives of the Local Government, if the Government is agreeable to having such a conference. Our president, T. A. K. Sherwani, will write to you separately about this.

I am a member of this committee but I have to go to Bombay on the 6th and I may not return till the 10th. If the proposed conference is held after the 10th I shall try to be present. But we are anxious that there should be no delay and even in my absence other members can meet you or others whom the Government may suggest.

Yours sincerely
(Sd.) JAWAHARLAL NEHRU

13

Letter from Mr. T. A. K. Sherwani to Kunwar Jagdish Prasad, dated Allahabad, November 3, 1931

DEAR KUNWAR JAGDISH PRASAD,

I enclose a copy of a resolution on the agrarian situation passed by the United Provinces Provincial Congress Committee on November 2, at Lucknow. The Committee was of opinion that we should make another effort to obtain adequate relief from the Local Government before we gave up all hope and resorted to defensive action. I did not send this resolution to you immediately as I wanted to find out first the result of today's informal conference between some Con-

gressmen on the one hand and the Local Official of Allahabad and the Settlement Commissioner on the other. This conference has not helped in clearing up the situation in the least even in regard to Allahabad district.

The Council of our Provincial Committee has nominated six of us to confer with representatives of the Government in regard to the agrarian situation, should such a conference take place. These six are Messrs. Purshotam Das Tandon, Govind Ballabh Pant, Jawaharlal Nehru, Rafi Ahmed Kidwai, V. N. Tiwari and myself. We shall be glad to place our difficulties before the Government's representatives and to confer with them regarding remedies. Any date, the earlier the better, will suit us. As Pandit Jawaharlal Nehru is not going to be here from November 6, to November 10, I would suggest November 11, or 12, at Lucknow. But we can meet you earlier without him if you so desire. I would not like the meeting to be delayed much beyond November 12.

I shall thank you for your early reply.

Yours sincerely
(Sd.) T. A. K. SHERWANI

14

Letter from Mr. T. A. K. Sherwani to Sardar Vallabhbhai Patel, President All India Congress Committee, dated Allahabad, 5, 1931

MY DEAR VALLABHBHAI,

I herewith enclose a copy of a resolution passed by U. P. Provincial Congress Committee at Lucknow. At the meeting facts were disclosed about certain districts which show that condition in some of them was even worst than Allahabad. Yesterday we had a talk with Government officials. Nothing came out of it and we came away with the impression that the local Government is not prepared to give any substantial relief. However, I have sent a letter to the Chief Secretary of the local Government the copy of which I enclose herewith in pursuance of the resolution of the Provincial Congress Committee. Jawahar Lal will tell you the real state of things here.

The resolution was passed without a single dissenting voice.

Taking all the circumstances into consideration our's is a fit case for permission and I ask you for the same.

Yours sincerely
(Sd.) T. A. K. SHERWANI

15

Letter from Kunwar Jagdish Prasad to Pandit Jawaharlal Nehru, dated Lucknow, November 10, 1931

DEAR PANDIT JAWAHARLAL NEHRU,

Thank you very much for your letter, dated November 3. I shall be glad to see you and Mr. Sherwani about the agrarian situation in the Province, but I think it is only fair that you should know what the present position is as regards some of the principal points mentioned in your letter.

2. You doubtless remember that on July 23, the Legislative Council passed a resolution that a Committee consisting of official and non-official members of the Council should be appointed to advise on the re-adjustment of rents and revenue in view of the fall in prices of agricultural produce. The Government accepted the resolution and a Committee consisting of three officials and twelve non-officials was accordingly appointed. The Committee met in Naini Tal on August 10, and unanimously decided to ask the Government to nominate a member from the Congress Party as it was not at present represented in the Council. They suggested for nomination the name of Pandit Govind Ballabh Pant. Government accepted the suggestion and invited Pandit Govind Ballabh Pant on August 10, to join the Committee. Pandit Govind Ballabh Pant replied, regretting that he could not serve without the permission of the United Provinces Congress Committee which it would take time to obtain as the members of the Congress Committee were scattered throughout the Province. The Rent and Revenue Committee considered the reply and decided that the work before them was too urgent to allow of any further postponement. A communique explaining this was issued on August 11 (Copy enclosed). The Committee completed their deliberations as regards rent remissions by August 15. The Government accepted in

substance the unanimous proposals made by the Committee for rent remissions, and orders were issued to district officers to take immediate steps to give effect to these proposals. A communique was also issued on August 26, explaining the formula on which rents were to be re-adjusted (Copy enclosed). Further communiqes were issued on September 10, and September 22, (Copies enclosed) showing the method by which the fall in the value of agricultural produce had been calculated and giving some indications of its results in various districts and also of the progress that had been made in tabulating the figures. Government were most anxious that each tenant should have in his hands a slip showing the amount by which his rent had been reduced before the rent demand for the present Kharif became due. By continuous effort the work of distributing several million such slips was completed by the end of October. You will readily understand that if this question were now to be reopened or if we were to make any substantial modifications of the lines on which we have proceeded, it would not merely delay the collection of Kharif rents, but would practically make it impossible to collect any rents at all.

3. As regards the cancellation of arrears of rent, it would not be possible to take any action until Government knew what these arrears amount to. Moreover, before action in this direction could be taken, it would require legislation and we could not decide whether any such action should be taken until we have had some experience of the effect of the reductions in rent now announced.

4. As regards the reinstatement of the ejected tenants, here again before a tenant who had acquired statutory rights on admission to a holding, could be removed from his holding to make way for ejected tenant legislation would be necessary. Government will, however, do its best, whenever possible, to persuade landlords to restore tenants to lands from which they have been evicted or which have been relinquished by them.

5. The above difficulties, however, while they stand in the way of discussing the wider question of a modification of the formula adopted for reductions of rent, or the points referred to in paragraphs 3 and 4 above, do not stand in the way of discussion of any results arising out of the application

of the formula in any particular area or in regard to any exceptional cases arising out of the application of that formula.

6. I am sending a copy of this letter to Mr. Sherwani.

Yours sincerely
(Sd.) JAGDISH PRASAD

16

Letter from Shri Vallabhbai Patel to Mr. T. A. K. Sherwani, dated Bardoli, November 10, 1931

MY DEAR SHERWANI,

I have received your letter of November 5, regarding permission for defensive action against the agrarian policy of Government in your province along with your Committee's resolution on the subject. I have carefully considered the resolution of your Committee and I am glad to note that no efforts are being spared to obtain relief by means of negotiations and representations. However, it seems almost certain that your efforts will not succeed in securing a fair measures of relief to which the tenants are entitled under the present conditions and in several districts they will be compelled to pay the amount of rent which in many cases it will not be possible for them to pay, even by selling their cattle and all their belongings. They have already passed through a period of terrible hardship during the previous year and this year if they are again subjected to the same conditions they are bound to break as they are not able to bear any more strain. I realise that it would be impossible for the Congress organisation in your province to merely stand by and do nothing to help them in this fearful crisis and although I would have liked to wait till Gandhiji's return yet since the instalment of collection begins on the 15th and as there is no time left, I see no alternative before your Committee but to take the only possible course of defensive action by advising the peasants to refuse voluntarily to pay any rent or revenue till adequate relief is secured. Under the circumstances in virtue of the powers conferred on me by the Working Committee at Delhi I hereby authorise the Council of the United Provinces Provincial Congress

Committee to take such defensive action as may be deemed necessary including the non-payment of rent or revenue by the peasants in the Allahabad District and such other areas of the United Provinces as may be selected by the said Council from time to time. I trust your Committee will take particular care to acquaint all the tenants and workers concerned with the sufferings and sacrifices they will have to undergo and the necessity of preserving a perfectly non-violent atmosphere during the struggle in spite of any provocation and hardship. Please keep me informed of the developments from time to time. I wish you all success.

Yours sincerely
(Sd.) VALLABHBHAI

17

Letter from Mr. T. A. K. Sherwani to Kunwar Jagdish Prasad, dated Allahabad, November 12, 1931

DEAR KUNWAR JAGDISH PRASAD,

I am in receipt of your letter of November 10, together with the copy of the letter addressed to Pandit Jawaharlal Nehru, and I thank you for them.

You have referred to the invitation issued to Pandit Govind Vallabh Pant to join the Rent and Revenue Committee and his inability to accept it without consulting his colleagues. The invitation, as you state, was conveyed to him on August 10, after the Committee had already started its sittings. Pandit Govind Ballabh immediately communicated by telegram with me and with some other colleagues and as a result it was decided that he should join the Committee. I believe that his acceptance was conveyed to you on August 14. He was then informed that the Committee had already come to certain decisions and indeed had practically finished its labour in so far as rents were concerned and there was little point left in his joining the Committee at that stage. The Provincial Congress Committee fully realise that the problem before the Rent and Revenue Committee was an urgent one. Indeed, for many months past we had been urging this on the attention of Government. But you will no doubt appreciate that, as

matters shaped themselves, it was hardly possibly for Pandit Govind Ballabh Pant to have acted otherwise than he did. Pandit Govind Ballabh is a member of an organisation and if he has to act on its behalf he had to abide by certain conventions and submit to its discipline. He took the earliest steps to get the necessary permission and within four days he communicated his consent to Government. But even then it was too late.

Although the Rent and Revenue Committee finished the principle part of its labours within four days the Government, it appears, took a considerable time to arrive at their conclusions and to publish them for public information. It would not have delayed matters if the Congress had been given an opportunity for discussion before these conclusions were arrived at. The Congress view-point had been placed before you and the local Government on many occasions as we were desirous of getting the relief for the tenantry which we felt was essential by private and informal contacts with Government. We felt that this was a method which would be more appreciated by Government than formal and official approach. But correspondence and formal contacts could not take the place of a discussion on new and important proposals which would determine official policy. We regretted therefore that we had no such opportunity before decisions were arrived at. We were thus compelled to place our views before Government and the public after your decisions came to be known.

It has not been the Congress policy after the Delhi settlement to do anything which would place the Government in a difficult position. We want adequate relief for the peasantry, not credit for ourselves and we would gladly welcome such relief by whatever process it is determined. But we do feel that the agrarian situation requires brave handling and the disease is serious enough to require an extraordinary remedy. It is because the proposals of the Government regarding remissions, etc., seemed to us to lag far behind the actual requirement of the situation that we are troubled and compelled to express ourselves somewhat forcibly.

The Provincial Congress Committee is convinced that the basis of the Government proposals is not adequate and should be revised. We are prepared to suggest methods of

doing this. But what we are concerned with are the results, not the methods. I am sure that if the desire to bring about these results is there, the Government can easily find the way. That need not upset all that has happened or has been done in the past four months. Nor do I think that the difficulties you have mentioned need present an insuperable obstacle, even from your point of view. I need hardly point out to you the recent decision on vital and far reaching financial matters which Government has taken. When it was seen that something extraordinary had to be done, it was done within three days.

One method I might suggest for your consideration. Government can easily issue an order suspending collections of part of Kharif demand pending further consideration. Thus part would be collected and part would remain over to the next harvest. Meanwhile the question could be considered fully. This would not interfere with remission slips or with the other steps that have been taken.

As regards arrears, it should be easy enough for Government to take action. In fact such action has on some occasions been taken in the past. Even legislation is not difficult but action can be taken without legislation. The point which we would like the Government to consider is the absurdity of asking a man to pay arrears when admittedly he cannot pay the full current demand. If this is admitted, as it must be, then it naturally follows that arrears must at least be suspended. I would in this connection point out that suits for arrears for 1938 Fasli are being filed even at present.

The question of re-instatement of ejected tenants has been frequently placed before you. The Congress has laid great stress on this ever since the Delhi Settlement. The Congress, therefore, is not to blame if nothing has so far been done. You tell us that the Government will do its best to persuade landlords. May I remind you that we have been told this on many occasions, but so far no tangible results are visible.

You have not said anything in your letter about local calamities. This is a vital matter which must be decided before the question of payment arises. If a sufficient and adequate remission is given for local calamities it would go some way to relieve the present tension.

My colleagues and I are perfectly willing to see you and discuss these matters with you. We earnestly hope that some way may yet be found to give the minimum relief that is essential. We feel however that unless this minimum relief is given, whatever the method of arriving at it may be, there can be no solution of the present crisis.

Should you wish to meet us, kindly let me know soon.

Yours sincerely
(Sd.) T. A. K. SHERWANI

18

**Resolution, passed by the Council of the U. P. Provincial
Congress Committee on November 15**

The Council having heard the statements of representatives of the Allahabad district regarding their Conference with Government officials and, having considered the correspondence with the local Government regarding the agrarian situation in the province, is of opinion that the attitude of Government has been thoroughly unsatisfactory and that, unless sufficient relief is forthcoming to alleviate the distress of the peasantry, they will have no alternative but to withhold the payment of rent and revenue. The Council also notes that pending the negotiations with Government, definite advice is being sought by the agriculturists in regard to the payments of the Kharif demand.

The Council, therefore, authorises the Allahabad district Congress Committee to advise the agriculturists to withhold the payment of rent and revenue during the pendency of the present negotiations. The Council also authorises the Sub-Committee appointed at Lucknow to issue such directions to the Allahabad district Congress Committee as the situation may, from time to time, demand.

"The Sub-Committee is further empowered to consider the agrarian situation in other districts and to give permission to take defensive action where and when necessary."

Letter from Kunwar Jagdish Prasad to Mr. T. A. K. Sherwani, dated Allahabad, November 17, 1931

DEAR MR. SHERWANI,

Thank you very much for your letter, dated November 12. We have not been able to trace any letter from Pandit Govind Ballabh Pant accepting membership of the Rent and Revenue Committee. As far as I remember, Pandit Govind Ballabh Pant telephoned me from Bhowali *after* the Committee had submitted their report about rent remissions, that he had obtained permission to join the Committee. I told him on the telephone that the Committee had already made its recommendations as regards rent, and that they would next meet to consider the proposals regarding revenue. Mr. Pant, if I remember rightly, said that in the circumstances there was no point in his joining the further deliberations of the Committee, as he was not very much concerned about revenue remissions. The matter ended there. You suggest in your letter that no great delay would have been involved if the Congress representatives had been given an opportunity for discussion before Government had arrived at its decision. The conclusions of the Government were based on unanimous recommendations of a committee of the Legislative Council. After these recommendations had been submitted and the members had already dispersed from Naini Tal, the only possible way of reopening the matter would have been to reassemble the Committee and to go over with them the whole ground which would have involved very considerable delay.

2. The Committee's recommendations were arrived at after detailed discussions and after a very careful consideration of all relevant factors, and were in their unanimous view adequate to meet the situation. The total rent remissions, according to the formula suggested by the Committee, amount to considerably more than Rs.4 crores.

3. I have explained in my previous letter the practical difficulties that stand in the way of re-opening the question of the formula for rent remissions already accepted by the Government. You suggest that method would be to suspend

part of Kharif rents pending further discussion. But assuming for the moment that further relief is required it must be obvious that the very first question that would arise would be how much of the rent is to be suspended, and before this could be answered the whole scheme of rent reductions would have to be re-examined. You will agree that a suspension of rent cannot be ordered without first ascertaining, after careful examination, as to how much should be suspended, and such an examination involves going once more over the whole ground of rent reductions.

4. As regards the arrears, the matter does not appear to us to be quite as free from difficulty as you are perhaps inclined to think. It would be possible to collect a number of cases in which no rent have been paid at all for the last three years, is the landlord or, in the case of sub-tenants, the tenant-in-chief to be told that he cannot be allowed to collect any of these arrears? You will agree that this would in many cases be putting a premium on recusancy and dishonesty. The subject is a very difficult one, but the Government is considering with some of its officers a suggested scheme which may afford some solution of it.

5. As regards relief on the score of damage of crops by the local calamities, enquiries are already afoot and relief will be given where necessary according to well recognized principles.

6. I would again repeat what I said in my previous letter that while there are difficulties in the way of discussing the wider question of a modification of the formula adopted for reduction of rent, or as regards the cancellation of arrears and the reinstatement of ejected tenants, the same difficulties do not stand in the way of discussion of any results arising out of the application of the formula in any particular area or in regard to any exceptional cases arising out of the application of that formula.

Yours sincerely
(Sd.) JAGDISH PRASAD

Letter from Mr. T. A. K. Sherwani to Kunwar Jagdish Prasad, dated Allahabad, November 20, 1931

DEAR KUNWAR JAGDISH PRASAD,

I thank you for your letter of November 7. I am sorry for the slight delay in answering it. I have been unwell and bed-ridden and for some time I was under high fever.

2. I have read your letter carefully and have also consulted my colleagues about it. We have noted with great regret that you have been unable to agree to any of the suggestions we have made and the position remains unchanged. Indeed, as you must know, circumstances have compelled us to take some action already in the matter. The crisis which the peasantry have to face is coming to a head with the beginning of collections and we were repeatedly asked for advice as to what should be done. After the most careful consideration, and not without hesitation, the Council of the Provincial Congress Committee decided that, pending any negotiations with Government, the peasantry should be advised to withhold payment of rent and revenue. For the present this advice has been confined to Allahabad district. You will appreciate that no other course was or is open to us or to the peasantry. If their contention is correct, as we believe it is, that the remissions are wholly inadequate and that no arrangements have been made for arrears or for local calamities or for the ejections already made, then any partial payment made by them now, and before any satisfactory compromise is arrived, would only land them in greater difficulties. You will remember that this was the course adopted by them last summer, on our advice, and as a result they suffered tremendously and large numbers lost their lands and cattle in spite of the fact that they had made partial payments. This treatment meted out to them after they had made an effort to pay up what they could, not only reduced them to dire straits, but made them despair of the future. It would be too much to expect them to repeat this procedure after their unhappy experience.

3. Our Council therefore felt that advice to withhold rent and revenue temporarily should be given. We realised that this might make the situation a little more difficult but

there seemed to be no other way out. I should like to assure you, however, that even now we shall gladly welcome any solution of the problem which will bring sufficient relief to the suffering peasantry, and I need not assure you that a solution would immediately be followed by our advice not to withhold payment of rent or revenue.

4. In my last letter I had again suggested that our representatives might meet the representatives of Government to discuss and explore the whole problem in order to find a way out. I regret that this suggestion is not acceptable to Government and that all the basic questions which affect the root of the problem are supposed to be beyond the scope of discussion. We are prepared, now and always, to discuss any matter, big or small, but it seems to us that if the difficulties that face us and Government are to be removed they have to be faced fairly and squarely and without any limitations or restrictions.

5. You have referred in your letter to the circumstances under which Pandit Govind Ballabh Pant was invited to join the Rent and Revenue Committee. It is hardly necessary for me to go into these in any detail at this stage. The question is one of academic interest only. But if it is sought to demonstrate that every opportunity was given to the Congress for consultation, I think there must be misapprehension somewhere. As I have already pointed out, it was almost impossible for Pandit Govind Ballabh to join the Committee. The invitation came too late and the Committee finished its labours soon after.

6. From the first days of the Delhi Settlement the Provincial Congress Committee has endeavoured to keep in touch with the Government and to bring to its notice the grievances of the peasantry. Pandit Govind Ballabh Pant was specially appointed in this behalf and he wrote numerous letters to Government. Mahatma Gandhi also interested himself in the United Provinces agrarian situation and discussed the matter with the head of the local Government as well as the officers of the Government of India. Pandit Jawaharlal Nehru has written to you on the subject on many occasions. The questions affecting the remissions for 1338 Fasli, arrears and ejectments, have been placed repeatedly before the Government by Congress representatives. It

was patent enough that the Government's policy regarding 1339 Fasli would be a matter of the deepest interest to Congressmen. This policy was determined without any reference to the peasantry or the Congress, and by a committee which had representatives only of the Government and the zamindars.

7. You mention in your letter that rental remissions amounting to over 4 crores have been sanctioned. This sum is a considerable one but it is only 21 per cent of the total rental (and sewai) demand of 19½ crores. It should be remembered that rents have gone up by over 56 per cent since 1899. Thus while prices have fallen by 54 per cent as compared to 1928-29, and rents have gone up tremendously, the remissions sanctioned are only 21 per cent. Even this figure is likely to go down in practice, as we know by past experience. In Allahabad district the amount sanctioned for remissions for 1338 Fasli was not actually distributed.

8. I have little to add to what I wrote about arrears in my last letter. I fail to appreciate how a man who cannot admittedly pay the full current demand can be asked to pay any arrears much less full arrears. If the law does not help in putting matters right then the law is out of joint and not in touch with life and existing conditions, and the sooner it is changed the better. But as I pointed out, it is quite possible to take immediate action within the limits of the law. The main objection to this, on the part of Government, seems to be that any general suspension of arrears may give relief to the dishonest and recusant tenant. It is hardly a safe or a desirable policy to punish a large number of innocent persons because a guilty person may get off. But who are the guilty or the recusant tenants and why are there such heavy arrears? It is not usual for a zamindar to allow arrears to accumulate unless he knows that it is not possible to realise them. Large and persistent arrears are generally a sure indication of the fact that rents are too high and beyond the capacity of the average tenant. Many of these arrears are probably for 1338 Fasli, when we pointed out to you repeatedly that remissions were inadequate.

9. The re-instatement of ejected tenants has been a subject of frequent correspondence with you and I cannot add any thing to what has already been said on the subject.

I would only say that from the very beginning we have laid stress on this and sought relief. But no relief has come and now it is stated that the matter is not open to discussion. We would be false to our trust and to our previous declarations if we accepted the present condition of the unhappy persons who have been ejected without any sufficient reason.

10. I am glad that Government is enquiring into the nature and extent of local calamities. But this enquiry will have little value if the result of it is not applied towards the reduction of the present kharif demand. If a man cannot pay now and is sold up or ejected, what will it profit him to be told latter that some relief might have been given to him on account of damage to crops by local calamities?

11. My colleagues and I feel that there is no insuperable difficulty in the way of some immediate suspension of rent or some other immediate action which will bring relief to the peasantry and remove the fear of being sold up and ejected which oppresses them so terribly. If this immediate fear is removed and some time gained for consultation and consideration, a way out of the present impasse should not be difficult.

12. My colleagues and I regret greatly that we have to adopt a course which might lead to friction and conflict. But we have tried every method to avoid it and to the last we shall be willing to explore any new avenue leading to a satisfactory settlement. If, inspite of us, no such settlement is reached, we have to stand by the peasantry of these provinces and to take the consequences and to share with them the trials and sufferings that may be in store for them.

I should like to express to you personally, on behalf of my colleagues and myself, our gratitude for the uniform courtesy which you have extended to us during the difficult months which have followed the Delhi Settlement.

Yours sincerely
(Sd.) T. A. K. SHERWANI

**Letter from Shri Vallabhbhai Patel to Mr. H. W. Emerson,
Secretary to the Government of India, Home Department,
dated Camp Bombay, November 21, 1931**

DEAR MR. EMERSON,

I had hoped to hear from you in reply to my letter of September 15, dealing with the agrarian situation in the United Provinces. As you know, on the day of his departure for London, Mahatma Gandhi had written a personal letter to His Excellency Sir Malcolm Hailey suggesting among other things that he may ask Pandit Jawaharlal Nehru to come and see him in regard to the United Provinces question. Mahatmaji had hoped that the personal discussion would lead to satisfactory results. But it has been my regret that His Excellency could not act up to the suggestion of Mahatmaji. I endeavoured to seek your assistance for easing the increasingly grave situation in the United Provinces but there was no response from you to my letter of September 15. The situation became difficult and intolerable. While the peasants were utterly unable to pay even the past year's arrears, the remissions sanctioned for the new year were so meagre that they found themselves in a hopeless position to pay the heavy demands made. In this emergency Pandit Jawaharlal Nehru sought the intervention of His Excellency the Viceroy. But that too brought no immediate relief. The United Provinces Provincial Congress Committee explored all avenues of negotiation to secure relief but the negotiations did not improve the prospects for any substantial remissions. The date for collection, November 15, was approaching. There seemed to be no alternative left with the people except to take defensive action. I had therefore most reluctantly to give my assent to the insistent demand of the United Provinces Congress Committee for permission to adopt defensive Satyagraha in the event of failure to get adequate relief. I understand that the Committee is still carrying on negotiations with the local officials and is anxious to avoid a conflict which though purely economic and local in its inception is bound to have far reaching consequences in time and I am writing this to you because

I still hope that an eleventh hour intervention by you may save the situation and secure to the peasantry, hit hard during the last year, the relief so badly needed by them in the current year.

Yours sincerely
(Sd.) VALLABHBHAI PATEL

22

Letter from Kunwar Jagdish Prasad to Mr. T. A. K. Sherwani, dated Lucknow, November 22, 1931

DEAR MR. SHERWANI,

Thank you very much for your letter, dated November 20. I am desired to say that the following resolution, purporting to have been passed by the United Provinces Provincial Congress Committee on November 16, appeared in the press on November 18:—

“The Council having heard the statements of representatives of the Allahabad district regarding their Conference with Government officials and, having considered the correspondence with the Local Government regarding the agrarian situation in the province, is of opinion that the attitude of Government has been thoroughly unsatisfactory and that, unless sufficient relief is forthcoming to alleviate the distress of the peasantry, they will have no alternative but to withhold the payment of rent and revenue. The Council also notes that pending the negotiations with Government, definite advice is being sought by the agriculturists in regard to the payments of the Kharif demand.

“The Council, therefore, authorises the Allahabad district Congress Committee to advise the agriculturists to withhold the payment of rent and revenue during the pendency of the present negotiations. The Council also authorises the Sub-committee appointed at Lucknow to issue such directions to the Allahabad District Congress Committee as the situation may, from time to time, demand.

“The Sub-committee is further empowered to consider the agrarian situation in other districts and to give permission to take defensive action where and when necessary.”

2. In pursuance of this resolution the Allahabad District Congress Committee have issued printed Hindi instructions to tenants asking them to withhold the payment of rent pending negotiations with Government. I am desired to say that unless a definite assurance is given that these instructions will be cancelled, and the resolution of November 15, suspended, Government are not prepared to engage further in the discussions referred to in my letter of November 17.

Yours sincerely
(Sd.) JAGDISH PRASAD

23

Letter from Mr. T. A. K. Sherwani to Kunwar Jagdish Prasad, dated Allahabad, November 25, 1931

DEAR KUNWAR JAGDISH PRASAD,

I am in receipt of your letter of November 22, for which I thank you. You have referred in this letter to the resolution of our Council passed on November 15. In my letter to you of November 20, I referred to this resolution and pointed out how the beginning of collections had compelled us to give some advice to the peasantry. I would refer you in this connection to paragraphs 2 and 3 of my letter. Our Council had no desire to take the initiative in the matter by giving special advice during negotiations. But when aggressive steps to collect the amounts fixed are imminent, and these collections are bound to result, as they have done so frequently in great distress to the peasantry, then some advice has to be given to the distracted peasantry. Our Council was repeatedly asked to advise and felt bound to do so. You will also remember that notices were distributed in many districts threatening a cancellation of remissions if payment was not made within a month. Under these circumstances the only advice the Council could give was to suspend payment of rent and revenue temporarily pending negotiations.

I might add that in your previous letters you made it clear that in no event would a discussion take place between the Government and the Congress on the basic points in issue, such as the formula regarding remissions, and the questions of arrears and ejections. You wrote that a discus-

sion would have to be confined to particular applications of the formula. Such a discussion would have served little purpose, although we were and are prepared to discuss all the different aspects of the agrarian trouble in order to discover suitable remedies. The difficulties and the distress of the peasantry will not be removed till the problem is tackled at the root and relief is given in regard to remissions for this season as well as arrears and local calamities and some satisfactory provision is made for the re-instatement of ejected tenants. We have ventured to urge this upon you and Government on numerous occasions and we still do so. We have even suggested to you that the relief may take any shape to suit Government provided that ultimately sufficient relief was forthcoming.

The advice which our Council has given and the resolution and notices containing it, will be withdrawn immediately collections are stopped or suspended for a while. In the event of collections continuing and no sufficient relief being granted to the peasantry the Council has no alternative but to adhere to its advice.

Yours sincerely

(Sd.) T. A. K. SHERWANI

24

Letter from Mr. H. W. Emerson to Sardar Vallabhbhai Patel, dated November 25, 1931

DEAR MR. VALLABHBHAI PATEL,

I write to thank you for your letter of November 21, regarding the agrarian situation in the United Provinces. The facts are that the Government of the United Provinces have been in correspondence with pandit Jawaharlal Nehru and other members of the Congress for sometime and that the latter have also had discussions with local officers and with the Chief Secretary. While these discussions were in progress the Council of the United Provinces Congress Committee authorised the Allahabad District Congress Committee to advise agriculturists to withhold the payment of rent and revenue during the pendency of negotiations. The

Allahabad District Congress Committee have acted on this authority, and have distributed printed notices to the peasants of that district. In these circumstances the Government of the United Provinces, with the previous knowledge and approval of the Government of India, have informed the President of the Provincial Congress Committee that unless a definite assurance is given that the resolution of the Provincial Congress Committee of November 15, will be suspended and the instructions issued by the Allahabad District Committee cancelled, Government are not prepared to engage further in the discussions referred to in the letter of the Chief Secretary, dated November 17, to Mr. Sherwani. I enclose a copy of the recent correspondence which fully explains the position.

Yours sincerely
(Sd.) H. W. EMERSON

25

**Letter from Sardar Vallabhbhai Patel to Mr. H. W. Emerson,
dated November 28, 1931**

DEAR MR. EMERSON,

I thank you for your letter of November 25. I am sorry to learn from it of the decision arrived at by the Government of the United Provinces in regard to their negotiations with the Congress workers. I am afraid the decision of the Government is based on a wrong interpretation of the action taken by the Congress authorities in the United Provinces. I have gone through the correspondence which you have kindly enclosed with your letter and it is clear to me that the resolution of the Council of the United Provinces Congress Committee and the notices issued by the Allahabad District Congress Committee were not at all intended as a hostile step. You will, I hope, realise that the recovery of the first instalment of rent having commenced from November 15, despite the continuance of negotiations and the peasants having asked the Congress workers as to their course of action, no alternative was left to the Congressmen except to advise the peasants to withhold the payment of rents temporarily until the termination of the pending negotiations made matters clear. I venture to state that the course which should have been fol-

lowed in view of the discussions which were being carried on was for Government to issue instructions for the postponement of collection of rents pending the result of the negotiations. The delay of a few weeks would not have affected the position of the Government and the landlords. All the remedies now available to them would still have been open to them. On the other hand if the peasants are made to pay up the rents pending the negotiations they would be placed in a very unfair position. I do not, of course, know why it was not possible for the representatives of the Government and of the peasants to arrive at some tentative arrangement under which the collection of rents could have been postponed for the short time required for completing discussions. Even now, at this stage, I would earnestly suggest that by mutual agreement the postponement of collection of rents and the suspension of the resolution of the Provincial Committee may be simultaneously arranged. This would not in any manner prejudice the position of the Government and the landlords. The Congress is anxious that peace should continue in the United Provinces and I would earnestly request you to consider my suggestion and see if a via media on these lines cannot even now be discovered.

Yours sincerely

(Sd.) VALLABHBHAI PATEL

26

Letter from Pandit Jawaharlal Nehru to Mr. E. C. Melville,
dated November 28, 1931

DEAR MR. MELVILLE,

I am sorry to inform you that all our efforts to secure an honourable compromise for the unfortunate tenantry have failed to achieve any substantial result and we have been compelled to advise the peasantry in Allahabad district to withhold payment of rent and revenue till relief is obtained. I trust you will convey my deep regret to His Excellency that we should have had to adopt this course. But I can assure him that we tried our utmost to avoid it and to find a way out of the difficulty.

Under the circumstances my colleagues feel that we should publish the correspondence which we have had with the United Provinces Government on the subject so that the public may know what steps we took in the matter. If His Excellency has no objection I should like to add to these letters which are being published the letter I addressed to you dated October 16 and your reply to it.

Yours sincerely
(Sd.) JAWAHARLAL NEHRU

27

Letter from Mr. T. A. K. Sherwani to Kunwar Jagdish Prasad,
dated November 30, 1931

DEAR KUNWAR JAGDISH PRASAD,

I have not received any answer to my letter of 25th instant. I would have waited for some days more, but unfortunately you are handing over the charge of your office probably tomorrow.

Your silence indicates that Government is not prepared to do anything further in the matter. My colleagues here feel that we should publish the correspondence which Jawaharlal Nehru and myself had with you regarding the agrarian situation in the province.

I would therefore like to ask you whether you have got any objection in allowing us to publish the same.

Yours sincerely
(Sd.) T. A. K. SHERWANI

28

Letter from Mr. E. C. Melville to Pandit Jawaharlal Nehru,
dated November 30, 1931.

DEAR PANDITJI,

I am writing to acknowledge the receipt of your letter of November 28 and to say that His Excellency has no objection to your publishing the letter you addressed to me dated October 16, together with my reply.

Yours sincerely
(Sd.) E. C. MELVILLE

29

Letter from Mr. J. M. Clay to Mr. T. A. K. Sherwani, dated
December 2, 1931.

DEAR MR. SHERWANI,

I am desired to acknowledge the receipt of your letter No. 372, dated November 25, 1931, to Kunwar Jagdish Prasad. With reference to the last paragraph of that letter, I am to say that in view of the Provincial Council's refusal to suspend its resolution or to instruct the Allahabad District Congress Committee to cancel the notices issued by it, the Government of the United Provinces have now definitely withdrawn the offer of discussion made in paragraph 5 of Kunwar Jagdish Prasad's letter No. 1506-Z, dated November 17, 1931.

2. Government have no intention of stopping or suspending the collection of rents as now reduced in the Allahabad District, save that no measures will be taken to enforce collection of rents affected by the revised orders referred to in the Government communique, dated November 23, 1931, in regard to which steps will not be taken until the revised *parchas* have been handed to the tenants concerned.

Yours sincerely
(Sd.) J. M. CLAY

30

Letter from Mr. T. A. K. Sherwani to Mr. J. M. Clay, Chief
Secretary to U. P. Government, dated, Allahabad,
December 3, 1931

DEAR MR. CLAY,

I thank you for your letter of December 2. You refer in this to the withdrawal of an offer which is said to have been made in paragraph 5 of Kunwar Jagdish Prasad's letter No. 1506 dated November 17, 1931. Paragraph 5 referred to deals with local calamities and there is no mention of any offer. Perhaps you meant to refer to paragraph 6 of this

letter or to some other letter. It is not clear even from this paragraph what definite offer was made which you are now withdrawing. In my letters I stated repeatedly that it would be desirable to have a conference between our representatives and the representatives of the Government. This offer was not accepted. Kunwar Jagdish Prasad stated that "while there were difficulties in the way of discussing the wider question of a modification of the formula adopted for reduction of rent, or as regards the cancellation of arrears and the re-instatement of ejected tenants, the same difficulties do not stand in the way of discussion of any results arising out of the application of the formula in any particular area or in regard to any exceptional cases arising out of the application of that formula." In this no offer was made but in reply we said that, while we felt that the problem could not be tackled if the major issues were ignored, we were prepared to discuss any matter, big or small. We were endeavouring to get sufficient relief for the peasantry and it did not matter to us how this relief was obtained. To this repeated request of ours there was no response. We further made it clear that we would willingly withdraw our advice to suspend payment of rent and revenue if collections were stopped pending negotiations. There was obviously little point in considering the question if collections continued to be made on the old basis which, according to us, was wholly wrong. From paragraph 2 of your letter under reply it appears that the Government realise that the old basis in Allahabad District was wrong.

Kunwar Jagdish Prasad in his letter quoted above refers to the cancellation of arrears. We did not lay stress on such cancellation. We pointed out that the question of arrears was very important and must be faced. A suspension of arrears for the present, and pending further enquiry, might have eased the situation.

I would add that we are even now prepared, as before, to discuss any matter which might help in producing a satisfactory solution of the problem.

I sent a letter on November 30, to Kunwar Jagdish Prasad enquiring if Government had any objection to our publishing the correspondence which has passed between him and the Congress representatives. We feel that it will be fair both

to Government and to us to place these letters before the public. The correspondence is voluminous and we only propose to publish the recent letters which have been exchanged during the last six weeks. As I have not heard from Kunwar Jagdish Prasad or you on the subject I presume you have no objection to the publication.

Yours sincerely
(Sd.) T. A. K. SHERWANI

APPENDIX A

Resolution passed by the Allahabad District Congress Committee on October 15, 1931

A—(1) The District Congress Committee made it clear in their resolution of September 22, 1931, that the principle which the Government have laid down for relieving the distress of the tenants caused by the fall in prices of agricultural produce is wrong and unsatisfactory. The Committee has further placed on record its opinion:

- (a) That the rents for 1339 Fasli should be remitted to such an extent that after deducting remissions they may be lower by 20 per cent, than the rents of 1898 A.D.;
- (b) That a further deduction of 10 per cent should be made in the amount of the reduced rents on account of the rise in the cost of cultivation;
- (c) That all arrears of rents should be written off; and
- (d) That all ejectments should be cancelled.

(2) The Committee have further learnt with profound dissatisfaction that remissions in the district have not been worked out even in accordance with the principles which the Government had announced; for instance,

- (a) In the case of occupancy tenants throughout the district remissions have generally been given so as to bring their rates to the level of 1328 Fasli (i.e., 1920 A.D.); and
- (b) Non-occupancy tenants have been given remissions on the following lines:—
 - (i) The Non-occupancy tenants of Bara, Kar-chhna and Meja have been given remission on the basis of the fair rents fixed at the settlements of 1312 Fasli (i.e., 1904 A.D.); while

- (ii) The Non-occupancy tenants of the remaining six tahsils have been allowed remissions in the enhancements made after the settlement of the Gangapar and Doaba tract, commencing from 1320 Fasli (i.e., 1912 A.D.) and ending in 1324 Fasli (i.e., 1916 A.D.).

(3) The statement made by the Collector in his first communique that the fair rate of rents accepted by the Settlement Officer at the last settlement of Gangapar and Doaba Tahsils were the same as those prevailing just before 1900 A.D. is wrong. The Committee have in their possession a large volume of very strong evidence to prove that from 1900 A.D. to the completion of the last settlement the rents of both occupancy and non-occupancy tenants were continually being enhanced, which enhancement should have been remitted under the Government scheme.

The Committee wishes to draw attention to the fact that the Collector has remitted $9\frac{1}{2}$ lakhs out of the rental demand of 57 lakhs or a little less than 17 per cent of rents have been remitted; although the prices of cereals have fallen by 55 per cent.

(4) The Committee are definitely of opinion that in this hour of distress the Government should discard their present policy and show courage in giving remissions of rents and revenue on a generous scale.

(5) The Committee desire to give clear expression to their decision that if the Government do not change their policy towards the tenants, then in order to protect them the Committee will have to oppose the Government.

B—The Committee request the Provincial Congress Committee that having regard to the policy of Government towards the tenants of this district they should authorise this Committee to start Satyagraha in the form of non-payment of rent and revenue whenever it may deem it necessary to do so.

APPENDIX B

Report of the Sub-committee regarding the inadequacy of the Government scheme of remissions

To

The President
District Congress Committee
Allahabad

DEAR MR. PRESIDENT,

The Council of your Committee appointed at its meeting held on September 19, 1931, a Sub-committee consisting of the undersigned to inquire into and report on the adequacy or otherwise of the relief to the tenants under the Government scheme of remissions for the year 1339 Fasli. We met on the 20th instant, and examined the question in its various aspects. Our unanimous conclusions are embodied in this report which we beg to submit to you for consideration.

The scheme of remissions sanctioned by the Government for the current Fasli year is, in our opinion, wrong in principle and utterly inadequate for the needs of the situation created by the catastrophic fall in prices. The reason for the unsatisfactory character of these proposals is obvious. They are based on the recommendations of a committee which was packed with zamindar members. There was not a single representative of the kisan interests on it. In these circumstances it is but natural that both the Government and the members of the committee should have been mainly swayed by the consideration of how the loss to the Government and the landholders, respectively, on account of the remissions in rent could be reduced to the minimum limits. The real question, however, is not what is the least amount of relief which the above two parties are prepared to give to the tenants, but how much the latter can be fairly called upon to pay in the existing state of economic depression.

As regards this aspect of the matter, we beg to draw attention to an exhaustive discussion in Part II of the report of the Pant-committee on the agrarian distress in the United Provinces. Judged from that standard the remissions an-

nounced are hopelessly inadequate. An enquiry on the lines suggested by the Pant-committee in their report is likely to take sometime, while the present situation demands immediate measures of relief. Even from that point of view, the relief proposed under the Government scheme is far too little.

Under their scheme the Government has set up rent-rates of 1308 Fasli as the standard rates to which the existing rents should be reduced, with liberty to add thereto 20 or 25 per cent on account of improvements, etc. It has been further decided that in no case should the remission exceed 8 As. of the existing rent. The result of these provisions will be that of the two minima, whichever is the higher in any particular case is to be accepted. In framing their proposals the department have altogether lost sight of the following two factors:—

- (1) The great possibility of those rents being also rackrents. There is no justification for treating all rents of 1308 Fasli as fair and equitable. It would be remembered that the plight of the tenants in the last decade of the 19th century was so bad that the Government was induced to undertake rent legislation and pass the Tenancy Act of 1901 in order to better the condition of the tenants.
- (2) The Government has overlooked the rise in the cost of production since 1901. In this cost of production we do not include the rent but the actual out of pocket expenses of the tenants in order to raise their crops. During the last 30 years, wages and cost of material have gone up tremendously. No allowance has been made for this item, while the amount to be remitted can be materially reduced on account of improvements. Failure to consider the rise in the cost of production is very significant; and shows the one-sided character of the Government scheme.

So far as the Allahabad district along with the rest of the division, is concerned, we find from the figures recently published that the average fall in prices of 1931, as compared with

the prices of 1928, was 55 per cent. (We append to this report the prices of the different food grains). Therefore in our opinion the least that a tenant was entitled to was a relief to the extent of 55 per cent. It might be said that in many cases, rents have not kept pace with the rise in prices, and that there was no justification for granting remission in proportion to the fall in prices. It may be so in some cases, but under the scheme, a zamindar who has been the worst rack-renter and may have raised his rents by as much as, say, 50 per cent now stands to gain substantially, inasmuch as his rental demand cannot be reduced below 50 per cent.

In this connection it is interesting to note that under the Government scheme of remissions, the gross rental demand of the whole province will be reduced from 19.4 crores by about 4 crores to 15.4 crores, which was also the rental demand for 1914-15. Or, in other words, the rents for 1339 Falsi will not be reduced to the level of 1901 but only to that of 1914-15. If, however, the Government had been anxious to bring down the existing rents to what they were 30 years ago, they should have remitted on an average nearly 7 crores and not merely 4 crores. On these grounds we regret we are unable to commend the scheme of remissions sanctioned by the Government. It is illiberal in character and betrays a woeful lack of appreciation of the seriousness of the problem.

We are convinced that the situation is so grave that relief, to be effective and adequate, must be on a far larger scale than that adopted by the Government. It is essential to take steps to restore equilibrium between rents and prices, if tenantry is to be saved and the danger of social upheaval in rural areas altogether removed. We have given our best consideration to the problem from this point of view; and feel satisfied that if the action is taken on the lines suggested below, agrarian unrest will be allayed and tenant able to pass through the crisis almost unscathed.

Taking the index number of prices, we find that in the year 1896-1900 prices, as compared with 1930-31, were below 20 per cent. We accordingly suggest that the Government should go back to the year 1898-99 and reduce those rents by 20 per cent straight off on accounts of the difference in prices. If in some cases the rents of 1898-99 were

too low, we have no doubt that in many others they were not fair rents but were much too high. We think that from this standard rent the tenant should be allowed an allowance of at least Rs.10 per cent on account of the rise in the cost of production. This allowance may be set off in exceptional cases where the land has been improved by irrigation, or by some other means at the zamindar's expense. On the basis stated above, a zamindar who has not enhanced his rents from 1898 onwards would suffer relatively far less than the rack-renter who of course deserves no sympathy. The recorded rental of 1898 was 12.11 crores as against 19.40 crores for 1930-31. Inasmuch as the prices of 1898 were 20 per cent higher than the prices of 1930-31 the rents of 1898 should be brought down by 20 per cent. That would give us a figure of 9.65 crores. From this, again, there should be a deduction of 10 per cent on account of the rise in the cost of production. Those proposals, if adopted, would give roughly an all round reduction of 9 as. to 10 as. in the rupee on the total rental demand for 1931-32. Of course the rack-rented tenants would be benefitted to a greater extent. This seems to us to be a fair and equitable basis.

One great advantage of our scheme would be the certainty of it. In the Government scheme too much is left to the subordinate establishment, leading to the possibility of enormous corruption. A check by the district officer or the sub-divisional officers is bound to be illusory.

As to the arrears of rent, we suggest that in view of the exceptional circumstances and the utter impossibility of the tenant being able to pay them, they should be wholly wiped out. A constant burden of indebtedness is not conducive to restoration of peace and harmony in the rural areas. In any case there should be a moratorium for at least one or two years and the re-valuation of all the rental arrears. We should like to add here that we are keenly alive to the disastrous effect on the agriculturist of his huge indebtedness to the money-lenders, nor are we blind to the vital character of the problem. But as it is outside our terms of reference, we have not dealt with it here.

As regards ejectments we recommend that those tenants who are willing to pay on the revised scale should be restored to their holdings. Further ejectments should be stopped.

In view of the widespread complaints, we suggest that the granting of receipts to the tenants should be rigorously enforced; and realisation of secret rents and nazranas is sternly put down.

We give below from a Government communique the comparative prices in the Allahabad division for the years 1928-29 and 1930-31.

	Wheat	Barley	Rice	Juar	Maize	Total
1928-29	5.8	4.7	4.2	5.9	4.8	25.4
1930-31	2.8	1.7	3.0	2.0	2.0	11.5
1928-29	5.08					
1930-31	2.3, or 45 per cent of 1928-29.					

Dated Allahabad
September 22, 1931

(Sd.) K. N. KATJU
(Sd.) V. N. TIWARI
(Sd.) SHEOMURTI

**Interim Report of the Agricultural
Indebtedness Committee**

Interim Report of the Agricultural Indebtedness Committee

YOUR EXCELLENCY,

TERMS OF REFERENCE.

We have the honour to submit the following interim report on the terms of reference entrusted to us in September, 1935 (Government Notice No. 662 published in the Official Gazette of 2nd October, 1935), which read as follows :—

“ To explore the possibilities of lightening the burden of agricultural indebtedness.”

PERSONNEL.

2. The personnel of the Committee is as follows :—

The Attorney General (the Hon. W. Harragin, K.C.)
(*Chairman*).

The Treasurer (the Hon. G. Walsh, C.B.E.).

W. Evans, Esq.

J. Nordlinger, Esq.

J. Campbell, Esq.

W. C. Hunter, Esq.,

with T. L. Hately, Esq., the Assistant Secretary, Land and Agricultural Bank of Kenya, as Secretary.

MEETINGS.

3. The first meeting of the Committee was held on the 19th September, 1935. Thereafter the Committee sat on one day during September, five in October, two in November, and four in December.

ATTENDANCE.

4. The attendances of members of the Committee at meetings were as follows :—

The Attorney General	...	...	...	13
The Treasurer	.....	...	...	13
W. Evans, Esq.	...	...	...	13
J. Nordlinger, Esq.	...	...	...	13
J. Campbell, Esq.	...	...	...	13
W. C. Hunter, Esq.	...	...	...	13

WITNESSES.

5. Evidence was heard by the Committee from the following persons :—

Archer, C. Kenneth	Kirton, Capt. W.
Ashford, Major	Knapman, Major L.
Boedeker, H. S.	Kopperud, B.
Coldham, P. J. H.	Martin, J. R.
Gayley, Major	Milligan, Major J. W.
Griffiths, Col. G. C.	Morrison, G. R.
Grogan, Major E. S.	Robson, W. J.
Hamilton, G. A. H.	Schwartz, Capt. E.
Hamilton, H. B.	Tannahill, A. C.
Harvey, The Hon. Conway	Taylor, Major C. M.
Hudson, G.	Wolfe, H.
Hunter, G.	Wollen, R. S.
Keatinge, Dr.	White, H. D.
Kirton, Major W.	

MEMORANDA.

6. Memoranda from the following persons and bodies were received and considered :—

Abbey, Col. B. W.	Taylor, H.
Bargman, H. F.	Thornton, S.
Beesley, S. N.	Viner, E.
Brown, Q. H.	White, H. D.
Cartwright, A.	Wright, C. A.
Cavendish Bentinck, The Hon. F.	Wynter, J. N.
Copeman, Col. M. B. G.	Coffee Board of Kenya
Elmer, L. A.	Indian Association, Eldoret
Figgis, E. K.	Kipkarren Farmers' Association
Lillywhite, The Hon. W. G.	Koru Farmers' Association
Lipscomb, J.	Laikipia Farmers' Association
Long, Caswell	Makuyu District Farmers' Assoc.
Meiklejohn, I. H.	Nyanza Indian Farmers' Assoc.
Mitchell, R. J.	North Kenya Settlers' Assoc.
Morgan, R. R. W.	Ravine Farmers' Association.
Newton, B. M.	St. Austin's Catholic Mission
Pullen, J. F.	Songhor Farmers' Association
Scarborough, J.	Thika Farmers' Association
Shaw, W. A.	Trans Nzoia Farmers' Association
Singh, Hakam	Wheat Advisory Board

An invitation to submit memoranda or give evidence was extended to all farmers' and district associations, both European and Indian. Only two Indian associations replied, one in terms which brought forward no relevant matters for consideration. One prominent Indian submitted a case for consideration which fell outside the terms of reference of the Committee. This matter was referred to the Standing Board of Economic Development, in whose province the matter lay.

ACKNOWLEDGMENTS.

7. We take this opportunity of acknowledging our indebtedness to those who submitted memoranda or gave evidence before us.

We desire also to record our indebtedness to the able and valuable memorandum submitted by the Coffee Board of Kenya, extracts from which are given elsewhere in this report.

HISTORICAL.

8. During the early stages of the Committee's deliberations it was represented that a real danger existed of deserving farmers having implements and stock, necessary to a continuance of farming operations, sold up under duress by unsecured creditors.

With the object of extending the protection from attachment afforded by existing legislation, the Committee urged the introduction of an amendment to the Civil Procedure Ordinance, 1924, to protect such live stock and implements of husbandry as may be necessary to enable a farmer to earn his livelihood, up to a value of £500, and agricultural produce up to a value of £25.

A draft amending Ordinance on these lines was published in the Official Gazette of 5th November, 1935 (Government Notice No. 751), and was duly passed into law on the 29th November, 1935 (Ordinance No. 39 of 1935).

ARGUMENT.

9. From the minutes recording evidence offered the Committee and the discussions thereon, endeavour has been made in this report to produce a reasoned argument leading up to and justifying the conclusions and recommendations contained in the final paragraphs.

The argument is set forth under the following heads:—

- (a) Long term finance.
- (b) Kenya and primary products.
- (c) Meteorological.
- (d) Markets.
- (e) Value of experience.
- (f) Preservation of non-native activities.
- (g) Importance of European maize industry.
- (h) Importance of coffee industry.
- (i) Desirability of extending dairying and mixed farming.
- (j) The present position of agricultural indebtedness.
- (k) Causes of present position.
- (l) Ill effect on farming operations.
- (m) Prices of various commodities.

- (n) Attitude of mortgagees.
- (o) Assistance to agriculturists in other dominions and colonies.
- (p) Wheat, tea, sugar, and sisal : No evidence of immediate assistance required.
- (q) Assistance recommended only to approved farmers.
- (r) Necessity for immediate relief.
- (s) A middle class.
- (t) Recommendations.

LONG TERM FINANCE.

10. It must be understood that the recommendations contained in paras. 29 *et seq.* of this report are not related to any issue of Government bonds or to the provision of long term finance, but are confined to the relief only of urgent and approved cases, due regard being given to the necessity for avoiding as far as possible such disturbance of existing conditions as would interfere with legitimate mortgage business between private borrowers and investors.

We examined at length a proposal for a bond issue to liquidate mortgage debts, but consider that we cannot express an opinion on or recommend a scheme which to the best of our knowledge has no parallel in other dependencies, without an assurance that such scheme or modification thereof would meet with the approval of the Secretary of State.

We recommend therefore that the draft proposal be submitted to the Secretary of State for examination by financial experts, and, if the scheme is considered feasible or politic, we shall then make recommendations for its particular application to the needs of this Colony.

Since this report was drafted we have received a detailed statement from the Secretary, Colonists' Vigilance Committee, giving summarized particulars of the outcome of a questionnaire issued to all farmers on the question of their urgent indebtedness. We propose to forward this memorandum, together with the original questionnaire and covering letter, and an elaborated memorandum on the Government Bond proposal, to Government for despatch to the Secretary of State at the earliest convenient opportunity.

KENYA AND PRIMARY PRODUCTS.

11. The conclusions reached by the Committee start from the conviction that this Colony is in a very favourable position to compete, given equal terms, with other countries in placing

certain primary products on the world's markets. For example, the following tables show the average yield per acre in Kenya of maize and wheat as compared with other countries :—

MAIZE

YIELD PER ACRE OVER THE PAST THREE YEARS

Kenya	..	..	..	7.14	bags per acre
Argentine	..	..	..	7.75	" "
South Africa	..	..	..	2.82	" "
S. Rhodesia	..	..	..	4.53	" "
U.S.A.	..	..	..	6.21	" "

Over the period 1924-25 to 1934-35, which includes seasons when locusts destroyed a large proportion of the crop, the yield per acre in Kenya averaged 6.74 bags.

WHEAT

Kenya	..	..	1921-34	2.77	bags per acre
Argentine	..	..	1921-30	3.6	" "
U.S.A.	..	..	1921-30	4.2	" "
S. Rhodesia	..	..	1925-30	2.4	" "
S. Africa	..	..	1921-30	2.7	" "

The yield per acre of wheat in Kenya for the years 1929-30 to 1933-34 was as follows :—

1929-30	..	..	..	4.64	bags per acre
1930-31	..	..	..	2.82	" "
1931-32	..	..	..	2.01	" "
1932-33	..	..	..	2.11	" "
1933-34	..	..	..	4.16	" "

We are indebted to the Agricultural Economist and to figures from *Bromhills' Statistics*, kindly supplied by Colonel Griffiths, for the above information.

RAINFALL.

12. We are indebted to the British East African Meteorological Service for the following statistics for the years 1930-1934, giving the rainfall in the principal maize, wheat and coffee growing areas and stock and dairying districts :—

STATION	AVERAGE RAINFALL			ANNUAL RAINFALL					
	Altitude	Period	Inches	1930	1931	1932	1933	1934	1935 to August
	<i>Feet</i>			<i>Inches</i>	<i>Inches</i>	<i>Inches</i>	<i>Inches</i>	<i>Inches</i>	<i>Inches</i>
MAIZE AND WHEAT AREAS									
KITALE	6,700	1925-34	46.94	51.20	56.14	48.50	36.93	39.87	33.20
SABATIA	6,750	1921-34	41.10	54.72	40.67	53.16	30.99	29.46	31.69
CHERANGANI	6,100	1926-34	41.53	58.18	42.67	49.86	33.64	38.31	30.29
NAKURU	6,024	1908-34	37.75	51.78	37.07	41.60	27.64	21.31	23.06
SOY	6,200	1915-34	39.80	55.80	51.11	52.55	40.44	35.73	36.28
ELDORET	6,824	1931-34	38.81	—	44.91	41.00	30.31	38.93	32.67
KEDONG	6,200	1922-34	25.88	44.53	26.35	23.71	9.92	14.59	18.14
KAMPI YA MOTO	5,350	1914-34	34.33	48.59	30.19	37.21	22.54	27.09	27.43
HOFY'S BRIDGE	6,000	1931-34	40.00	—	54.72	44.12	28.24	32.31	33.09
SOLAI	6,000	1918-34	40.72	52.15	31.64	45.41	23.36	32.65	27.97
KITALE (Health Office)	6,220	1920-34	44.45	52.12	50.05	44.80	39.47	39.20	46.50
COFFEE AREAS									
SONGHOR	5,500	1917-34	58.11	80.94	69.39	63.16	46.88	48.62	—
TURBO	6,150	1924-34	49.43	58.76	59.70	55.92	38.19	48.37	38.88
THIKA (Donyo Sabuk)	5,000	1917-34	36.35	53.01	45.70	44.53	35.09	21.72	26.08 (To Oct.)
KIAMBU (D.C.)	5,796	1907-34	40.78	65.26	48.77	41.22	32.11	24.80	34.51 (To Oct.)
THIKA (Gethambwini)	5,000	1920-34	37.99	59.18	38.19	37.48	28.45	26.29	18.22
KABETE (Vet. Laboratory)	6,203	1916-34	40.20	60.08	47.09	45.48	25.80	25.48	21.32
KERICHO (Jamji)	6,000	1925-34	61.68	72.02	71.96	63.32	52.26	52.86	52.42
KIAMBU (Kigwa)	5,700	1929-34	39.16	61.42	43.67	34.50	26.08	25.46	27.48 (To Oct.)
MAKUYU	5,050	1922-34	33.14	55.21	37.11	35.63	24.92	26.73	22.19
FORT TERMAN	5,800	1919-34	48.22	65.26	60.62	56.94	35.99	35.21	38.56
NAIROBI (Railway)	5,495	1917-34	35.07	61.80	39.18	Incomplete	21.33	19.42	19.66 (To Sept.)
KAIMOSI	5,300	1914-34	73.89	84.44	77.11	66.82	69.39	67.80	44.72
STOCK AND DAIRYING AREAS									
THOMSON'S FALLS	7,150	1921-34	37.81	57.19	33.62	41.58	30.53	30.30	28.98
RUMURUTI	6,090	1911-34	27.88	37.57	25.79	26.09	21.24	25.71	17.28
NARO MORU	6,000	1913-34	25.92	34.20	23.97	29.77	27.02	24.19	15.59
GILGIL	6,660	1921-34	25.29	40.22	27.08	23.32	20.01	13.79	17.21
NAIVASHA (Njabini) (Kinangop)	8,500	1913-34	46.18	67.27	47.60	47.02	34.61	28.50	27.85

MARKETS.

13. The geographical position of Kenya opens to it the markets of South Africa and East Africa, India and the Far East, which offer an outlet capable of extension and supplementary to the markets in Europe, America and Canada, in which Kenya enterprise has already secured its principal footing for such commodities as Kenya can produce in competition with other sources of supply.

VALUE OF EXPERIENCE.

14. We do not consider it necessary to stress the importance to the Colony of an economically sound European agricultural industry, or the value to the Colony of farmers who have gained experience of the varying conditions and special difficulties of the country.

A number of European farmers in Kenya came to the country without previous agricultural experience. Their knowledge of methods, control of diseases and pests, preservation and improvement of soil fertility and general local farming conditions has been gained at considerable cost, but now represents an asset which the Colony cannot afford to lose. The full beneficial results of this will be more apparent when favourable climatic conditions return and the world's markets recover.

PRESERVATION OF NON-NATIVE ACTIVITIES.

15. We concur in the view underlying practically the whole of the evidence received that the economic progress and prosperity of the Colony, the consolidation of Kenya's position within the Empire, and the healthy development of the native along progressive lines towards a higher civilization, can be furthered best by active prosecution of the dual policy; that is, the parallel development of non-native in conjunction with and complementary to native activities.

This is in accordance with the policy of the Imperial Government.

IMPORTANCE OF EUROPEAN MAIZE INDUSTRY.

16. We are also satisfied of the importance to Kenya and neighbouring territories of the European maize industry. We agree with the view of the Economic Development Committee that the preservation of the present organization and structure of the maize industry justifies a "national effort to assist it and safeguard its interests" (*vide* Economic Development Committee Report, para. 613), and with the further opinion of the same Committee that "Maize must be regarded as an essential

crop. Its production in Kenya is one of the Colony's greatest safeguards against famine, for it is now a staple food of most of the native population and, apart from famine considerations, it is required in large quantities as a basic factor in other local industries. We regard the maize industry as of vital importance to the economic welfare of the Colony." (Ibid. para. 172.) Native-grown maize is not sufficient to meet local requirements and, in times of famine, European-grown maize has to be imported into the Reserves. Uganda and Tanganyika would also rely on Kenya maize to supplement internal shortage, and if European maize production proved inadequate the only alternative would be, as has been done in the past, to import from abroad at great expense.

As the result of the efforts of European growers, Kenya maize K 2 is now definitely established in the world's markets and commands a premium over Argentine maize, and the average production per acre in Kenya compares favourably with other maize-growing countries as is shown in an earlier paragraph.

IMPORTANCE OF COFFEE INDUSTRY.

17. According to the Report of the Economic Development Committee (para. 155 *et seq.*), the average value of coffee exported over the past three years has been given at 47 per cent of the total exports of the Colony. For the year 1932 the figure was 61.7 per cent of the total.

The coffee industry as a whole gives employment equivalent to the full-time services of 50,000 natives.

There are 929 coffee growers, representing 45 per cent of the total number of occupiers of agricultural holdings, and, in addition to the large number of owners managing their own farms, the industry gives employment to 683 Europeans.

The Agricultural Census Report for 1934 gives the total acreage of planted coffee as 102,238 acres, of which only 65,643 acres are fully mature. 14,046 acres are still under three years old, and 22,549 acres are between three and six years old.

Data obtained from the Coffee Board of Kenya show that the capital invested in 418 coffee estates is approximately £4,500,000.

Kenya coffee has established a high reputation for quality on the London market, and despite the setback caused by abnormal conditions prevailing over the past three years there is no occasion to suppose that in due course this reputation

should not be enhanced when normal conditions return. In general it provides the best demonstration and advertisement of the Colony's suitability and scope for European enterprise. It constitutes a serious attempt to exploit one of the best of the Colony's natural assets, and we are of opinion that its vigorous development is in the best interests of Kenya and the Empire.

MIXED FARMING.

18. Maize must be regarded as a "pioneer" crop, essential to the development of the territory. In other countries similarly situated, maize production has formed the stepping stone towards more diversified farming, and in our opinion the time has arrived for farmers now growing maize or wheat only, to be encouraged and assisted to change over to mixed farming.

The majority of cereal-growing areas are suitable for mixed farms, and not only do such farms lend themselves to cattle, pigs, poultry and dairy produce, but such extension of the farmer's activities would enable him more fully to utilize the area of his holding and would assist in maintaining soil fertility. Many witnesses have stressed the advisability of such a change-over and its advantages over the present widespread reliance on cereal crops alone.

THE PRESENT POSITION OF AGRICULTURAL INDEBTEDNESS.

19. Apart from the scaling down of debts which may be effected through Conciliation Boards, we have not recommended the institution of any machinery which will directly lighten the burden of agricultural indebtedness, for the reasons given in para. 10, nor have we had an opportunity of ascertaining the actual total burden of debt. In the absence of any details covering loans by companies or individuals, a proper assessment of the actual indebtedness of agriculture is impossible, but the following figures may give some indication of the position. In the Report of the Economic Development Committee (para. 135) a figure of £2,116,000 is given as representing loans and advances to agriculture outstanding in the books of the Kenya banks at the end of 1932. At the end of 1934 loans to the extent of £472,415 had been made by the Land Bank, and advances outstanding in the books of the Agricultural Advances Board at the end of 1934 amounted to £104,759.

So far as the position of the coffee industry is concerned the memorandum of the Coffee Board of Kenya deals with returns as at 30th June, 1934, from coffee estates producing 87.8 per cent of the total Kenya crop, and indicates that on these estates the total indebtedness in respect of mortgages,

bank overdrafts and other loans secured on the land or upon security other than crops or chattels mortgage is £1,212,110, the annual interest charge being £82,043.

The total indebtedness in respect of shortfalls on advances made against crops by merchant firms is shown as £71,803, the annual interest charge calculated at 6 per cent amounting to £4,308.

Seasonal indebtedness, secured on crops or by chattels mortgage, excluding shortfalls, is estimated to amount to £173,912 as at 31st December, 1934. The annual interest charge calculated at $5\frac{1}{2}$ per cent plus interest on advances against unsold crops amounts to £12,920.

The total interest charges to be met by the coffee industry each year is summarized as follows:—

On mortgages, etc.	...	...	£82,043
On shortfalls	...	...	4,308
On seasonal finance	...	...	12,920
			<hr/>
			£99,271
			<hr/>

The Coffee Board emphasize that while the above figures present a general picture of the indebtedness of the industry, they are largely averages, and are far removed from the actualities of a great number of individual cases, and that any measures to alleviate the position can only be taken after individual consideration of individual cases. We are of the opinion that the position at the present time must be materially more serious as the result of the climatic conditions and the still further fall in world prices during the last eighteen months.

The picture of agricultural indebtedness provided by the foregoing extracts from evidence is of very limited service to us, inasmuch as it fails to give any indication of how the figures might be allocated as between indebtedness and oppressive indebtedness.

CAUSES OF PRESENT POSITION.

20. The present position of agricultural indebtedness can be attributed to the prolonged period of adverse agricultural conditions occasioned by the incidence of locusts and drought, which caused great damage from 1929 to 1933 on European-owned farms and in native areas, and to the low prices realized for primary products on the world's markets.

In 1929-30 the prices of primary products fell after a long period of prosperity. In the preceding years farms had been purchased at prices which in some cases have proved to be too high, commitments were entered into on the basis of the high prices then being realized for coffee, maize and other farm products; and total costs of production (management, implements, labour, etc.) were on a generous scale which could only be justified, if at all, by the prices then being realized for crops.

The collapse in the world's markets found a very large proportion of producers with no reserves to fall back on and with commitments which, on the reduced return obtainable from the sale of farm produce, were too high in relation to the resources of their farms.

The coffee industry was and to some extent still is at the development stage, profits earned during the period of high prices having been returned to the land by bringing further areas under development and providing permanent factories, buildings, etc. Large areas of coffee only came into full bearing after the collapse in prices had occurred.

The main coffee-producing areas have had the unprecedented experience of three consecutive years of drought, the effect of which is reflected in the low percentage of "A" grade, poor quality, and reduced yields of recent years. The same general conditions applied, although perhaps to a lesser extent, to the agricultural and pastoral industries. Maize and wheat growing areas suffered from the severe locust infestation of 1930-1933. In some districts losses due to locusts were approximately 20 per cent or more of grain crops, involving a shortage of over 200,000 bags of grain (*vide* Economic Development Committee's Report, para. 380 (a)).

ILL EFFECT ON FARMING OPERATIONS.

21. The reduced yields, inferior quality and low prices obtainable for produce have had the inevitable result of curtailing expenditure on farming operations, in many cases below the level required for the proper maintenance of the farm, of good husbandry and even of the individual.

Farmers have not had the finance necessary to carry out essential manuring and anti-erosion measures, implements have not been replaced and buildings have not been kept in a good state of repair. Such neglect has materially affected the efficiency of farming operations and the soil fertility of cultivated areas.

We also regard as a matter of great and far-reaching benefit the psychological effect of the removal of any condition which constitutes an ever-present menace to the farmer's security of tenure and continuance of operations.

PRICES OF VARIOUS COMMODITIES.

22. We are indebted to the Agricultural Economist for the following tables showing the prices realized during the past few years for coffee, maize, butter and sisal.

COFFEE PRICES.

Monthly average prices actually realized at the London auction during the last six years were as follows:—

MONTH	1929	1930	1931	1932	1933	1934	1935
	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>
January	124	111	79	108	73	60	80
February	122	101	82	106	67	73	84
March	122	83	78	93	62	79	73
April	118	73	73	75	57	70	66
May	113	69	65	66	56	65	54
June	96	63	56	58	59	52	38
July	95	58	55	60	57	57	—
August	97	66	52	64	55	52	—
September	99	72	57	82	57	64	—
October	92	80	74	75	55	51	—
November	93	79	80	72	62	55	—
December	101	75	93	71	58	58	—
YEAR	116	77	74	85	64	62	—

PRICES OF PLATE YELLOW MAIZE IN LONDON (FROM BOARD OF TRADE JOURNAL)

MONTH	1929	1930	1931	1932	1933	1934	1935
	<i>Sh. per 100 lb.</i>	<i>Sh. per 100 lb.</i>	<i>Sh. per 100 lb.</i>	<i>Sh. per 100 lb.</i>	<i>Sh. per 100 lb.</i>	<i>Sh. per 100 lb.</i>	<i>Sh. per 100 lb.</i>
January	—	6-14	3-49	4-02	4-35	4-18	4-53
February	—	5-77	3-66	4-30	4-18	3-98	4-10
March	—	5-57	4-26	4-48	4-13	4-30	4-51
April	8-88	6-76	4-54	4-50	3-91	4-22	4-78
May	—	6-23	4-09	4-45	4-02	3-88	4-27
June	—	5-59	3-63	4-06	3-77	4-04	3-78
July	—	6-24	3-44	4-35	3-85	4-27	3-59
August	—	6-57	3-18	4-38	3-67	5-35	3-45
September	—	5-60	3-18	4-33	3-62	5-09	3-69
October	7-44	4-55	3-68	4-07	3-47	4-66	—
November	6-97	3-84	4-21	4-06	3-90	4-49	—
December	6-49	4-10	3-95	4-01	4-43	4-69	—

BUTTER—NEW ZEALAND 1ST IN LONDON
(FROM BOARD OF TRADE JOURNAL)

MONTH	1930	1931	1932	1933	1934	1935
	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>	<i>Sh. per Cwt.</i>
January	—	121	106	89	74	86
February	—	125	111	86	76	96
March	—	126	116	83	78	82
April	135	116	114	75	78	83
May	137	114	105	84	82	85
June	136	117	104	87	84	91
July	142	119	109	85	89	97
August	142	119	114	94	85	101
September	133	120	120	107	84	116
October	126	128	120	108	76	—
November	118	123	105	94	81	—
December	115	112	93	78	78	—

SISAL—F.A. No. 1 IN LONDON, PER TON

AVERAGE, 1929 £39 10s.

AVERAGE, 1930 £26

MONTH	1931	1932	1933	1934	1935
	£ s.	£ s.	£ s.	£ s.	£ s.
March	—	14 5	14 15	17 15	11 12
June	15 7	12 15	18 2	16 10	16 5
September	12 2	16 15	17 15	14 0	22 5
December	17 0	15 0	15 17	14 5	—

ATTITUDE OF MORTGAGEES.

23. We are satisfied from evidence submitted by mortgagors and mortgagees that the majority of secured creditors have extended a very large measure of consideration to debtors during the period of depression. Rates of interest in many cases have been reduced or interest waived for a period, and few actions for foreclosure have been instituted. While it may be true that there is little reason to fear that a return to more prosperous times would result in a change in this attitude, we endorse the view expressed by the Coffee Board of Kenya that "leniency is too often a matter of day-to-day arrangement. The planter has no security of tenure, and although he may be leniently treated by creditors, his urge is to sacrifice the proper cultivation of his estate rather than run the risk of failing to meet his commitments. A composition arranged for a definite period of time would thus enable the planter to devote all his energies to the proper maintenance of his estate. Such proper maintenance is vital in the interests of creditors as well as debtors."

ASSISTANCE TO AGRICULTURE IN OTHER DOMINIONS AND COLONIES.

24. The Committee have had access to records of the various relief measures adopted in the following Dominions and Colonies :—

New Zealand.—Mortgagors and Tenants Relief Act, 1933; Rural Intermediate Credit Act, 1927, and Reports, 1930-1933.

S. Rhodesia.—Report of Committee of Inquiry into the economic position of the Agricultural Industry, 1934; Farmers' Debt Adjustment Act, 1935.

South Africa.—Land Settlement Act, 1931; Farmers' Special Relief Act, 1931; South African Farm Mortgage Interest Act, 1933; Export Subsidies Act, 1931; Dairy Industry Control Act (Amendment), 1932; Farmers' Assistance Act, 1935.

Alberta.—Debt Adjustment Board.

British Columbia.—Mortgagors and Purchasers' Relief Act.

Canada.—Farmers' Creditors Arrangement Act.

Manitoba.—Debt Adjustment Act, 1932.

New Guinea.—Mortgagors' Relief Ordinance.

New South Wales.—Farmers' Relief Act.

We are also aware of the large measure of assistance, direct and indirect, given in the United Kingdom to producers of agricultural products.

It has been further noted that the amount provided by the Government of the Union of South Africa, plus the excess costs met by consumers, plus the amount of loss on exports (quota), for the protection of agricultural industries amounted for the year 1933 to no less than £7,473,000 (*vide* South African Journal of Economics, September, 1935).

WHEAT, TEA, SUGAR AND SISAL.

25. No evidence has been given to this Committee that immediate assistance is required by any of these industries.

ASSISTANCE RECOMMENDED ONLY TO APPROVED FARMERS.

26. Our investigations show that while measures of relief are necessary to the agricultural industry generally, there are cases where, owing to the unsuitability of the soil, location of the farm or to lack of experience or ability of the farmer, no assistance can be afforded with any prospect of the ultimate success of the farm or relief of the farmer. We are of the

opinion that any form of assistance should be granted only after adequate enquiries into the financial position and farming ability of the farmer, the history and past production of the farm and the prospects of ultimate recovery.

NECESSITY FOR IMMEDIATE RELIEF.

27. We realize and wish to stress the fact that many farmers will not be able to continue operations unless some measure of relief can be afforded without delay. Apart from the position outlined in paragraph 19 the fact that for a prolonged period farming operations have been conducted at a loss, has left many without any working capital with which to meet labour costs, etc., to plant another crop or to maintain existing areas.

The coffee industry is further affected by the decision of merchant houses to curtail and in some cases to discontinue seasonal and anticipatory advances on which planters have relied in past years.

This decision has completely upset all the calculations of the planters concerned, and although it is reasonable to suppose that the merchant houses may be looked to for a crop advance in July to September, when the crop is sufficiently advanced to admit of an estimate of its tonnage and value, in very few instances have these planters been able to make any financial arrangements for bridging the gap from January to June. The crop already reaped is held by the merchants against the advances made for its production and as the circumstances already detailed have combined to deprive last season's operations of any profit, the planter has no source of income from which to meet the cost of maintenance until the next crop is in sight. The necessity for finding a means to alleviate this position is vital and immediate.

We are satisfied that finance should be made available to approved farmers to enable this gap to be bridged and are of the opinion that such assistance would go a long way towards establishing a sound system of coffee crop finance and would save many worthy and experienced planters from failure.

A MIDDLE CLASS.

28. It is anticipated that the majority of applications for financial assistance will come from planters embarrassed by a variety of commitments to secured and unsecured creditors, the total amount of which renders it almost certain that the creditors cannot be satisfied in full from the result of next season's operations. This involves a threat of possible

disaster emanating from action by one of several parties, the mortgagee, the holder of a chattels mortgage, or the unsecured creditor. The recommendations of the Committee embrace an endeavour to meet this position by a scheme involving protection for the participant over a period during which it is hoped he will rehabilitate himself by means of carefully controlled finance.

There is, in addition, another class to be reckoned with, i.e. the planter who, although not actually embarrassed by the threat of possible action by a creditor, relied upon assistance from a merchant house to finance his crop. This assistance being denied him, he has no funds with which to carry on.

It was suggested to us that the proposed conditions surrounding any Government advances, as set out in the concluding paragraphs of this Report, might appear unduly exacting in such a case. After consideration of the point we have decided that no real hardship would be imposed in connection with this class, but, on the contrary, the proposed restrictions and conditions attached to an advance would work for the actual protection and benefit of the borrower, the Government and the mortgagee.

In any case, it is hoped that with further capital made available to the Land Bank and the granting of the widened powers asked for by the Land Bank Board, a considerable number of planters will then be eligible for ordinary Land Bank advances.

RECOMMENDATIONS

Introductory.

29. Agricultural finance falls into two classes :—

- (a) *Long Term*, to meet the mortgage position and such other purposes as are defined in the Land Bank Ordinance;
- (b) *Short Term*, to meet seasonal finance and to assist cereal farmers in a change over to mixed farming.

The difficulty with which we are faced is to suggest remedial measures which come within the bounds of practicability, and can be recommended to the Imperial Government.

We feel that no action should be recommended which would have the effect of creating a feeling of insecurity among investors and are of the opinion that any settlement between

debtor and creditor should be voluntary. Some witnesses have stated that without compulsion any attempt to arrive at an equitable adjustment of the indebtedness position will be unsuccessful, others were in favour of nothing being done to prejudice the existing rights of secured creditors.

Kenya Colony depends very largely on imported capital for the development of its resources and any step taken which will result in loss of confidence by lenders, however beneficial to the debtor for the moment, must react to the detriment of the agricultural industry as a whole.

Land Bank Capital.

30. With regard to Long Term finance we have already referred to a scheme based on a bond issue but at this stage we should like to support the recommendations of the Economic Development Committee for an increase of the capital of the Land Bank by £500,000, and the raising of the present maximum of an advance to any one farmer to £5,000, and the maximum amount for the discharge of a prior mortgage to £3,500 (*vide* Economic Development Committee's Report, Chap. VI, paras. 466-483).

It is understood that this proposal has been supported by Government and is now receiving consideration by the Secretary of State.

The scheme which has been put before us with regard to the long term adjustment of debts is of such magnitude (though on the face of it of such simplicity) that, without the most careful examination by experts, we consider that at this stage it would be folly to express an opinion either in favour of or against it, particularly as, short of going to the London Market for a loan of several millions, which we are told we would never be able to obtain, we have not yet evolved any other scheme which would take its place.

Finance for Short Term.

31. We recommend that of the £500,000 referred to in the preceding paragraph, Government should be empowered to direct the Land Bank to set aside a sum not exceeding £200,000 (which amount, with interest, shall be guaranteed by Government to the Land Bank) in order to supply funds for the provision of seasonal finance and assistance to cereal farmers in a change over to mixed farming, the procedure for which is set forth in the following pages.

The £200,000 to be set aside is not to be regarded in any sense as a subsidy to any industry, it is to be advanced as a business proposition, at an interest as low as Government considers reasonable, having regard to such factors as the interest payable on the loan, cost of administration, establishment of a reserve fund, etc.

It may be thought that, in considering and reporting on the advisability of inaugurating a scheme of Short Term advances, we are exceeding our task which was to explore the possibilities of lightening the burden of agricultural indebtedness, and, on the strict interpretation of our terms of reference, there might be some substance in the criticism, but we feel that the position is so critical that action must be taken immediately.

It would be fatal for us in leisurely manner to propound some scheme of long term finance which we know would involve long and detailed consideration before it could be brought into operation by Government, when we believe that if action is not taken promptly a considerable number of the farmers of this Colony will be ruined, and it is for this reason that we hasten to forward to Government this interim report.

We trust that by recommending this procedure we shall not be condemned as having failed in our main task, which we are in fact postponing for reasons given in paragraph 10.

Proposed Machinery.

32. We recommend that the following steps be taken immediately :—

(1) That a Conciliation Board be appointed to consist of five members one of whom shall be drawn from the Land Bank Board, with one of His Majesty's Judges as Chairman.

(2) That Local Committees be appointed in various districts composed of the District Officer as Chairman and two members of farming and business ability.

(3) That all applications, together with the recommendations of Local Committees be submitted to the Conciliation Board with whom the final decision shall rest.

(4) That definition of the powers of Local Committees and Conciliation Board and regulations governing advances be the subject of an instruction by the Governor in Council.

(5) That the administration of advances approved by the Conciliation Board be in the hands of the Land Bank, which shall be appointed agent for Government in the administration of the scheme. (Where reference is made to the Land Bank in the following pages it is in this capacity as Agent for Government.)

(6) That Land Bank agents in each district report at stated intervals to the Land Bank with a copy to the Local Committee.

Procedure.

33. Having established these bodies the procedure envisaged by us will be as follows:—

Upon a farmer determining that it is necessary for him to obtain assistance he will apply to the Local Committee stating his requirements and filing a complete list of his indebtedness, which will be open to inspection by any of his creditors.

Upon receipt of this application in due form the Chairman of the Local Committee shall immediately issue what is called a "Stay Order" over the whole property of the applicant, which will have the effect of vesting the property of the applicant temporarily in the Land Bank, but this Stay Order will permit the applicant to make deliveries under any agreement already made and to enter into fresh agreements with the approval of the Land Bank.

The Chairman of the Local Committee may also direct an approved valuer to visit the farm of the applicant, and make a report upon his assets and will in due course call a meeting of the Local Committee. At this meeting the position of the applicant's affairs will be freely discussed and the conditions under which, in the opinion of the Committee, an equitable adjustment of the applicant's position could be arranged (should this be necessary). The whole matter will then be referred to the Conciliation Board.

Every opportunity should be taken to discuss the position with the applicant and his creditors before submitting the matter to the Conciliation Board. The Conciliation Board will then call a meeting which the applicant and his creditors shall have the right to attend in person or by a fully authorized representative, or they may send in their views in writing with the object of arriving at a settlement.

Should a majority of the creditors refuse to consent to the proposed adjustments or conditions of the settlement the Board will refuse the application in which case the "Stay Order" will be removed, and the debtor and creditors permitted to follow their usual legal remedies.

When the terms of the proposal or any variation thereof are agreed to by—

- (a) the Conciliation Board,
- (b) all the secured creditors, and
- (c) a majority in number and value of the unsecured creditors,

and whether such agreement involves an adjustment of debts or not, the Chairman of the Conciliation Board will reduce the terms to writing and will file this document (which in many ways will resemble a Deed of Arrangement) in the Registry, which document will be binding on all parties, at the same time extending the Stay Order for a period not exceeding one year, unless a longer period has been agreed upon by the creditors. In calculating the majority of creditors required by this section no such unsecured creditor shall be reckoned in number unless his claim be of the value of at least five pounds, holders of second mortgages or chattels mortgages to be considered as secured creditors.

Although the Stay Order (except with the consent of the creditors) will be only issued for one year we contemplate a renewal of this Stay Order from year to year where there is any shortfall on any advance, but the total period shall not exceed in all more than five years.

Government funds can only be issued when reasonable security is offered and it is for this reason that Stay Orders are necessary under the Scheme before advances can be authorized.

In cases where it is considered necessary that Government Funds are required for the purpose of continuing existing operations the decision of the Conciliation Board should include an instruction specifying the amount which the Land Bank should advance.

Suggested Regulations.

34. (1) The security and terms for repayment of any advance to be such as are deemed fitting by the Conciliation Board.

(2) All securities to be registered in the name of the Land Bank.

(3) No stamp duty to be payable on any document, instrument or deed issued by or in favour of the Land Bank.

(4) Full particulars of all persons in respect of whose estates Stay Orders have been issued or removed to be notified for public information in the Official Gazette on the issue or removal of the Stay Order.

(5) Accounts of revenue and expenditure to be kept by participants in a form to be prescribed by the Land Bank.

(6) The Secretary or Assistant Secretary of the Land Bank to act as Secretary to the Conciliation Board and clerical services for the work of the Conciliation Board to be supplied by the Land Bank.

Security for Advances.

35. The next point to consider is the security to be held by the Land Bank.

As we have said previously, the effect of the Stay Order will be to vest the farm in the Land Bank for the period of the Stay Order, but it must be clearly understood that this does not in any way affect the rights of any secured creditor, except that it will postpone his remedies, e.g. the sale or foreclosure of any property movable or otherwise over which he may have a lien.

The security will be on the crops which will be grown and reaped during the time that the Stay Order is in existence and any other security which it will be possible to obtain from the applicant. Thus, if money is advanced to a farmer to enable him to raise a crop of maize and also to start a herd of cattle, the security for the money would be the value of the crop together with a chattels mortgage on the cattle and their progeny, while the proceeds of any milk or milk products sold would also be paid to the Land Bank.

Limit for Advances.

36. Under the proposed scheme of Short Term advances it is suggested that the maximum advance should be limited as follows:—

Coffee.—£7 per acre of fully bearing coffee, save in exceptional cases.

Maize.—Sh. 30 per acre of planted area.

For cattle, dip and fencing.—£500.

For any other purpose.—At the discretion of the Conciliation Board.

Should the crop be wholly or partially lost through locusts, diseases or other unforeseen calamity, admittedly for that year there would be a loss and the only hope of recovery of advances would be in carrying the farmer for another year.

We fully realize that there is an element of risk attached to such investments, but, having considered all the existing circumstances, we are of the opinion that it is a risk that the country should take.

THE FARMER.

37. Having outlined the procedure for and the security of the Land Bank it is necessary to point out the advantages of this project to the farmer. So far we have shown that, by the granting of a Stay Order, he is secure in his farm so long as the order is in force, but as against that all his property has been vested in the Land Bank. The procedure with regard to him is visualized as follows: As soon as the Conciliation Board have agreed to accept the investment the farmer will ordinarily be appointed as manager of the estate under the supervision of the Land Bank (or their agents) and included in amounts paid to him will be a sum to include a monthly salary, which should represent an amount sufficient to support himself and his family, having regard to all the circumstances of his case. All other money necessary for the production of the crop up to the agreed limit, will be paid to him (as and when required) by the Land Bank after his vouchers have been duly passed by the Land Bank or its agent in his district. He thus obtains a living, a certain security of tenure and has a better prospect of being able to keep his land so cultivated and manured that he will be able to take advantage of the rise in commodity prices which must, we trust, take place in the near future.

THE CREDITORS.

38. The advantage of this scheme to the creditors lies in this fact: Few creditors are in a position to take over and run the farm themselves nor are many in a position to finance the farmer to run it. In view of the present world prices the prospect of an advantageous sale of the farm is almost negligible and their security, as we have shown, is yearly deteriorating through the farmer's financial inability to cultivate his land.

By consenting to a Stay Order and/or an equitable Deed of Arrangement the creditor knows that funds will be provided to cultivate the land and that the farmer will be supervised by the Land Bank agent, thus preserving the value of his

security, and he also knows that if the crop realizes more than the Land Bank advance the surplus will be divided in the usual order of priority which will be laid down in the Ordinance.

39. We trust that the scheme which we are now suggesting will not be dismissed as idealistic, socialistic or impracticable, for we feel sure that it can be worked, that it will be a godsend to many deserving farmers and that the risk to Government is infinitesimal in comparison with the possibility and probability of good to the country in general.

We realize that many a farmer will be disappointed at our recommendations but it must be understood that we do not represent a philanthropic society and are therefore unable to recommend help to any but those who, in the opinion of the Board, will be able with help to make good. The bad farmer, the good farmer with bad land, the possibly good farmer with good land who is so heavily involved that no arrangement with his creditors can be made, are all beyond our help.

40. The above scheme may appear to our critics cumbersome and perhaps unduly expensive, but it is hoped that in practice, with the assistance and co-operation of such bodies as the Kenya Farmers' Association, who have already offered to help the Land Bank in every possible way to implement the smooth working of our endeavour, much time and money will be saved.

41. In conclusion we would like to place on record our appreciation of the industry and ability of our Secretary, and also the great assistance given to us voluntarily by Mr. Thornton, both as Acting Secretary during the temporary absence of Mr. Hately, and also as our special emissary in certain country districts.

W. HARRAGIN (*Chairman*).

G. WALSH.

W. EVANS.

J. NORDLINGER.

J. CAMPBELL.

W. C. HUNTER.

23rd December, 1935.

T. L. HATELY, *Secretary*.

POSTSCRIPT.

We desire to place on record our grateful appreciation of the ability and patience with which our Chairman has conducted the deliberations of the Committee. Proceedings have been expedited and our somewhat onerous task has been materially lightened by his unfailing courtesy and experienced guidance.

G. WALSH.

W. EVANS.

J. NORDLINGER.

J. CAMPBELL.

W. C. HUNTER.

T. L. HATELY, *Secretary.*

NOTE BY MR. JOHN NORDLINGER.

I have signed the Majority Report because, in the main I agree with the arguments set forth therein and also with the proposed scheme for short term finance.

There are, however, certain vital points on which my views are not in accord with those expressed in the report, and I beg to set those forth as follows:—

Under the heading "Procedure" the report recommends that all the secured and a majority in number and value of the unsecured creditors must agree before the farmer can be granted any assistance whatsoever, even that of a Stay Order. This is not the case in the New Zealand Act on which to a considerable extent our proposals are based, which reserves the decision as to whether a Stay Order shall be granted or not to the Conciliation Board, and where a Stay Order is granted, it is for a period of five years and not for yearly periods as recommended in our report.

In my opinion if this scheme is to be successful in keeping the deserving farmer on his land it is essential that the same power should be given to our Conciliation Board. As it is at present the recalcitrancy of even one obdurate creditor can prevent the most deserving case from obtaining any assistance under the proposed scheme. Further, even if all his creditors agree to the Stay Order being granted for the period of one year, there is grave reason to fear that an improvement in values is likely to result in his failing to obtain a renewal of their agreement from year to year for that further period which is necessary in order for him to make good the past losses which, it is agreed, have been incurred through circumstances beyond his control.

It is hardly necessary to point out that under the suggested conditions the good farmer on his well-farmed land who happens to have a small first mortgage compared to the total normal value of his farm is the one likely to have the most difficulty in obtaining this agreement, especially if and when values start rising again.

This is hardly in accordance with the opinion expressed by the Committee (*vide* paragraph 14) that the experience of the European farmer "represents an asset which the Colony cannot afford to lose".

The Committee also express the opinion (*vide* paragraph 21) that: "We regard as a matter of great and far reaching benefit the psychological effect of the removal of any condition which constitutes an ever present menace to the farmer's security of tenure and continuance of operations".

In my opinion the scheme as suggested does little or nothing however to remove the serious dangers which threaten the very existence of so many deserving farmers.

That the farmer is entitled to protection by the State is recognized in the Acts of various British possessions as quoted in our report. It should be noted that these Acts in almost every case date back to 1930/1 and the fact that we in Kenya have waited till 1936 to take similar action is undoubtedly one of the causes of the aggravation of the present burden of agricultural indebtedness.

In the New Zealand Act, during the enforced period of the five year Stay Order, the Conciliation Board endeavours at intervals to arrange a voluntary composition with the farmer's creditors in cases where the Board considers this necessary. If unsuccessful a Board of Review has large powers of enforcing a composition at the end of the five-year period. Any such composition is based on the productivity of the farm during the period the Stay Order is in force. The farmer's conduct and efficiency is taken into due consideration by the Board. It is, however, expressly laid down that the amount of his debts is not to be the guiding factor but that the Board is to be guided by the value of the farm and the efficiency of the farmer. On the face of it, this may seem to be unduly hard on the creditors but it must be remembered that the purchasing power of money at the present time is immensely greater than when the money was lent.

I consider that in order to give the farmer a reasonable opportunity of getting on his feet again the Conciliation Board should have the power to enforce a Stay Order for the same

period as in New Zealand, viz. five years, and that they should be granted the same power of enforcing a composition at the end of the period that the Board of Review has under the New Zealand Act, such power only to be used if the purchasing power of money remains abnormally high.

The Government of Kenya has recognized the necessity of exceptional measures in passing the Mortgagees' Relief Act and I can see no reason whatsoever why the Conciliation Board, which is to be under the chairmanship of one of His Majesty's judges, should not be granted the same powers as are granted to similar bodies under the New Zealand Act.

I consider further that steps for reducing the rate of interest on Agricultural Mortgages, such as have been taken in other British possessions, are essential in Kenya and should be taken at once. Evidence led before the Committee has in most instances emphasized the necessity for this and our late Governor, Sir Edward Grigg, has stated in the Imperial Parliament that it is absolutely essential.

A further most effective method of "lightening the burden of agricultural indebtedness" is a measure of so-called devaluation of the East African currency, i.e. the controlling of the East African shilling at a discount with the sterling shilling instead of, as at present, controlling it at par. This method has been adopted by several of the Dominions including Australia and New Zealand. It has also been adopted almost universally by all the coffee-producing countries.

It is a very severe handicap on our primary producers to have to compete unaided in the world's markets with the produce of these countries. It is to be hoped that the Secretary of State for the Colonies will give his reasons at an early date as to why similar steps should not be taken in the East African Territories.

If there are good reasons against this then I feel that it is essential that the Secretary of State should suggest to the local Government alternative measures to afford equivalent relief.

The accumulated burden of debts, the necessity of the alleviation of which was recognized by Government in the setting up of our Committee, is to some considerable extent due to this handicap.

JOHN NORDLINGER.

23rd December, 1935.

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

B H A V N A G A R

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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.

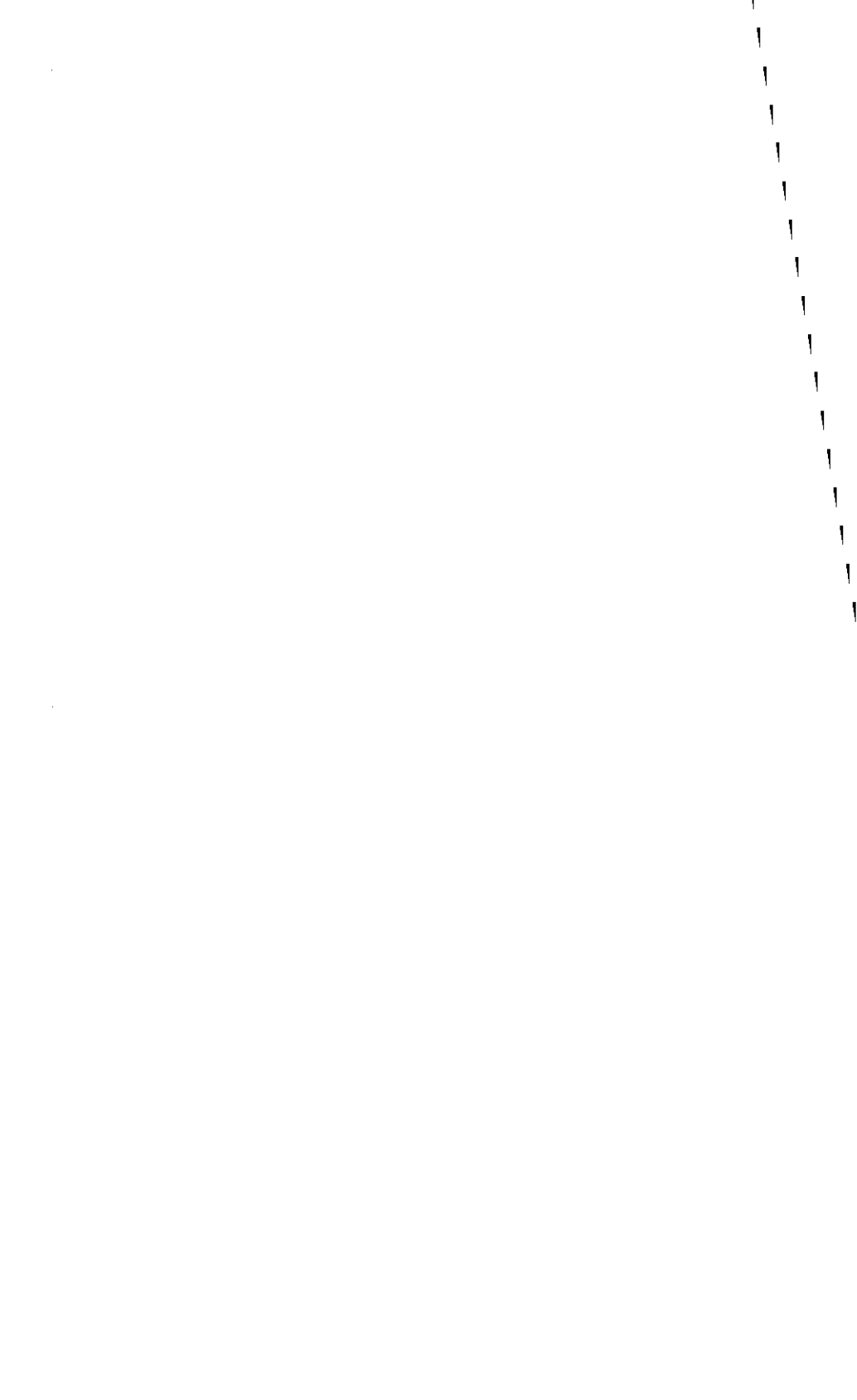
Bhavnagar,)
21st March 1933.)

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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. Bhaskerrao, 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

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. O. I. E.,
President, State Council,
Bhavnagar, Kathiawar.

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

II

Copy of the reply sent by Sir Prabhaskanker 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 alround 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. PATANI.

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 out-standings 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. P.

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 Bhavnagar 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.”

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 motived 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 laacs 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 laacs 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 Vahivatdars 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 Sahab, 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 Sahab 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 Kbeduts 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/ 15-1-52.

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 30 villages, as also Unrala Mahal comprising 53 villages have been redeemed and operations for redeeming another Mahal Gadhada, 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.

* * * * *

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.

—

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 particular 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.

* * *

“ 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.

" 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.*

* * * * *

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 Umralla Mahal even before the compounding loan was actually paid out to the Sowoars 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 Umralla 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. 1933 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.

REDEMPTION
of
AGRICULTURAL
INDEBTEDNESS
IN
BHAVNAGAR STATE.

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BOMBAY:
THE TIMES OF INDIA PRESS,
1934.

No. 195 of 1934.

To

HIS HIGHNESS MAHARAJA
RAOL SHREE KRISHNAKUMARSINHJI,
MAHARAJA OF BHAVNAGAR.

SECRETARIAT, BHAVNAGAR,
Dated 23rd April 1934.

YOUR HIGHNESS,

I have the honour to submit herewith the Report of the Revenue Department on the results of the Scheme of Debt Redemption of the Kheduts of the State, to which I have attached a short Explanatory Note which will speak for itself.

Mainly the success of the scheme is due to Your Highness' solicitude for the welfare of your people.

I have the honour to remain,
Your Highness' most obedient servant,

P. D. PATTANI,
President,
Bhavnagar State Council.

No. 22 of 1934.

FROM

NATVARLAL MANEKLAL SURATI,
B.A., LL.B.,
REVENUE COMMISSIONER,
BHAVNAGAR STATE.

TO

SIR PRABHASHANKER D. PATTANI,
K.C.I.E.,
PRESIDENT, STATE COUNCIL,
BHAVNAGAR.

BHAVNAGAR, 31st *March* 1934.

SIR,

It is now more than four years since the Agricultural Debt Redemption Scheme was first applied to Lilia Mahal, and I am now happy and thankful to be able to say that this bold experiment mainly initiated and carried on under your direction has been brought to a successful termination and all parts of the State have been brought under the operations of the scheme.

Further I have under your instruction prepared a report, which, besides, being a résumé of the preceding investigations and findings of the Bhavnagar Khedut Debt Inquiry Committee, also gives in a brief compass an account of the operations of the Redemption Scheme adopted as a result of the Committee's recommendations. I now beg to send herewith the said report with a request for its respectful submission to His Highness the Maharaja Saheb in due course.

It may not be here out of place to recall how, while the Scheme was being slowly extended, those in charge of its working had their moments of doubts and misgivings about their being ever able to complete the work undertaken ; and in a letter I wrote to you in October 1932, while you were in England in connection with the second Round Table Conference, I ventured to express myself thus :—

“ I cannot say, Sir, how you always feel about it. I know that if you have embarked upon this big enterprise of the wholesale redemption of the Bhavnagar peasantry, you have done so after due deliberation and in full conviction of the righteousness of such a course and having done so I know that you are not one, who would waver or lightly turn back. But if I may make a personal confession, I must say that the magnitude of the undertaking, the contumacy of a section of the Kheduts like those one meets with in Lilia Mahal, the bitter and uncompromising opposition of a minority of Sowears and the criticism—mostly uninformed—of friends and colleagues who ought to know better, all these at times induce a feeling of nervousness, giving rise to subconscious doubts and misgivings. So when I come across such views and opinions as are now contained in the enclosed cutting, they have on me a most reassuring effect ; for they bear independent testimony to the soundness and wisdom of the action taken by us.” The newspaper cutting referred to, you perhaps may remember, contained a report of a lecture delivered before the Calcutta University Institute by Mr. Naliniranjan Sarkar, President of the Bengal National Chamber of Commerce and also a member of the Government Banking Inquiry Committee. The whole lecture was a most powerful plea for urgent action being taken for redemption of the indebted Indian peasantry.

In reply to my above letter, you sent a characteristic reply from London from which I make no apologies for quoting the following more pertinent passages in full :—

“ I am not surprised at your nervousness in the midst of the opposition to the new experiment, I am trying in Bhavnagar. But after years of experience, I am convinced that if States and British India are to go quietly and peacefully through days of depression and financial stringency, as also through the disturbing days of rising agitation, the method that we have adopted at Bhavnagar is the only method for making a safe port. If the Kheduts are contumacious, it is because of their ignorance ; if the Sowcars are uncompromising oppositionists, it is because of their selfishness ; if uninformed friends who ought to know better, criticise the good work that we have taken in hand, it can only be because their friendship may be of a character, which cannot be called a true friendship. All eyes are on us. On our success depends the future fate of India. Small though the State is, and insignificant therefore the enterprise in one corner of that huge continent,—it has the seeds, which if they sprout into plant, will open many eyes, and many well-intentioned rulers and officers will welcome the experiment and imitate it. I shall not be sorry even for the failure, for it would be a failure in a good cause. But I am not afraid that we should fail, for ignorance and selfishness and unfriendliness of others should only girdle up our groins and give us greater courage towards success. I depend upon you as the Revenue Commissioner. I depend upon my Vahivatdars as your loyal subordinates, and if you, the small batch of officers only enter my heart and give your life to me in this connection, I have no doubt about it that the forces of opposition must succumb and that the sun of success must rise giving warmth to the depressed and afflicted peasantry, and when they see the light they

will make us all strong and strengthened, for, I am always reminded that it is the peasantry that is the State and the ruler who is the father of the peasants. You will remember Goldsmith's following couplets in the "*Deserted Village*":—

“ Princes and Lords may flourish or may fade ;
A word can mar them as a word hath made ;
But a bold peasantry, their country's pride ;
When once destroyed, can never be supplied.”

“ I shall not write more. I only write this to encourage you so that you may not lose heart, and if the Revenue Department, which is my hands, lose heart where would I be ? For one man cannot reach the whole cultivating class.”

And if to-day, after a lapse of four years, this unique experiment has been brought to a successful termination, the result has been mostly due to your ever bright and unflinching faith and the generous and consistent encouragement and support you have always extended to those who were charged with the detailed working of the scheme.

Finally a word of acknowledgment is due to the members—both Officers and clerks—of the staff of the various Debt Redemption Committees. No one knows better than you how monotonous and exhausting was the work of the day-to-day examination and sifting of the Sowcars' account-books. But fortunately we had in the Committees' staff, a band of trained workers possessed of special aptitude, and the patient industry and conscientious zeal, with which they devoted themselves to this work, have contributed not a little to its success.

I have the honour to remain,

Sir,

Your most obedient servant,

NATVARLAL M. SURATI,

Revenue Commissioner,

Bhavnagar State.

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EXPLANATORY NOTE.

The Bhavnagar State some time back set up an *ad hoc* Committee to inquire into the question of agricultural indebtedness, and the grave economic condition of the peasantry, that was revealed as a result of the Committee's investigations, was amply borne in upon the Darbar, and it was 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.

Among other measures adopted to relieve the situation, the Bhavnagar Darbar sanctioned a Debt Redemption Scheme depending for its application on the voluntary co-operation of the Sowcars and the indebted Kheduts. At first the money-lenders were chary of availing themselves of the benefits offered by the Scheme. But when they slowly realized that they would be able to recover, in cash and at one stroke, far more under the Scheme than they, if left to their own devices, could otherwise hope to collect in a number of years from their Khedut customers suffering from chronic indebtedness, they slowly came forward—first the Sowcars of one Peta-Mahal or sub-district and then of another sub-district, asking for the composition and settlement of their outstandings on the basis provided in the Scheme.

The Scheme was first applied to Lilia Mahal in April 1930, and slowly its operations were extended to other Mahals until the whole State has now been covered.

The nominal outstanding arrears shown as owing by the Kheduts in the Sowcars' books amounted, as the Redemption Committee have found, to Rs. 86,38,874 and the same have been compounded and compromised under the Scheme by the Darbar paying out on behalf of the indebted Kheduts a sum of Rs. 20,59,473.

Indebtedness of the Khedut is a phenomenon of almost universal prevalence in a predominantly agricultural country like India, and apart from local peculiarities, the problem has in its broad aspects many common features all over the country, since it has its origin in more or less similar conditions obtaining in the country. Naturally, therefore, the Bhavnagar experiment of the wholesale liquidation of the Khedut's debts has attracted much outside attention, and many inquiries have been received by the undersigned in this connection.

But everyone in these hurried days has not the necessary time to wade through the Committee's lengthy Report or the voluminous Evidence collected by it, and so the undersigned has had this small booklet prepared, and in it, an attempt has been made to give, in a brief compass, a rapid summary of the preceding investigations, out of which the Liquidation Scheme came to be evolved, as also a short account of the operations of the Scheme and its after-effects, so far as they could be judged in the short interval, that has elapsed since the Scheme first came to be applied.

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.

While the Scheme has elicited enquiries in many quarters, it has also in places given rise to honest doubts as to the advisability of the course pursued. Accordingly some correspondence, which the undersigned had with friendly critics of the Scheme, as also relevant extracts from official speeches and State papers bearing on the subject and a few newspaper notices and criticisms viewing the Scheme from different standpoints have been included herein. These, it is hoped, will satisfy all reasonable inquiries and answer legitimate doubts, which, this rather unique enterprise of the total and complete

redemption of the indebted peasantry has naturally given rise to.

The Darbar were not oblivious of the future risks, to which the poor illiterate Khedut was exposed at the hands of unscrupulous Sowcars always too willing to exploit them by advancing money and entangling them in fresh usurious transactions. Some protection against such future victimization is sought to be given by the Khedut Protection Act enacted simultaneously with the Debt Redemption Scheme. This Act is embodied as Appendix III hereto.

A third complementary measure adopted, and, that by far the most important, is the scheme of Gramya Panchayat covering all aspects of the Khedut's life and in fact aiming at the rehabilitation of the whole village life itself. (*Vide* Appendix V.)

A further elucidation of these various measures will be found in the course of the following pages. It may be only mentioned here that all these three measures hang together and they have been adopted simultaneously in the hope that their cumulative effect may render the farmers, who comprise 75 per cent. of the population of the State, more happy and contented.

As a result of the total redemption effected, there are to-day hardly any suits or execution proceedings pending against any Kheduts in the Civil Courts of the State. Litigation is always a fruitful source of no end of anxiety and expenditure, which have been all avoided by amicable settlement outside the Courts. Another immediate and undoubted benefit conferred on the Kheduts is the substantial saving in interest charges alone, which would have amounted to about Rs. 21,00,000 annually, calculating interest at the rate of 25 per cent., which is the ordinary rate the Sowcars levy, though cases of still more extortionate rates charged occur only too

frequently. In other words the Kheduts have had their huge outstandings of Rs. 86,38,874 compromised and compounded by payment of a sum, which is certainly not more than the annual interest charge, to which they were annually subjected for these arrears. The gain to the State is also not inconsiderable; for apart from redemption creating a debt-free and contented peasantry, an incidental result has been easier and better recoveries of the land assessment, and it was noticed that in spite of the heavy fall in prices, the Kheduts willingly and easily paid the full unit of current assessment and also something towards arrears even in parts of the State where the season was below normal and where recoveries would have fallen short by 4 annas under the old conditions, when the agriculturists were still weighed down by the burden of past debts.

It would not be out of place to mention here that nothing is closer to the heart of His Highness the Maharaja Saheb than the interest and well-being of his Khedut subjects, who form the backbone of the State, and one of his first acts on assuming full powers was to confer on the Kheduts the rights of sale and full inheritance in respect of their holdings. But even while His Highness was a minor, the thought of the Kheduts' well-being was not absent from his mind, and it was he who first inspired the idea of lightening the burden of the Khedut's debts and as a result, Rs. 33,00,000 of State arrears of Land Revenue were written off during the Minority Administration. Having thus set the example of remission of old State arrears, His Highness the Maharaja Saheb next appealed to Sowcars to help in the economic rehabilitation of the Khedut by accepting settlement of their outstanding claims on the basis provided in the Redemption Scheme, which was again to be financed by the State advancing the loans required for liquidation. It is satisfactory to note that the Sowcars have on the whole responded well and helped to make the Scheme the success it has been. His Highness the Maharaja Saheb did not make

an exaggerated claim, when, in the course of a speech he recently made on the occasion of the visit of the Hon'ble the Agent to the Governor-General, Mr. Latimer, he said, "I am by temperament rather reticent, and I believe I am trained to value action more than expression of good intentions." In the same speech His Highness the Maharaja Saheb further summed up his conception of true rural uplift in the following words :—

"If the object of rural uplift is to be really attained, two things should receive first attention :—(1) Relieving the cultivators from the arrears of State assessment and (2) Release from the crushing burden of private debts." What His Highness's Government have done in regard to the second subject has been attempted to be described in the course of the following pages.

BHAVNAGAR,
15th April 1934.

P. D. PATTANI,
President,
State Council, Bhavnagar.

REDEMPTION OF AGRICULTURAL INDEBTEDNESS IN BHAVNAGAR STATE.

SECTION I.

Preliminary investigation of the Khedut Debt Inquiry Committee.

The Bhavnagar Darbar's forcible attention was first drawn to the problem of Agricultural Indebtedness by a petition received in January 1922 from some Kheduts of Lilia Mahal. In this petition they complained about their desperately low and poor economic condition, which, they attributed to the monstrous rates of interest, commission, etc., levied from them by the local Sowcars. The then Revenue Commissioner made a preliminary investigation in the matter and reported that the allegations contained in the petition were only too true and, further, pointed out the urgency of some remedial action being taken to relieve the economically distressed Kheduts. Thereupon the Council of Administration appointed a Committee in June 1922, under the Chairmanship of Diwan Bahadur Tribhuvandas K. Trivedi, Member of Council, to inquire into the problem of Agricultural Indebtedness and suggest remedial measures.

Khedut Debt
Inquiry Commit-
tee appointed.

2. The Chairman first made a preliminary tour of some 22 villages in different Mahals, as a result of which he found that the complaints made in the petition of the Lilia Kheduts about the economic ruination, that was being wrought by the unscrupulous and usurious methods of the local money-lenders, were not a bit exaggerated, and the characteristics of the Sowcar's dealings with his Khedut customers detailed in the petition and the preliminary report of the Revenue Commissioner were with local variations met with everywhere.

Preliminary
Tour of the
Chairman.

Comprehensive inquiry decided upon.

3. The alarming conditions thus revealed indicated the necessity of a thorough and comprehensive inquiry embracing the whole State, if the same was to serve a useful and practical purpose and reliable and adequate conclusions to be reached. So, it was decided to investigate, at least in a general way, the conditions prevailing in all the Mahals of the State.

How the Committee collected the statistics of individual indebtedness and other relevant information.

4. Figures of individual indebtedness of all the Darbari Khatedars were in the first instance collected and recorded by the local Thandars. To check and verify these figures, the Committee toured the whole State, visiting each and every village, where they met the Kheduts face to face and in their own homes, so to say. This was, in a way, the Committee's most important work, as it brought the members into close, intimate and direct touch with Kheduts and enabled them to obtain first-hand information. Besides checking, correcting, adding to or altering the figures of debts, etc., entered in the tabular statements prepared by the Thandars, the members of the visiting party subjected each individual Khedut in turn, to a little searching cross-examination, to elicit the nature of his debts, the occasion and purpose for which they were incurred, the interest, premium and other charges levied by the Sowcar, etc., etc. While this process of verification of the statements and examination of the Kheduts was going on, it was made a point to select a few typical cases of harsh and unfair dealings involving exorbitant rates of interest or other hard terms, and the same were gone into at leisure at the Committee's camp by sending for the Sowcars concerned and examining them and their account-books. Altogether the Committee examined in this way some 552 Sowcars.

Further, in most of the villages, two or more Kheduts of varying economic conditions were picked up, for preparing their family budgets roughly showing the produce of their respective holdings, the cost of cultivation (which includes the

assessment payable to the State), the proportion of the produce retained for domestic consumption and the price realised by selling the surplus quantity. A comprehensive questionnaire prepared by the Chairman was also filled in for substantially big villages, and this was done by meeting the leading Kheduts of the village in a group and putting questions to them.

Of course, in the very nature of things, one cannot always vouch for the accuracy of the debt-figures collected. But realising that the value of the Committee's conclusions would lie in the reliance, one could put on the returns of the debt figures, every care and safeguard was taken from the beginning to ensure their accuracy.

But in spite of every precaution taken, the Committee noticed in scattered places a tendency, at times induced by the Sowcar's efforts, to conceal the real position regarding indebtedness ; and the suspicion could not be got rid of that Kheduts, who were really indebted, held reticence on the subject either under the Sowcar's instigation or under a false sense of Izat. But it should be added that if some Kheduts here and there kept silent or understated the amount of their indebtedness out of a sense of prestige or for fear of losing credit and social status or some other reason, there were not wanting instances, in which Kheduts somewhat exaggerated and overstated their debts, and that again perhaps at the Sowcar's instance, under false hopes of obtaining easy relief and redemption of debts, or from other equally inscrutable motives.

The Committee took every pains to remove false hopes or undue fears, if any, entertained by the Khedut ; and out of respect for his susceptibilities and in order to put him at his ease and in a communicative frame of mind, he was, as already stated above, approached individually and separately, and asked to state his debts confidentially and in

private, whenever that course was thought necessary. And it was hoped that the first careful and patient preparation of the statements of debts by the Thandars and the subsequent verification by the Committee of the debt-figures of each individual Khedut, had reduced the scope for error to a minimum.

Amount of
indebtedness
found.

5. The Committee found as a result of these elaborate investigations that out of about 23,000 individual holders, about 55 per cent. were free from debt, and the remaining 45 per cent. or about 10,000 Kheduts paying an annual assessment of Rs. 12,75,000 were indebted to the huge amount of Rs. 51,41,000 approximately.

One should not run away with the idea that the 55 per cent. Kheduts classed as debt-free were economically in a very wealthy and flourishing condition. Many of them were just able to pay their way and make two ends meet with difficulty, and the margin of saving being never great, two or more successive bad seasons would find them without anything left to fall back upon, and they were sure to be pushed over the brink, near which they constantly lived.

No credit: No
debt.

6. Further, paradoxical as it might seem, the Committee came across numerous cases of Kheduts being free from debt, not because they had no pressing need to borrow, but because they were so poor and their credit so low that no Sowcar would care to lend them any money. The truth of the dictum 'debt follows credit' has been often noticed. But the reverse proposition is not always true. On the contrary, lower and less credit only spells the imposition by the Sowcar of harsher and more usurious terms for his loans. But extreme poverty and total absence of credit, while they accentuate the need of borrowing, often result in freedom from debt, thus partially establishing the reverse dictum "no credit: no debt." This paradoxical phenomenon of Kheduts being free from debt,

because none would care to lend them, should further warn us against basing any general inference of economic wealth and prosperity on the fact of 55 per cent. of Kheduts being classed as debt-free.

7. Of the 45 per cent. indebted Kheduts, about one-third were found to be indebted in sums not exceeding 2 years' annual assessment payable by them, and the rest were hopelessly indebted, a fair proportion owing arrears exceeding 10 and 15 years' assessment payable by them.

Indebted-
ness compared
to assessment.

8. Although the original causes of debt in the first instance might be the recurrence of bad seasons, the small margin of profit even in good years, undue expenditure on death, marriage and like occasions, there was little doubt, the Committee found, that the principal cause of the accumulation of debts and the main obstacle in the way of the cultivator's regaining his economic freedom were the peculiarly usurious and oppressive methods pursued by the Sowcars.

Real and as-
sumed causes of
indebted-
ness.

Again the factor of undue expenditure on social occasions was likely to be overestimated as an originating cause of debt. No doubt on occasions of Ghargharna, (*i.e.*, remarriage), Ana ceremony, (*i.e.*, sending or bringing, for the first time, a married girl to her husband's house from her parental home), etc., sometimes very large—too large—sums are spent by Kanbi Kheduts. But otherwise, the sums ordinarily spent on such occasions are by no means such as can be called excessive, taken by themselves, and considering the cultivator's status in society and the inflation of prices alround, *i.e.*, at the time when the Committee first investigated. But the expenditure of even moderate sums may be regarded by some as improvident in one point of view, when one remembers, that their expenditure necessitates on the cultivator's part, the incurring of fresh loans, which he may be absolutely incapable of liquidating, owing to the burden of past obligations.

But if the expenditure of such small sums necessitates resort to the Sowcar, that is only further fresh proof of the fact that the cultivator's surplus of saving from past years is too small to enable him to meet even the calls of social obligations occurring only occasionally, and which do not entail any very great outlay.

The facile assumption is often made that the pressure of land assessment is responsible for the Khedut's borrowings in not a few cases; but the greater incidence of indebtedness in the more lightly assessed Mahals like Daskroi and Talaja compared with the more highly assessed Mahals of Kundla, Lilia, etc., militates against such a hasty *a priori* assumption. The average assessment per Bigha for these four Mahals is Re. 1-2-0 for Daskroi, Re. 0-14-3 for Talaja, Re. 1-10-0 for Kundla and Rs. 2-1-4 for Lilia. But the ratio of indebtedness to assessment as found by the Committee varies inversely, *i.e.*, the average debt per rupee of assessment is Rs. 8.7, 7.6, 2.9 and 3.6 respectively for Daskroi, Talaja, Kundla and Lilia.

These figures conclusively show that there is no correlation between debt and assessment. If that were so, the more highly assessed Mahals would show a greater amount of indebtedness and those lightly assessed would be found to be indebted to a lesser extent. But such is not the case. The conclusion is inevitable that the alarming extent of agricultural indebtedness is the result of the peculiarly grasping and extortionate methods of money-lending, of which the Khedut was the victim. This opinion is further reinforced, when one remembers, that the nucleus of the original advance in the majority of cases is seldom very large, and that the Sowcar's books show the borrowing Khedut in heavy arrears even after he has made large repayments on account from time to time, exceeding in many cases twice, thrice and four times the sum originally advanced. These heavy arrears shown as outstanding can only be attributed, as the Committee have found after examining numerous cases,

to the accumulation of interest, premium and numerous other varying charges, which the Sowcar's ingenuity sharpened by greed is so fertile in inventing.

9. It would be too long to enumerate and describe here in detail the various artifices and unfair devices resorted to by the Sowcar, to increase several-fold the original nucleus in as short a time as possible. Besides the overt additions of interest, commission and other charges, the outstanding accounts were further sought to be swollen by the Sowcar's irregular and cryptic methods of account-keeping, and even worse, by his carelessness in acknowledging and giving credit for payments made on account. The Sowcar's various methods of dealings and the characteristic features of his system or rather no system of accounts have been noticed and commented upon at much greater length and in more elaborate fashion in the Evidence Volume, which summarises the more important of the statements of the large number of Sowcars examined by the Committee, and offers general remarks and, so to say, a running criticism on these statements.

Sowcars' characteristic methods of dealings and manipulations of accounts described in the Evidence Volume.

10. Only as occasion arises, reference will be made here to a few typical instances, though by no means always the worst, of the way in which the Sowcar seeks to victimize his illiterate, ignorant and debt-depressed Khedut customer.

Typical instances referred to.

First, mention may be made of the fairly prevalent practice of what is known as the Savaya system. This system means that a loan of Rs. 100 taken either in the month of Jeth or Ashad or even Bhadarva or Asho, for sowing, weeding, and other agricultural purposes, will have a quarter of that sum added to itself, by way of premium from the beginning and the augmented sum, viz., Rs. 125 mentioned in the bond as the actual advance, and the same made returnable in Magsar or Posh of the ensuing year. In other words the sum of Rs. 100 will earn in the short space of 4 to 8 months, an interest of Rs. 25.

In the result the rate of interest per cent. per annum will not be anything less than $37\frac{1}{2}$ to 75 per cent.

One would perhaps think that all Kheduts would not be subjected to these usurious levies and the Sowcar would only vary the terms of his loan in proportion to the risk and uncertainty of recovery, making them harder in the case of the poorer cultivators, whose credit was low; and it might further be supposed that only needy Kheduts would have to submit to any undue burden being imposed upon them to obtain a loan which they required. But contrary to expectation, the Committee found that the former practice to lend money to good Kheduts on interest at easy rates of 8 to 12 annas per mensem had almost entirely disappeared, and even good solvent Kheduts, against whom the Sowcar had never had occasion to resort to a law court for the recovery of his money could not obtain a loan except on the Savaya system described above.

Money - bonds made repayable by a fixed quantity of Kapas.

11. But if even a good cultivator has to submit to these exacting levies in the matter of his loans, contracted for strictly agricultural purposes, the poorer cultivators, who naturally form the majority, fare still worse, and, in their case, the conditions of borrowing are still more exacting. For, besides adding as usual a quarter of the sum actually lent by way of premium, the Sowcar stipulates to receive from the borrowing cultivators, instead of a money payment, a fixed quantity of Kapas in the ensuing harvesting season. To take a concrete illustration, if Rs. 100 is advanced in Ashad or Bhadarva, Rs. 125 as stated above would be shown in the bond as the sum actually lent, and the cultivator further binds himself to deliver; in the ensuing Kartak or Magsar, a maund of Kapas for every Rs. 2 due, *i.e.*, $62\frac{1}{2}$ maunds in all for the whole sum of Rs. 125. Further suppose that the cultivator fails to deliver wholly or partly the stipulated quantity of Kapas at the time agreed to, the result in most cases would be that the whole stipulated quantity of Kapas or the balance remaining due, as the case

may be, would be converted into its money value at the prevailing market-price, and a fresh bond passed for the same occasionally added to again by 25 per cent. For example, if in the case cited above, the borrowing cultivator is unable to deliver the whole of the $62\frac{1}{2}$ maunds of Kapas stipulated in the bond, and the prevailing market-rate at the time fixed for delivery is Rs. 8 per maund, which was too often the case in those years of boom prices, the cultivator will be called upon at the end of 4 or 8 months only to pass a fresh bond of Rs. 500 representing the money-value of $62\frac{1}{2}$ maunds of Kapas. In other words the Sowcar will have the satisfaction of seeing the sum of Rs. 100 originally advanced by him increased fivefold in 6 or 8 months only.

These stipulations for delivery of cotton in lieu of money are naturally much commoner in such cotton-growing districts as Lilia, Gadhada and Botad. Indeed it was noticed that the greed for cotton of some of the Sowcars in Gadhada Mahal would not let them grant any loans unless the same were stipulated to be paid for by the borrowing Kheduts, by a fixed quantity of seed-cotton from the next produce, calculated at a rate of price 50 to 100 per cent. less than either the prevailing or prospective rate of price of Kapas. It should be added that in some cases these forward contracts for the sale of cotton are more or less speculative; and the local agents of the Botad cotton-merchants egg on even those cultivators, who have no need to borrow to satisfy some immediate pressing domestic or agricultural want, to sell their cotton produce in advance; and all they receive, is a small amount by way of earnest-money. It need hardly be added that the Kheduts' hopes of reaping any inordinate profits are seldom realized. For as remarked in the notes of Evidence for Gadhada Mahal, "pitted against the knowing Sowcars fully in touch with the movement of cotton prices, the cultivator's chances of deriving any unexpected profits from such forward contracts are very small, while the risk of his losing the advantage of an unexpected

rise in prices is always present. As generally happens in such speculative transactions, the Khedut finds at the time of the harvest that he has oversold and is unable to deliver the stipulated quantity ; and the Sowcar obtains a bond for the difference in the agreed price and the prevailing market rate."

Kheduts' need for a little cash-money exploited.

12. Though the speculative desire to make an unexpected gain was sometimes the motive behind such forward transactions, oftener than not, it was the Khedut's urgent need for a small cash amount, that was exploited and the sole inducement for such forward sale of cotton was to be found in the small cash sum offered as earnest-money at the rate of a rupee or two per maund of the stipulated cotton, and which sum went to meet some pressing necessity, such as paying the labour-charges of weeding or cutting and gathering the ripe crops, picking cotton or other equally urgent agricultural operation. As remarked in this connection in the course of the Committee's Report, "too often the Sowcar makes his business of money-lending ancillary to securing in advance, at as cheap a price as possible, the expected cotton crop of the Khedut debtor ; and the latter, when he is either oversold as he often is or the crop yield does not come up to expectation, has to pass a bond for the money-price of the undelivered quantity of Kapas at the prevailing rate."

Atak or Penalty clause described.

13. At times the Sowcar would not directly stipulate for repayment of loan by a fixed quantity of cotton, but the bond would include a time-clause and only failure to pay on the due date would entail liability to deliver the fixed quantity of Kapas as stated above. But this penalty or Atak clause, as it is called, was generally most rigorously enforced, and when once the Atak Kapas became due, even by the prescribed period being exceeded, as it too often happened, by a day or two only, the Sowcar gave no quarter but insisted on realizing his pound of flesh. This is none too strong language to apply

considering that the initial Savaya increase and the Atak clause combined often enabled the Sowcar to increase as shown above his original loan fivefold and more in six months and even less.

The hardship worked by the prevalent practice of advancing loans only on the stipulation of the same being repaid by Kapas at low rates often fifty per cent. lower than the market-rate was most forcibly brought home to the Committee in Tappa Patana of Botad, where while the general percentage of indebted Kheduts for the whole Tappa was less than 40 and the average indebtedness per Khedut was Rs. 232, some villages where the pernicious practice of stipulating for delivery of Kapas in lieu of money payment prevailed, showed 85 per cent. of the Kheduts as indebted, and the figure of average debt returned was as high as Rs. 525.

14. Again where the cotton-merchant also enjoys a monopoly of the money-lending business in a particular village, his position lends itself to double abuse. Not only is he able to secure in advance the produce of his Khedut customer, but his position as the village Sowcar gives him an advantage over other buyers, if there be any, and he can generally dictate his own terms and rates, and as might be easily imagined, the only limit to such dictation, where the parties are so unequally matched, is such sense of justice and moderation as the Sowcar might possess.

Sowcar's abuse
of his position as
money-lender.

Thus the Khedut's dependent condition often prevents him from realizing the best price for his produce, which he otherwise would in a free open market. But if it is not always true that the Khedut sells in the cheapest market, it is not too much to say that the Kheduts—especially the poorer illiterate Kheduts of a backward class like the Kolis—generally are seen to buy in the dearest market, and it should be remembered that the Khedut is usually a buyer and only

once or twice in the year, a seller. It was noticed especially in the coastal areas that the poorer Kheduts made over to their Sowcar almost the whole of the produce of the soil immediately it was harvested, only keeping in reserve a scanty store of grain sufficient to last barely a month. The Khedut, no doubt, received credit for this in the Sowcar's books, but at a price, which was 25 to 30 per cent below the ruling market rate. But the contrary was the case, when the Khedut was the buyer and not the seller. For all articles of domestic necessity, which the Khedut buys, on credit, in small quantities, the Sowcar usually charged prices, which might be anything from 25 to 50 per cent. higher than the prevailing market-rate, and further, when at the end of 3 or 6 months, or very rarely a year, accounts were settled and a balance struck, a substantial sum, by way of interest and premium, was added, and a fresh Khata drawn up for the whole amount.

Even where the bond for the balance outstanding ostensibly provided for interest at a rate of 12 to 18 per cent. on the occasion of renewal, 50 per cent. and more were often added by way of interest, and the increased amount shown as principal in the new bond, the excess above the prescribed rate of interest being effectively concealed by fictitious credit and debit entries.

Again the Committee observed that the Sowcar, in making up accounts and adding interest, usually made no deduction for interim payments on account, and interest was calculated on all the debit entries for the full period of one year, irrespective of the different dates on which the borrowings may have been made. Some Sowcars entered the interest item in advance, simultaneously with the debit entry of the principal sum lent. The result was that when accounts were made up, at the end of the year, by adding up the debit entries, the interest items themselves also bore interest. In other words interest was added twice over.

In short, there is no end to the mischief wrought by the evil of the Sowcar combining the dual function of merchant and money-lender. The Committee found that even where the Khedut sold his produce to a third party, he was obliged to pay to his Sowcar a commission at a fixed rate of one anna per each maund of Kapas and grain sold. Where the Sowcar himself was the buyer, he did not always pay cash for the produce received, but very often misappropriated the price of the produce delivered to the adjustment of old outstandings without the Khedut's consent, and the result was that even for his immediate needs, which the Khedut would have otherwise been able to finance from the price of his produce, he had to incur fresh debts paying heavy interest and premium charges.

15. In Kadhara dealings, grain supplied in Shravan or Bhadarva and returnable during the ensuing Diwali harvest is subject to a 50 to 75 per cent. increase, and additional usual condition imposed being to commute an inferior and cheaper kind of grain like Juwar into the dearer Bajri or Bajri into wheat. This system becomes still more oppressive when the Kadhara dealings are practised on what is known as the Mol-Savaya basis. This means that where there is failure to deliver the stipulated quantity at the agreed time, the Kadhara bonds are liable to be renewed thrice in the year, *i.e.*, at the times of the three harvests of Diwali, wheat and Chhasatia (irrigated Juwar crop raised in summer), every occasion of renewal being utilized to commute the cheaper grain into a dearer kind and again to make the original quantity returnable by a quantity a quarter or half as much again, and occasionally even by double the quantity.

Kadhara explained.

Some Sowcars are observed to vary this Kadhara system in such a way that the quantity of corn advanced was first increased by 25 per cent., and the augmented quantity was converted into money at a rate of price 25 to 75 per cent. higher than the prevailing rate. In other words, both the quantity

advanced and price are liable to increase, which inflicts a double loss on the borrowing cultivator.

How the poor Khedut is victimized may be judged from the fact that the Committee came across instances of Sowcars being enabled by this vicious system of Kadhara to increase the original advance of corn 700 per cent. in five years, in spite of interim receipts on account equalling 125 per cent. of the original loan in the very first two years and 150 per cent. in the first four years. The Committee was, at first, at a loss to account for these huge additions. But it was ultimately discovered that what the Sowcar actually did was to add 50 to 100 per cent. to the quantity due for any year without first deducting therefrom, as he in all fairness should have done, the quantity delivered on account in that year. This accounts for the otherwise inexplicable large increase of 700 per cent. referred to above.

Forward con-
tracts called
'Jalap'.

16. Jalap is only a variant of the forward cotton contract referred to above and is specially prevalent in the coastal Mahal of Talaja. What is particularly reprehensible about these Jalap contracts is that the indebted Khedut is induced to sell up his expected grain crops and occasionally also cotton, only a month or two, in advance of the harvesting season, not in return for any fresh cash advances, but only for credit given in adjustment of old outstanding accounts. Further the price allowed is anything from 40 to 100 per cent. lower than the price, which the Khedut would have realized, had the Sowcar shown a little forbearance and postponed recovery of old debts bearing interest, for two or three months only. Instances were also met with, where the period separating the date of the Jalap contract and the time for harvesting the prospective crop sold in advance was barely 15 days.

One can understand a Khedut selling up his crop beforehand for obtaining cash to meet some urgent agricultural need, but when he does so to pay an old debt outstanding from the

past, the suspicion arises that such payment must be the result of either constant dunning or threat of recovering the debt by resort to court, or of execution of an existing decree, or again the payment might be the result of such subtle undue influence, as a creditor alone can exercise over a debtor, who is constantly in need of the services of the former and must maintain his credit and good faith at any cost.

To call a transaction of this nature, a regular contract of sale is rather a misnomer. This is merely the case of a Khedut parting with his crop under pressure, the strength of which can readily be imagined where the mutual relation is of debtor and creditor.

17. Where a Sowcar holds a decretal debt, he often succeeds, by merely flourishing the threat of execution, in making recoveries, which further are, against the express wish of the debtor Khedut, not credited under the decree, but credited towards other ordinary Khata debts, which thus get paid off without the Sowcar undergoing the trouble and expense of suing in a court of law. This is little short of misappropriation. It need not be pointed out that the debtor Khedut would naturally be anxious to first pay off a decretal debt and stave off execution and not a simple bond-debt.

Abuse of Court
Processes.

18. The Committee observed in places that originally good and solvent Kheduts, when they found themselves involved in indebtedness beyond a certain limit and had little hope of saving themselves from the gulf yawning before them, became desperate and developed a tendency to be contumacious. This destroyed their credit and capacity for further borrowing; and ultimately they were even driven out of their land; or if they continued to occupy and till the land, they did so for their master, the Sowcar. Of course such extreme cases were rare; and even where they occurred, they were not likely soon to come to the notice of the Darbar;

Indebted
Kheduts evicted
from their hold-
ings or reduced
to position of
serfs.

for these would be tantamount to collusion between the nominal Khedut-holder and his Sowcar, as there is always present the risk of the Darbar resuming any Khata-land, which is the subject of an illegal and unauthorised lease or mortgage.

The restricted right of leasing granted in recent years to the Darbari registered Khatedars was intended to meet only the hard case of a poor cultivator, who had not the wherewithal to carry on agriculture and was therefore to be allowed to let his holding for a limited number of years, thus enabling him in the interval to improve his economic condition and resume agriculture on his own. But it was noticed that taking advantage of this right of leasing the Sowcar got the Khata-land transferred to him in payment towards old debts, and the evicted Khatedar was obliged to emigrate outside. Surely it was never in contemplation that the facility of leasing afforded for quite a different purpose would be thus exploited by the Sowcar to recover his old outstandings, even to the extent of ousting the Khatedar and driving him to a distant place to earn his livelihood. It need not be pointed out that if the leasing of land was allowed to flourish unchecked, there was some risk that in course of time many holdings would come to be occupied by non-agricultural classes, whose sole interest in the land would be to obtain as much rent as possible from the lessees. But this is only by the way.

Sowcars induced to expose true nature of their dealings under promise of privilege.

19. The books of the Sowcars are so manipulated and there are so many collateral oral agreements, not included in the written contract, that it was next to impossible to extract the real truth regarding the nucleus of the original advance and the subsequent accumulations of interest, commission, etc. Still if the Committee have been able to find out the truth in the majority of the cases examined, it was only as a result of a preliminary order passed by the Darbar to the effect that all communications made to the Committee and all statements

prepared and depositions taken by it, would be treated as confidential and privileged, and the same would not be admissible as evidence in legal proceedings. It is certain that without this promise of secrecy and a preliminary assurance that the Sowcars' statements were to be considered as without prejudice to any legal proceedings pending at the time or that might be instituted in future, it would have been well-nigh impossible to elicit from the different Sowcars the very valuable, and, considering the very delicate nature of the subject and the Sowcars' interest in concealment, on the whole, full, fair and candid information, which they have supplied to the Committee regarding their methods of dealings with the Kheduts and of keeping accounts.

20. At times duplicate Khatas or Khatas for double the amount are alleged to have been obtained by the Sowcar as a mere threat to ensure timely recovery, the private oral understanding being that the fictitious bond or the bond for the augmented amount was not to be enforced and any payments made on account would be given credit for double the amount. But the only security the Khedut had against the Sowcar enforcing the fictitious claim in Court, was the latter's oral word, which had no legal force and about whose moral value the less said the better. In fact the Committee came across instances of such fictitious duplicate claims being actually decreed and even recovered under pressure of execution.

Tortuous and tricky methods of account-keeping resorted to by Sowcars to artificially swell amount of nominal outstandings.

In brief the Committee saw that some Sowcars had almost systematized the art of cooking accounts and making false and fraudulent entries. To minimize the large additions of premium and interest, they were falsely described as fresh cash advances or mixed up with items of interest and premium. Renewed bonds often purported to represent new loans and, to make the fakement of a new cash loan seem more plausible, the Sowcar resorted to the artistic device of separating the old and the renewed bonds by an interval of a few days. In the Evidence Volume have been included, even at the risk of some

repetition, instances of dealings of the same type, such as duplication of Khatas, entering in the bond double the amount due, misdescription of outstanding balances as fresh cash loans, etc., as otherwise it was not possible to convey an adequate idea of the general prevalence of the wrongful practices. What made these practices more reprehensible was that no uniform method of making fraudulent increases was observed, but each Sowcar had his own method and the same Sowcar also varied the method on different occasions and in respect of different Khedut debtors. The result was that from the mere accounts, which gave no trace of such increases and additions, the nucleus of the actual original advance could never be determined, and for doing so, one had only the oral uncorroborated testimony of the Sowcar to go upon. Of course, it goes without saying that even those Sowcars, who had the frankness and candour, under a promise of secrecy and privilege, to lay bare the real nature of their transactions before the Committee, would be altogether unwilling to do so in a court of law and thus discredit themselves and their account-books for all time. Matters would be further complicated as they often are, when either the Sowcar, who originally dealt with the Khedut and wrote up the accounts or the latter or both had died, and the question of separating the actual nucleus of advance from interest additions and other fraudulent increases, made in the first instance merely as a threat to ensure timely recovery, was in issue between the Sowcar's heirs and the Khedut or his heirs, and there was not available even the questionable guidance of the memory of either of the original parties for arriving at a correct decision.

Mention should also be made here of Sowcars keeping more than one bond-book relating to the same period, and it frequently happened that bonds passed by the same person and in the same year were entered in different books. The plausible excuse advanced for having separate Khata-books was that while one was detained in

court, the other book might be a handy convenience. But this explanation could not hold water, when the books showed two Khatas passed by the same party and bearing the same date and the suspicion of duplication of Khatas could not be avoided. But apart from the scope for deliberate fraud given by this practice of having more than one Khata-book, this loose method of entering Khatas relating to the same person was also not unlikely to lead to the unconscious victimization of the Kheduts, who have the misfortune to deal with such a Sowcar. After a lapse of a few years, even the Sowcar himself would not be able to tell without a laborious search among his books, the exact amount in which a particular Khedut was indebted to him on a particular date. Further when a Khedut made payment on account in a particular Khata, there was some risk of the same being credited in some other Khata, which was time-barred or very near being time-barred.

The Sowcar was not seen to be regular in keeping accounts, even when he was a mortgage transferee of fruit-trees like mangoes, though such a contractual relationship imposes a statutory obligation for good management and rendering of accounts. The sums obtained by the sales of the yearly fruit-produce were never credited at the bottom of the mortgage-deeds, nor in one place in one book, but the credit-entries were found scattered in more than one book. It was observed by the Committee that a creditor, who had obtained a mortgage transfer of fruit-trees, was always reluctant to restore them to the owner and, under one pretext or another managed to retain their possession for an indefinite period of time. In many villages, the Khedut had been practically dispossessed for all time of the mango trees, which their labour and care had helped to rear up. This shows how opportune is the enactment of the new rules relating to trees, which prohibits the transfer by mortgage or sale of trees standing on Khatalands.

Practical difficulties in enforcing a standard method of account-keeping.

21. The irregularities and the deliberate manipulations in the account-books suggested, in the Committee's view, the necessity of imposing on the Sowcars some standard method of keeping accounts, which would prevent the multiplication of books for the same year or period of years, and the entering of Khatas relating to the same debtor Khedut in different books. Where no journal was kept, and accounts of dealings were shown in a large book of Khatas only, there was little need to split up the transactions with a particular Khedut, under different Khatas, but should as far as possible be shown at one place only. But if the Darbar had so far refrained from undertaking legislation prescribing a standard method of account-keeping, it was not because they underrated the necessity of such legislation, but it was only due to a recognition of the practical difficulties involved in enforcing such legislation even when passed.

Once indebted always indebted.

22. It was obvious that once the Khedut was entangled in dealings of this nature, he would continue to be indebted to his Sowcar for all time. That this is by no means an exaggerated and overdrawn picture will be evident from the numerous instances of money transactions of this nature recorded in the depositions of the Sowcars themselves supported by entries from their books. The Sowcars' statements are summarised and reviewed in the Evidence Volume already referred to before.

Usurious dealings only too prevalent.

23. Nor should it be supposed that transactions of this nature are exceptional or isolated. They rather seem to form the rule. The whole atmosphere is so demoralized by the prevalent grasping methods of money-lending, that even where the cultivators lend and borrow *inter se* as they often do, the terms they impose on one another are hardly less exacting.

One did occasionally come across instances of a Sowcar here and there, who was fair in this dealings with the Kheduts. But these were so rare and isolated, as only to emphasize the general sombreness of the picture. But even granting that

it would be wrong to lump all Sowcars together, it is an indubitable fact that by far the larger majority are given to usurious practices and if they differ at all, they do so only in the degree of usury practised. As remarked in the course of the Committee's Report, "at one end, there are a few, perhaps a very few Sowcars, who are content with a moderate return on their advances, while at the other end, there are those who are most grasping and usurious and squeeze the Khedut at every possible turn, practically reducing him to the condition of a landless labourer, tilling the soil for the benefit of his master, the Sowcar. Between these two classes, there are all kinds of Sowcars, who practise usury and extortion in varying degrees.

Where the majority of Kheduts are involved in monetary transactions of this nature, there is small chance of their ever achieving redemption unaided. In their present circumstances, the only means wherewith they can hope to pay off the arrears of past debts is the narrow margin of profit left to the Kheduts. What is this margin? In ordinary years, the average net produce of a moderately sized holding after paying the State demand and defraying the cost of cultivation, is just sufficient to support the cultivator's family; and any balance of saving it may leave behind, if at all, is never very great—certainly not worth much more than a sum equal to the annual assessment of that holding. Of course in exceptionally good bumper years, when the prices of the agricultural produce are also ruling high, the net balance of saving, one may grant, would be much greater. But such years are few and far between, judging from the experience of the last one or two decades; and as a set-off against such exceptionally good years, one has to reckon with the frequently recurring seasons of short or abnormal rains.

24. So all things considered, one would not be far wrong, in estimating the average normal net gain of an individual Khedut at a sum equal to the yearly assessment payable by him to the State. If that be taken as a fairly correct estimate,

Net profits of
agriculture

it will be at once seen that the cultivator already indebted in a sum several times larger than the amount of the annual assessment of his holding, and further faced with the ever-recurring necessity of making fresh borrowings, is not only not in a position to achieve his redemption unaided, but has also his labour and what little surplus wealth he may be able to produce, permanently mortgaged to the Sowcar. The Khedut's unaided exertion to free himself from indebtedness may, therefore, be not inaptly compared to the hellish torments of Seisiphus, who no sooner had rolled up his burden to the top of the hill, than it fell down upon his devoted head with redoubled violence.

Khedut's pathetic but futile efforts to redeem indebted condition.

25. The Committee came across pathetic instances of Kheduts trying to seek relief from the pressure of indebtedness by parting with their all—the whole produce of the year as also their agricultural stock such as bullocks, carts, etc., which are expressly exempted even from attachment for decretal debts. One Sowcar was noticed to have received in the course of a single year, from five Khedut constituents of his, some 18 bullocks both young and fully-grown, 2 buffaloes and one cart besides large quantity of Juwar, Bajro, etc. Even where the Kheduts in their anxiety to be rid once for all of the burden of old debts hanging round their necks like a millstone had made such Herculean efforts practically reducing themselves to the condition of landless labourers, they still failed in completely extricating themselves from the clutches of the Sowcars, whose books continued to show them as still owing arrears. It was noticed that even the grasping Sowcar was at times moved to generosity and occasionally wrote off a portion of the balance remaining due, by way of grace as he said. But such magnanimity coming on the top of all such oppressive realization as detailed above, did not always seem spontaneous and could only be attributed to the Khedut's incapacity to pay any more—the last drop of blood having already been drained from him, including even his livestock of bullocks so necessary for cultivation. One almost wishes that some means could be devised to

prevent the private transfer of such agricultural stock, even as it has been deemed necessary to exempt them from attachment by a court, or the purpose of such exemption, *viz.*, to ensure to the cultivators the undisturbed possession of their agricultural stock, would be defeated. But again the difficulties of enforcing such preventive legislative measures, even when enacted, seem almost insuperable.

SECTION II.

(1) *Committee's Findings and Recommendations.*

(2) *Relief Measures adopted.*

26. Altogether the Committee concluded, that unless outside help and relief were brought in good time to the Khedut already heavily indebted and almost insolvent, he seemed doomed, if not to extinction, at least to a whole life of what would practically amount to economic serfdom.

Urgent need of relief to prevent worse consequences.

The Chairman, in his minute submitted to the Council, admirably summed up the whole position, as follows:—

“Every profession needs capital, and so I do not think, a little indebtedness always argues an alarmingly poor economic condition; but where a Khedut's condition on examination discloses a debt, of which the amount is always piling up and hence will be finally incapable of repayment, and, further, the transactions show intolerably usurious rates of interest, and frequent additions of premium, and other charges, such as Pāghadi, etc., the legitimate inference is that a chronic disease has crept in, and if the same is not carefully diagnosed and promptly treated, it will, doubtless, become the cause of the economic ruination of the indebted Khedut.”

In the same minute in describing the Khedut's reaction to the vicious economic system, of which he was the victim, the Chairman further remarks that "fortunately our Kheduts are meek and gentle. Had they anything of the martial spirit in them, they would have become mutinous long before. However, it would be no matter for surprise if things tended in that direction sooner or later, should there be failure to take timely remedial measures."

When Sir Prabhashanker D. Pattani, the President of the Council, was fully apprised of the alarming economic condition of the peasantry revealed by the Committee's inquiry, he got thoroughly roused and, 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.

Khedut Pro-
tection Act pass-
ed.

27. One such remedial measure adopted was the passing of a Khedut Protection Act intended to afford the indebted Khedut relief both in regard to past usurious transactions and protection against their victimization in future. The Act is embodied herewith as Appendix III.

A further justification for such exceptional legislation, if one was needed, was provided by the fact that the Civil Courts, working under the ordinary law and procedure, were unable to give any relief to the oppressed Kheduts even in cases of extreme hardship, where there was a manifest suspicion of the Sowcar having taken undue advantage of the Khedut's indebted condition. The Sowcar being familiar with the practice and procedure of the Court, took care to so manipulate his books of accounts and obtain from the Khedut only signed and attested bonds, so perfect and flawless in a legal technical view, that the Court had no alternative left but to decree the amount sued for, unless it was to disregard and trample under foot the

sanctity of the written contract, on which civilized society mainly functions. The execution proceedings also worked no little hardship and oppression, and often when the decree represented a small sum, the expenses of the proceedings, regular and legal as also irregular and unacknowledged amounted to a sum as large as the one decreed. For whether the decree was for a large or small sum, the whole of the judgment debtor's standing crops in a field would have to be attached in execution of the decree, and a Chowkidar at the debtor's expense employed to watch over the crops, until the same matured and were cut and gathered. The ordinary machinery of the law was found to be totally inadequate to protect the Khedut, and indeed to be helping in his further exploitation and spoliation.

28. This Act is largely modelled on the Deccan Agriculturists' Relief Act. Like its prototype, the Act invests the Court with powers, to open up the accounts of transactions from the commencement and to ascertain and award the sum really due on account of principal and interest at a rate not exceeding 12 per cent. It also embodies the salutary rule of Dam-dupat. Such an enactment was overdue, there being no other course left open where the more advanced classes are found to exploit the poor as they have been seen to do here. Agreeing with the necessity of passing a law the Chairman of the Inquiry Committee remarked that even in advanced countries like England, Acts have been passed with a view to regulate the rates of interest not only for Kheduts but for all classes of the people. Sir Prabhashanker, however, felt that the disease would not disappear merely by enacting a new law. The following remarks of the Chairman of the Committee are interesting:—

Mere legislative measure inadequate to meet situation.

“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 the practices brought to light during the Committee's inquiry. If that be allowed, the condition of the Khedut 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 was fully realized by the merchants or at least by the better and more far-seeing section of them, and they even saw and acknowledged the necessity of some restrictive legislation, which would stop the present unchecked exploitation of the Khedut classes.

Debt redemption a necessary preliminary.

29. At the same time all agreed that legislation was at best merely a negative help, which was not adequate to meet the requirements of the case. As is well-known, the Deccan Agriculturists' Relief Act has failed to bring the needed relief to the Khedut class, at least not to the extent anticipated, and naturally there was an obvious limit to the good that could be achieved by a mere legislative measure, howsoever, well-intentioned and carefully elaborated such a measure might be. Nor would it be enough, the Chairman felt, to improve the economic condition of the poorer Kheduts and afford them facilities to obtain necessary finance with greater ease in the future. The Chairman finally clinched the matter by saying that "all these measures should be preceded by liquidation of their past debts." So the Bhavnagar Darbar along with the Khedut Protection Act simultaneously 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.

30. This Scheme is published herewith as Appendix IV.

Liquidation
scheme descri-
ed.

This was a scheme depending for its success upon the voluntary co-operation of the Sowcars and the Kheduts; and rule 1 of the Scheme provided that the Scheme would be applied in a big compact area, such as a Mahal or Tappa, where a majority of both the cultivators and Sowcars were prepared to settle up their accounts according to the terms and conditions laid down in the Scheme. Further, the scope of the Scheme covered all the customers of the same creditor and all the creditors of the same debtor. Again, as the redemption loan was to be advanced by the Darbar on behalf of the indebted Khedut and then recovered from him, though of course by easy instalments, the amount of such loan had necessarily to be limited according to the capacity and solvency of the Khedut concerned.

So according to the Scheme, the amount paid in composition was to be governed by a twofold limitation, *viz.* :—

(1) It should not exceed a sum equal to three times the annual amount of assessment payable by the debtor Khatedar.

(2) The total amount paid on account of a particular Tappa should not exceed four annas ($\frac{1}{4}$ th) of the total nominal outstanding debts of the Kheduts of that Tappa.

SECTION III.

Application of the Debt Liquidation Scheme.

Scheme first
 applied to Panch-
 talavda Tappa
 under Mahal
 Lilia.

31. The first to take advantage of the Redemption Scheme were the Kheduts and Sowcars of Panchtalavda Tappa under Lilia Mahal. Earlier than that, the Gadhada Sowcars were approached to accept settlement of their outstanding accounts with the Kheduts. But the attempt proved abortive, owing to the obstinacy and short-sightedness of the Sowcars, which prevented them from seeing that they would be enabled by such settlement to recover in cash and at one stroke far more than they could, if left to their own devices, hope to collect in a number of years from their Khedut customers, suffering from chronic indebtedness.

If the Panchtalavda Sowcars were more amenable, it was mainly owing to the persuasive efforts of Seth Permanand Hakani, a local Bania gentleman, who is both an agriculturist and a merchant, and who had considerable influence both with the Khedut and Sowcar classes. Mr. Hakani made the Sowcars realize the advantages offered by the Redemption Scheme; and the Khedut classes of course were only too eager to have the opportunity of achieving their economic freedom by having the crushing burden of old debts removed once for all. So a Committee was constituted consisting of two members, one drafted from the Judiciary and the other being a Revenue Officer of the rank of Vahivatdar. They were assisted by a staff of expert accountants. This Committee commenced examining the accounts of Sowcars in Panchtalavda in April 1930. Before the Committee finished Panchtalavda the Sowcars and Kheduts of the two remaining Tappas of Lilia Mahal came forward to have the Scheme extended to them.

Of course the examination of the complicated and oftener than not manipulated accounts of the Sowcar was laborious

and exhausting work, and progress in the beginning was necessarily slow. But with growing experience and familiarity with the nature of the work, the Committee felt its way more confidently and the pace of work quickened. The result was that while the Panchtalavda Tappa alone took the Committee five to six months to finish, the other two Tappas of Lilia Mahal were tackled in the comparatively shorter period of three to four months each. In Lilia Mahal alone, the Bhavnagar Darbar paid out to the creditors Rs. 2,63,777 in composition of their nominal debts of Rs. 9,98,384.

32. When the Lilia Sowcars accepting the Scheme were seen to receive in cash such large amounts, the distrust with which the Liquidation Scheme was first regarded began to disappear, and the Sowcars of other Mahals also began to appreciate the undoubted benefits of the Scheme. And so while the Committee was still engaged in Lilia Mahal, applications were received for extension of the Scheme to Umrالا Mahal. To cope with this increasing demand, the original one Committee was increased to three, and more members from the Judicial and Revenue Departments were drafted for their constitution. Before Umrالا Mahal was finished, the adjoining Gadhada Mahal, whose Sowcars first obstinately resisted the offer of amicable settlement, came into line, and the Committees released from Umrالا Mahal were moved to Gadhada, and before the end of October 1932 the whole of Umrالا and Gadhada Mahals were accounted for.

Scheme ex-
tended to other
Mahals.

Two of the Committees then moved to Kundla Mahal and the third to Mahuva Mahal. At first only a limited number of Tappas of these two big Mahals asked for the application of the Scheme. But as the work progressed and large cash amounts were seen, being disbursed by the Darbar to the Sowcars in settlement of their old claims, all the other Tappas of these big Mahals asked for the extension of the Scheme. It was felt by the Darbar that any delay in settlement of the

debts after the Sowcars had once shown their willingness, might cause hardship to both the creditor and debtor classes, and further swell the amounts of nominal indebtedness, ultimately making it necessary to advance a correspondingly larger sum in liquidation. So the three Committees were again multiplied to six in October 1932, and this further accelerated the pace at which the work was progressing. By the end of October 1933, the whole of the two big Mahals of Kundla and Mahuva respectively comprising 7 and 5 Tappas, and also Botad Mahal consisting of 3 Tappas, were disposed of. By this time, Mahals Victor and Talaja had fallen into line, and the last to follow were the Mahals of Daskroi and Sihor. The two Committees sent to Victor Mahal finished their work in about three months. And the two Committees working in Talaja Mahal accounted for its four Tappas in the course of six and a half months. The four Committees released from Mahals Victor and Talaja concentrated in Daskroi Mahal and its four Tappas were tackled in about five months. The work in Shihor Mahal was entrusted to the two Committees, who were last engaged in Botad Mahal. The three Tappas of Shihor Mahal were done by these two Committees in the course of six months.

Thus the operations of the Scheme, which commenced in April 1930 in Panchtalavda Tappa, were concluded in March 1934. The total period thus occupied comes to three years and eleven months. It should, however, be added that by far the greater part of the State—in fact 20 out of 37 Tappas—was tackled in the course of the last 12 or 14 months only, that is since the time when all the six Committees began working in full swing.

Tabular statements summarizing results of Committees' findings.

33. Two comprehensive Statements are attached herewith as Appendices I and II, showing by Mahals, assessment, area and number of total individual holders, the numbers and percentage of debt-free and indebted holders, the nominal

debts shown as outstanding in the Sowcar's books, the amount actually paid in composition, etc., etc. It will be seen that out of a total number of 27,898 individual holders, 15,405 or nearly 55 per cent. have been classed as free from debt and the rest, *i.e.*, 12,493 or 45 per cent. have been found to be indebted. Among the Khatedars classed as debt-free, are also included about 1,560 to whom the benefit of the Redemption Scheme could not be extended either because they carried on trade or other business in addition to agriculture, and if these are omitted, the number of debt-free Kheduts would be decreased and the percentage of indebted Kheduts would correspondingly go up.

34. The total amount of nominal agricultural indebtedness as shown in the Sowcars' books comes to Rs. 86,38,874. Both the number of individual holders and the amount of nominal indebtedness show an increase over the figures of the original Debt Inquiry Committee. This is, in the main, explained by the varying interval of 4 to 8 years, that elapsed between the time when the figures for the first Committee were collected and the time when the liquidation scheme came to be applied at differing periods in the different Mahals. In the fairly long interval separating the first inquiry in a particular Mahal and the actual application to it of the Redemption Scheme, there must have been naturally some splitting up of old Khatas, or on the demise of the ancestral holder, the subdivision of the Kahta land among the male holders while the holding continued to be nominally joint. This accounts for the increase of Peta-Khatedars or individual holders to 27,898 against 22,413 returned by the first Committee.

Discrepancy between figures of the present Committees and those of the original Committee explained.

Similarly the huge outstandings bearing usurious rates of interest and further liable, on renewal of the bond, to increases of 25 to 100 per cent. and more, must naturally tend to swell the balance outstanding. There may have been occasional repayments here and there, which should have, one would expect, gone to reduce the arrears. But the intervening years,

though generally not much below normal, were not also bumper years ; and further the margin from which the indebted Khedut could make repayments in the last few years, was considerably diminished by the precipitate and continued decline in the prices of agricultural produce. No wonder, therefore, that while the first Committee returned the total debt figure of the Kheduts at Rs. 51,41,418, the investigation of the Redemption Committees undertaken after a lapse of years should have shown the amount of indebtedness to be Rs. 86,38,874. In other words there was an increase of more than 50 per cent. But besides the time factor accounting for the largest part of the increase in the total amount of nominal indebtedness, a portion of the augmented figure must also be attributed to the tendency displayed by some Kheduts at the time of the original inquiry to conceal the real position regarding indebtedness, either, as stated before, for reasons of prestige or for fear of losing credit or it may be at the instigation of the Sowcar. But the motive for concealment ceased to be operative when it came to actual composition and settlement of the debts. Indeed the creditor Sowcar was most interested in notifying all his outstanding claims, as it was an essential condition of the Scheme, when once it came to be applied, that all debts prior to the date of liquidation were to be considered to have been fully paid up and discharged and all civil remedies in respect of such debts were expressly barred. Were this not so, the Scheme would obviously fail of its purpose, which was nothing less than wholesale redemption covering all the Khedut constituents of every creditor and all the creditors of the indebted Khedut.

Conjectural estimates of extent of indebtedness not reliable.

35. By the way, this variation shown between the figures of debt when it comes to actual settlement and the figures of the preliminary inquiry, a variation of nearly 50 per cent., should serve as a warning against making any conjectural estimate, as sometimes it is seen being done, of the extent of rural indebtedness, especially if such estimate is later to be

made the basis of a liquidation Scheme. It is no doubt a laborious piece of work to collect the figures of rural indebtedness; but the labour is worth taking if reliable data are to be made available.

36. The nominal indebtedness of Rs. 86,38,874 divided among 27,898 individual holders of the State gives an average debt figure of Rs. 309 per individual holder. The ratio of indebtedness to land assessment, which is Rs. 26,56,554 for the whole State is about 3 to 1. But if debt-free Kheduts are omitted, it is observed that 12,493 Kheduts paying an annual assessment of Rs. 13,79,696 owe a total debt of Rs. 86,38,874, and the average debt per each indebted Khedut works out to Rs. 691-7-11 and the indebtedness per rupee of assessment payable by each indebted Khedut is Rs. 6-4-2. These average figures, of course, vary for different Mahals, and the phenomenon of the more lightly assessed Mahals showing greater intensity of indebtedness, which was noticed by the first Committee and has been referred to before, was also revealed in the course of the investigations of the Debt Redemption Committee.

Indebtedness considered in relation to assessment, etc.

Further the extent and intensity of indebtedness will be better appreciated, when one remembers that out of 44.8 per cent. of Kheduts classed as indebted, only 7 per cent. owe sums not exceeding 2 years' assessment, while the rest are indebted in amounts exceeding 3, 5 and 10 times and even more the assessment payable by them. The percentage of the latter is as great as 37.8.

Redemption loan compared to assessment payable by the indebted Kheduts comes to Re. 1-8-0 per rupee of assessment; and the loan debt distributed over the area occupied by the indebted Kheduts works out to Rs. 2-2-1 per Bigha.

37. It was not without some feeling of nervousness that the Bhavnagar Darbar embarked upon this unique enterprise, which was nothing less than a total and complete redemption

Wholesale liquidation a unique experiment.

of the whole agricultural class, involving the advance, as now seen, of the huge amount of Rs. 20,59,473 in composition.

The heavy indebtedness of the agricultural classes is a chronic malady of almost universal prevalence in India, and various palliative and tentative measures have been suggested or applied to lighten the burden of the indebted Khedut and improve his financial condition. But the present wholesale experiment of total and complete redemption is unique and uncommon, and the enterprise on such a large scale is no doubt attended with some risk. But the risk, the Bhavnagar Darbar were convinced, was worth taking.

Burden of old debts robs cultivator of interest in his work, finally resulting in poor and indifferent agriculture.

38. It is an axiomatic truth that no industry can thrive without proper financing, and as agriculture is the largest industry in the country, its financing should be the first care of everyone interested in village uplift. But no Scheme of agricultural financing can be complete, which fails to envisage the problem of old debts, which bear usurious rates of interest—anything from 10 to 300 per cent. and even more as found by the Banking Inquiry Committee. While this dead-weight hangs like a mill-stone round the Khedut's neck, it is impossible he can have any interest in his work, and if he were less fatalistic and conservative than he is, he would not have been able to carry on as he has up till now. But if he has carried on, it is only as a listless and indifferent cultivator, who has no heart in his business.

As a newspaper writer, analysing the Khedut's reaction to indebtedness, says:—

“Agriculture suffers because, after all the human factor cannot be regarded as negligible and we cannot expect much from the labour and enthusiasm of an agriculturist round whose neck hangs the huge mill-stone of old debts.” This view is further reinforced by the sense of relief experienced by the redeemed Kheduts. As

Sir Prabhashanker wrote to a friend in reply to an inquiry received about the Scheme, "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 past debts."

39. But one would think that the urgent need of debt-redemption in the case of the agriculturists was hardly an arguable point. Indeed everybody seems to admit the grave and menacing nature of the problem; and this makes still more surprising the ostrich-like attitude too often adopted towards it. But as the Royal Commission on Agriculture, forcibly put it, "the worst policy towards debt was to ignore it and do nothing." The Indian Central Banking Inquiry Committee, as a result of its elaborate investigations formed the deliberate opinion that 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." Even political discontent in the country can be mainly traced to economic conditions of the rural population. As the Chairman, Diwan Bahadur Tribhuvandas, puts it:—

Ostrich-like attitude towards Debt-problem deprecated.

"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."

Unless therefore, the economic rehabilitation of the village cultivator is achieved betimes, the position which is grave and menacing enough in all conscience, will continue to worsen and ultimately might precipitate a country-wide cataclysmic disaster far more serious than any artificial political agitation, however violent and unscrupulous, could ever bring about. The only way to a peaceful administration lies through economic contentment; and relief of the burden of past debts of the village Kheduts—the backbone of the country—is the first and essential step in that direction.

40. Again as a correspondent in the *Times of India* recently remarked :—

"Next to education, the most acute problem of rural economy is as to how to remove the bonds of rural indebtedness that shackle Indian Agriculture. It is said that 'the Indian Agriculturist is born in debt, lives in debt and dies in debt.' Thus the redemption of debt is the fundamental condition precedent to the launching of any scheme of rural upliftment. There can be no denying the fact, therefore, that the further delay of village reconstruction or even the adoption of lukewarm measures would admittedly bring about disorder and anarchy of a more dangerous character than those emanated from bread-riots of the urban unemployment."

Repudiation
no remedy.

41. The situation in some parts has become so acute that the suggestion has been made in some quarters that, "the only method by which Agriculturists might be saved from utter ruin was to allow them to repudiate all their debt

Futility of
Rural Uplift
Scheme unless
preceded by
Debt Redemp-
tion.

obligations." The words in inverted commas are quoted from a lecture delivered last year before the Calcutta University Institute by Mr. Naliniranjan Sarkar, President, Bengal National Chamber of Commerce, and who was also a member of the Banking Inquiry Committee. Lest it be supposed that the method of total repudiation would have no advocates outside purely academic or extremist political circles, it should be added that legislative sanction was recently sought for this method of total repudiation in resolutions moved in all seriousness before the Legislative Council of more than one Province in British India. But the method of total repudiation needs only to be mentioned to be rejected all at once : for the remedy would prove worse than the evil from the standpoint of both the debtor as well as the creditor. But at the same time it must be recognised that the debtor after all cannot pay more than his capacity would allow, and the sooner the creditor realizes it, the better for him, no less than for the debtor. For while the stalemate of the debtor not paying anything and the creditor not receiving anything towards the arrears, continues, it cannot be to the advantage of either side, if indeed not positively injurious to the interests of both, and the best thing would be to end the stalemate by mutual adjustment and meeting halfway, if grave trouble is to be avoided in future. Mr. Sarkar did not exaggerate, when in the concluding part of his lecture referred to above, he observed that "the menacing position of the overwhelmingly indebted agriculturists now reduced to extreme destitution demanded immediate action for averting an almost cataclysmic disaster that might eventually overtake the whole country through an agrarian upheaval inspired by utmost desperation."

42. But in spite of there being such an overwhelming case for undertaking redemption of agricultural debt, one finds that the problem is shelved and shirked and only a non-possimus attitude is adopted towards this question. The

Inaction only induced by magnitude of task.

explanation of this curious phenomenon is perhaps to be found in the following passage taken from a letter of Sir Prabhashanker Pattani to the well-known co-operator and public worker, Mr. Devadhar, in reply to a letter of his inquiring about the Bhavnagar Scheme :—

“ I am no psycho-analyst; but it is no uncommon experience to find that when one is either unable or unwilling to do a thing, which is otherwise worth doing, one does not always confess one's inability, but by a curious psychological process, one is often apt to deceive one's self into the belief that the thing is after all not worth doing at all or the time is not opportune for doing it. At times, I feel that a similar mental process, though not distinctly recognised, is behind the non-possumus attitude adopted towards the problem of rural debt-redemption. While the sub-conscious mind admits the necessity of debt-redemption, the conscious mind is frightened by the seeming impossibility of the task and proceeds to justify to itself its attitude of inaction and hesitancy either by denying the problem or belittling its seriousness or again by conjuring up a picture of the same conditions being reproduced in a few years after the old debts have been once redeemed.” (*Vide* Appendix VII (4).)

Old debts main
stumbling block
to progress of
co-operative
movement.

43. Another result of not going to the heart of the problem and only keeping beating about the bush is to get side-tracked in sponsoring schemes of cheap and easy credit forgetting the heritage of old debts from the past. So where in total disregard of past indebtedness, attempts are made to unduly push forward co-operative Banks or other schemes intended to provide easy credit, they have not attained the measure of success expected, if indeed they have not totally failed. Any alternative scheme of providing necessary credit can have only a fair chance of success, after the problem of old debts has been successfully tackled once and for all.

44. With increasing experience, it has come to be recognised that there is a limit to the good, that could be achieved by co-operative credit societies ; and doubt is expressed in some quarters whether even in its limited sphere, the credit societies are such an unqualified success as is generally claimed for them. If the primary object of these societies is to provide cheap credit and to decrease the cultivator's dependence upon the usurious village-Sowcar, that object has not been achieved. Indeed, in some places, the societies with their rigid mechanical working have helped to drive the cultivator more surely into the arms of the Sowcar. While the increased credit facilities afforded by the societies have accelerated the tendency to incur debts, the borrowing cultivator is often seen alternately resorting to the Sowcar and the society, to pay off in turn the debt due to one or the other. While he is thus enabled to put off the evil day of reckoning, there is little doubt that his economic condition meanwhile has worsened and not improved. Moreover, their constitution, growth, and general outlook make credit societies unfit to provide long-term credit. The reserve funds of individual societies are never very large ; and their fluid capital consists mainly of short-term deposits not exceeding one or two years at the outside. This could not be risked in long-term loans to cultivators, without courting disaster. Long-term credit would be first required, for relief of chronic indebtedness, without effecting which the cultivator cannot get a fresh start, and secondly for undertaking large and costly agricultural improvements. All this indicates the necessity of founding an *ad hoc* institution like a Land Mortgage Bank, specially designed to provide long-term credit, unless as in the case of Bhavnagar, the State is prepared to make necessary advances. If the main objects a Land Mortgage Bank is to subserve are (1) liquidation of old debts and (2) financing of costly agricultural improvements, then it may be fairly claimed for Bhavnagar that there is already a Land Mortgage Bank functioning here in substance without the name. For the Darbar have already redeemed their

Co-operative
Credit Societies
not an unquali-
fied success.

indebted peasantry by advancing a loan of nearly Rs. 21,00,000, and, further when an enterprising Khatedar wants to go in for some costly agricultural improvement, such as setting up a pumping plant, the Darbar help him to do so by giving Tagavi advances at easy rates of interest.

How to go
about it ?

45. If the need for redemption is once conceded, the net question is how to go about the thing.

Redemption
by mutual con-
sent.

46. First an attempt should be made for liquidation to proceed on a voluntary basis. As Sir Prabhashanker has said in a letter written to a friend, " 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." (*Vide* Appendix VII (4)). Of course the Bhavnagar Scheme was not readily acquiesced in by the Sowcar; but persuasion and propaganda of the right type and, above all, the actual demonstration of the scheme in practice resulting in the payment of huge cash amounts and even reimbursing the Sowcars in cash for old irrecoverable debts, gradually diminished the volume and intensity of opposition and as the operations of the scheme were extended, it found increasing favour with the larger body of the Sowcars in the State, excepting for a little inevitable opposition from a section of the Sowcars, which continued well-nigh up to the last.

Limitation of
sum to be paid in
composition.

47. Of course there can be no question of repaying in full all the nominal outstandings claimed by the Sowcar. In most cases, the nucleus of original advance is small and the swollen figures consist mostly of accumulations of interest, commission, premia, etc. Further, any sum advanced in composition of old debts must be determined with due regard to the capacity of the land holding and credit of the indebted peasant.

who is all but insolvent. In the Bhavnagar Scheme, the sum to be paid in redemption of the debt of an individual Khedut, it has been laid down, should not exceed an amount equal to three times the annual assessment payable by him.

48. If redemption is decided upon, the present is the most propitious time for undertaking the task. The margin of agricultural profits, from which the individual Khedut could hope to make repayment towards interest and principal is greatly reduced owing to the prevalent economic depression, especially in the prices of agricultural commodities, and the creditors unable to make any recoveries on their own, would be in a more amenable mood to agree to a scheme of composition, which holds out immediate prospects of payment.

Present time
most opportune
for undertaking
redemption.

Moreover, it is being increasingly recognised that it will be most unfair and inequitable to insist on the full realization of fixed money-charges, such as the Kheduts' debts, owing to the Sowcar, incurred at a time when prices were ruling much higher. At present with the disastrous fall in prices, the Khedut is now required, in order to raise a specific amount, to part with double and more than double the quantity of his produce, which would have formerly sufficed for realizing the same amount. It is as if the rupee-measure has changed overnight, and the hardship caused is not less than would be the case, if a maund, which was supposed to weigh 40 Tolas, suddenly began to weigh 80 Tolas.

Again with reduced land values and low commodity prices, it would be much safer to correctly appraise and calculate the credit and capacity of the indebted Khedut for repayment of the redemption loan, without the risk of such calculation subsequently proving erroneous than would be the case in a period of boom, when land-values and prices were inflated, leading to an exaggerated view being taken of the Khedut's margin of profits, from which he was to pay the redemption loan.

Another factor tending still further to reduce the margin of the Khedut's profits was the greatly increased cost of cultivation due to increased labour-charges. It should not be assumed that with the decline in commodity prices, there has been a corresponding decrease in labour wages, which have rather tended to be maintained at a fairly high level. Indeed the Committee noticed that in several villages the wage earners popularly termed Ubhads, seemed to fare better than the regular Kheduts, a few Ubhads here and there being even able to advance money to Kheduts from their savings. If the advances required are not forthcoming from the State itself, the necessary funds in these times, when so much cheap and fluid money is going about seeking investment, could be easily raised at low rates of interest, by properly organised Land-mortgage Banks or similar organisations.

Redemption
would improve
Kheduts' credit.

49. Of course, it would be hazardous to make any forecast regarding the future after wholesale redemption has been once effected. Our experience in Bhavnagar is of far too short a duration to base any generalizations upon. But the very fact that the Khedut is free from the load of old debts, should improve his credit and enable him to obtain advances on easier terms, should he require them.

No question of
ousting the Sow-
car.

50. As stated before, the money-lender cannot be altogether replaced. Diwan Bahadur Tribhuvandas in this connection remarks in the course of a Council minute dated 15th January 1932, as follows :—

“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 will 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 commission 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."

That it was never intended to oust the Sowcar class altogether, would be made still clearer from the following extract from the Report of the original Committee:—"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."

51. That the Scheme was on the whole just and equitable and meant to deal fairly also by the Sowcar, should be evident

Scheme not
opposed to Sow-
car's interest.

from the fact that as the operations of the Scheme extended, the Sowcars themselves prayed for the application of the Scheme. This would not have been the case, were the Scheme only one-sided and not to the interest of the lender also.

After-effects of redemption.

52. The Bhavnagar Darbar are carefully watching the after-effects of the wholesale redemption of the Kheduts' debts. So far there has not been noticed any marked tendency to incur fresh debts in the redeemed Mahals, although nearly three years and more have elapsed in some cases. But we may grant that a certain percentage of redeemed Kheduts will again relapse in the old condition of indebtedness after a few years. But it is expected that the warning of bitter past experience will in the majority of cases act as an effective deterrent against the Kheduts repeating their past improvident practices.

Uncertain future no excuse for delaying necessary action.

53. But granting that the future is uncertain, that, it is submitted, should not be made an excuse for not undertaking or delaying action, whose necessity is otherwise plainly indicated. (*Vide* Appendix VII (2).)

But one may, in this connection, ask in the words of a newspaper correspondent :—"Would it 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."

Redemption saves huge interest charges.

54. One immediate and undoubted benefit conferred on the Khedut by the liquidation of his old debts is the substantial saving in interest charges, which he had to annually pay in cash or commodity, or failing that, which continued to be added to the balance outstanding. As the nominal outstandings amounted to Rs. 86,38,874, the saving in interest charges on the same would alone amount to Rs. 21,00,000 and more, calculat-

ing interest at the rate of 25 per cent., which is unfortunately the ordinary rate levied, though cases of still more extortionate rates being charged occur only too frequently. Indeed the Central Banking Committee has found that the interest charged by the village Sowcar may be anything from 10 to 300 per cent. and even more.

55. In short the Kheduts of Bhavnagar have had their arrears of debts owing to the Sowcars compounded and paid off by a sum of Rs. 20,59,473, which is certainly much less than what the Sowcar used to either actually levy in cash or charge to the Kheduts' debit account by way of interest alone every year. From the standpoint of the State, it may be added, if Bhavnagar's limited experience is any authority, that the State undoubtedly stands to benefit greatly by making its peasantry debt-free. If the Khedut formerly was not prompt and punctual in paying the assessment, and, as a result large arrears of Land Revenue piled up, it was as the Committee's investigations revealed, mainly due to the Khedut being head over heels in debt to the Sowcar. And though the Land Revenue is in theory a first charge on the land produce, the more vigilant Sowcar always succeeded in recovering his dues first. But that is now changed, and wholesale redemption of the peasantry has resulted in better and easier recoveries of land revenue, which would not have been otherwise the case in these days of abnormally low prices. It was noticed that even where the season has been below normal, and where formerly the Khedut weighed down by the burden of past debts, would have short-paid by 4 to 6 annas, the State has been able to recover the full unit of assessment and also something towards arrears. So even putting it on the low ground of self-interest, the State itself stands to gain enormously by 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.

Redemption
also results in
easier and better
recoveries
of
Land Revenue.

Grateful Kheduts begin to pay towards redemption loan in advance.

56. It was found that in some places Kheduts have willingly deposited in advance large sums to set off against the loans to be advanced to them in discharge of their debts, even before the compounding loan had been paid to the Sowear concerned. This shows that this attempt to make them debt-free is not entirely unappreciated by the Kheduts.

Indebtedness both a symptom and disease.

57. But it has been contended that indebtedness is a mere symptom ; and mere symptomatic treatment cannot meet the needs of the case. This is no doubt true to a certain extent, but it is not wholly true. Argument by analogy or metaphor is never safe, and oftener than not proves misleading ; for one is apt to get a rather distorted view of the object sought to be explained thereby. It may be granted that the low economic condition of the Khedut and the narrow margin of profits of agriculture, which generally necessitate the incurring of debt in the first instance, are the root cause of the evil, of which indebtedness is a mere symptom. But if it is initially a mere symptom, the alarming way, in which the first small nucleus of indebtedness has shown a tendency to accumulate, in spite of repayments on account, often several times the original advance, makes of it a disease by itself, requiring independent treatment.

But, to get a clearer view of the whole position it would be well to vary the metaphor and inquire whether the removal of debris of an accident from the tracks of a Railway is not an essential preliminary in restoring the interrupted traffic. Of course the removal of the debris would not immediately result in resumption of the traffic, nor would relief from indebtedness immediately lead to economic prosperity of the Khedut. But it cannot be denied that the suggested action in both cases is an essential preliminary to clearing a road, hitherto, hopelessly blocked, and in that sense, settlement of debts must prove the longest step towards economic recovery of the indebted Kheduts.

But the Bhavnagar Darbar never lost sight of the fact that it would not do to remain content with merely relieving indebtedness, and this aspect of the case was emphasised by the Committee itself in the following words :—

“ Indebtedness is both a disease and a symptom. So far as it is a disease it might be amenable to *ad hoc* measures designed to provide cheaper agricultural finance. But in so far as it is a symptom, the treatment must probe deeper, and the question of indebtedness must be considered and dealt along with several other cognate and connected questions. To indicate the nature of these questions even briefly would be too long a digression here. But reduced to its smallest proportions, the whole problem is of enabling the Khedut to produce the maximum, his land and labour are capable of yielding and to realize and retain the best price for that produce.”

SECTION IV.

Village Panchayat : A complementary measure.

58. For one thing, the improvement effected by liquidation of debts has been sought to be made permanent by the villagers taking over the management of their own affairs and being made responsible for the development of the economic welfare of the Ryots. The same idea of a healthy village community was incubating in the ever vigilant mind of Sir Prabhashanker, as will be evident from the following passage taken from his opening speech delivered at the Bhavnagar People's Representative Assembly on the 14th November 1929 :—

Village Panchayat : A complementary measure to debt redemption.

“ 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.”

The Committee themselves stressed the need of supplementing agricultural debt redemption by suitable measures, as will be seen from the following taken from the concluding Chapter of the Report :—

“ It was felt and rightly felt that the problem of agricultural indebtedness is not one that can be rightly and 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.”

Objects and
aims of Gramya
Panchayat.

59. What is sought to be achieved through these Panchayats will be clear from the following passages relating to the grant of Panchayat taken from the Committee's Report:—

“ It is well-known that the old village communities having disappeared, with it, has also passed away the sense of corporate life. While personal hygiene of a kind exists, general sanitation worth the name is non-existent. Again the absence of corporate consciousness renders the villager helpless not only against thieves and dacoits coming from outside ; but they are equally unable to keep under control the bad characters in their own midst, from whom hardly any village is free. These are a terror to

the whole village, and they make a hell of the life of the honest agriculturists by clandestine grazing, by cattle-lifting, by levying Mosul and by threat of arson, which is too often actually carried out to serve as an example and a warning.

“ But it is hoped that the grant of Panchayat will enable the village to effectively deal with all these evils. 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, etc., 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, because perhaps so great is the fear he inspires that no one will come forward to bear witness against him.

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

“ The Panchayat will also exercise municipal powers. It will look after its own sanitation and attend to road-repairs, maintenance of village well, Chowra, Aveda, etc. The Panchayat will be in charge of the village cattle-pound, and it can, if it so chooses, acquire power to try and decide small civil suits and criminal complaints relating to cattle trespass, etc.

“ 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, peace, happiness and prosperity.”

The Panchayat rules will be found embodied in Appendix V attached hereto. They are more or less tentative, and will no doubt be amended and modified from time to time, as more experience is gained. Further it is not intended to impose one uniform stereotyped model on all the villages, and latitude has been reserved to alter the rules and terms of the Panchayat grant, to suit the wishes, the stage of growth, and other circumstances of the village concerned.

APPENDIX I.

Comparative Statement showing the extent of indebtedness and assessment liability of the Kheduts of the Bhavnagar State.

Assessment.	Nominal indebtedness according to Sowcars' books.	Indebtedness per rupee of assessment.	Indebtedness per Bigha of assessed land.	Free from debt.			Indebted.					
				Number of holders.	Percentage.	Assessment.	Number of holders.	Percentage.	Assessment.	Amount outstanding according to Sowcars' books.	Amount found due by the Redemption Committees.	Amount actually paid in Composition.
4	5	6	7	8	9	10	11	12	13	14	15	16
Rs. a. p.	Rs.	Rs. a. p.	Rs. a. p.			Rs. a. p.			Rs. a. p.	Rs.	Rs.	Rs.
26,56,554 5 7	86,38,874	3 4 0	4 9 8	15,405	55.2	12,76,858 5 2	12,493	44.8	13,79,696 0 5	86,38,874	45,11,183	20,59,473
1,45,474 4 4	5,05,920	3 7 8	3 11 8	2,010	71.4	92,306 0 7	807	28.6	53,168 3 9	5,05,920	3,13,303	1,04,006
1,25,539 2 3	5,15,306	4 1 8	4 11 8	1,074	58.6	63,745 15 7	757	41.4	61,793 2 8	5,15,306	2,53,030	1,15,847
2,96,504 12 0	7,99,244	2 11 2	4 3 0	1,344	52.3	1,37,583 8 7	1,225	47.7	1,58,921 3 5	7,99,244	4,42,273	2,00,436
1,64,090 0 0	5,93,443	3 9 10	5 5 6	563	50.8	82,976 3 0	546	49.2	81,113 13 0	5,93,443	3,00,259	1,48,331
2,55,640 4 0	9,23,125	3 9 9	5 0 2	1,333	60.5	1,49,307 8 0	870	39.5	1,06,332 12 0	9,23,125	5,20,836	2,13,307
3,38,695 4 7	9,98,384	2 15 2	4 5 0	1,225	50.2	1,60,072 5 7	1,213	49.8	1,78,622 15 0	9,98,384	4,68,088	2,63,777
6,26,423 15 2	20,09,014	3 3 4	5 0 8	2,268	45.1	2,60,050 15 11	2,762	54.9	3,66,372 15 3	20,09,014	10,22,377	4,97,423
1,71,771 8 2	2,48,338	1 7 2	2 2 0	1,030	58.1	87,796 7 10	744	41.9	83,975 0 4	2,48,338	1,40,065	62,157
3,69,918 1 3	11,43,264	3 1 5	4 14 1	2,939	57.4	1,72,989 3 9	2,185	42.6	1,96,928 13 6	11,43,264	5,77,056	2,79,104
1,62,497 1 10	9,02,836	5 8 11	4 13 11	1,619	53.9	70,030 0 4	1,384	46.1	92,467 1 6	9,02,836	4,73,896	1,75,085

Serial No.	Name of Mahal.	Number of Indebted Holders.	Assessment payable by them.			Amount of nominal indebtedness according to Sowcar's books.	Amount found due by the Redemption Committee.	Amount actually paid in composition.	Average debt per individual indebted Khedut.			Indebtedness per rupee of assessment payable by indebted Kheduts.		Indebted in 1911		
												Number.	Percentage.	Number.	Percentage.	
1	2	3	4	5	6	7	8	9	10	11	12	13	14			
			Rs.	a.	p.	Rs.	Rs.	Rs.	Rs.	a.	p.	Rs.	a.	p.		
	Bhavnagar State	12,493	13,79,696	0	5	86,38,874	45,11,183	20,59,473	691	7	11	6	4	2	2,497	31.4
1	Daskroi	807	53,168	3	9	5,05,920	3,13,303	1,04,006	626	14	7	9	8	2	119	1,022
2	Sihor	757	61,793	2	8	5,15,306	2,53,030	1,15,847	680	11	6	8	5	4	98	1,807
3	Umrals	1,225	1,58,921	3	5	7,99,244	4,42,273	2,00,436	652	7	1	5	0	5	274	1,872
4	Gadhada	546	81,113	13	0	5,93,443	3,00,259	1,48,331	1,086	14	3	7	5	0	86	1,269
5	Botad	870	1,06,332	12	0	9,23,125	5,20,836	2,13,307	1,062	3	4	8	10	10	111	1,881
6	Lilia	1,213	1,78,622	15	0	9,98,384	4,68,088	2,63,777	823	1	1	5	9	5	241	3,242
7	Kundla	2,762	3,66,372	15	3	20,09,014	10,22,377	4,97,423	727	6	0	5	7	8	586	8,434
8	Victor	744	83,975	0	4	2,48,338	1,40,065	62,157	333	12	7	2	15	3	277	3,375
9	Mahuva	2,185	1,96,928	13	6	11,43,264	5,77,056	2,79,104	523	3	8	5	12	10	466	4,798
10	Talaja	1,384	92,467	1	6	9,02,836	4,73,896	1,75,085	652	5	5	9	12	2	239	14,033
															3,221	

APPENDIX III.

The Bhavnagar State Kheduts' Protection Act.

Whereas it is expedient to prevent the money-lenders from taking undue advantage of the illiterate and indebted condition of the agricultural classes, it is hereby enacted as follows:—

Preamble.

CHAPTER I.

PRELIMINARY.

1. This Act may be called 'The Bhavnagar State Kheduts' Protection Act,' and it shall extend to the whole of the Bhavnagar State from the date of its publication in the Darbar Gazette.

Short title, commencement and extent.

2. Section 10 of this Act shall also apply to civil suits pending in Courts on the date on which this Act comes into force.

3. If there is anything in other Acts now in force, repugnant or contrary to the provisions of this Act, then those Acts shall not apply to that extent to the provisions of this Act.

Repugnant Acts ineffective.

4. Unless there is something repugnant in the subject or context,—

Construction.

(a) "Agriculturist or Khedut" shall mean a person, who, residing in the limits of the Bhavnagar State, by himself or by his servants, makes his livelihood wholly or principally by agriculture carried on as a raddar (registered holder) or Sub-sharer in the Darbari Khata land (registered holding). Such a person shall be deemed to be an agriculturist if he carries on agriculture in other Mulgiras or Barakhli land along with the Darbari land, and the word "Agriculturist" shall also include sub-sharers living as members of a joint family along with him.

Agriculturist.

(b)—An agriculturist, who having first obtained the necessary sanction, has leased his Darbari land to others for agriculture, shall not thereby cease to be an agriculturist within this definition.

(c) "Money" shall be deemed to include agricultural produce, implements and stock.

Money.

(d) "Standing Crops" shall include crops of all sorts attached to the soil, and leaves, flowers and fruits upon and juice in trees and shrubs.

Standing Crops.

Classification of Indebted K

Number of Indebted Holders.	Assessment payable by them.			Amount of nominal indebtedness according to Sowcar's books.	Amount found due by the Redemption Committees.	Amount actually paid in composition.	Average debt per individual indebted Khedut.	Indebtedness per rupee of assessment payable by indebted Kheduts.	Indebted in a sum not exceeding one year's assessment.			Indebted in but not redemption loan.												
									Number.	Assessment.	Amount of Indebtedness.	Number.	Exceeding two years' but not three years' assessment.		Amount of Loan advanced.									
													of	sd.		Number.	Assessment.							
3	4			5	6	7	8		9	10	11		12	13	31	32		33						
	Rs.	a.	p.	Rs.	Rs.	Rs.	Rs.	a.	p.	Rs.	a.	p.	Rs.			Rs.	a.	p.	Rs.					
12,493	13,79,696	0	5	86,38,874	45,11,183	20,59,473	691	7	11	6	4	2	2,497	3,12,698	0	7	1,30,133	1,483						
807	53,168	3	9	5,05,920	3,13,303	1,04,006	628	14	7	9	8	2	119	7,936	12	0	3,653	78	192	5,069	4,97,854	13	3	13,58,022
757	61,793	2	8	5,15,306	2,53,030	1,15,847	680	11	6	8	5	4	98	8,849	7	4	4,103	66	119	447	30,350	11	5	82,807
1,225	1,58,921	3	5	7,99,244	4,42,273	2,00,436	652	7	1	5	0	5	274	38,425	0	3	17,058	169	102	401	31,189	14	8	88,872
546	81,113	13	0	5,93,443	3,00,259	1,48,331	1,086	14	3	7	5	0	86	13,931	13	4	6,524	58	135	315	37,418	6	5	96,269
870	1,06,332	12	0	9,23,125	5,20,836	2,13,307	1,062	3	4	8	10	10	111	18,635	6	0	5,380	60	316	268	37,801	5	0	1,07,881
1,213	1,78,622	15	0	9,98,364	4,68,088	2,63,777	823	1	1	5	9	5	241	39,874	8	6	17,666	171	103	568	62,193	14	0	1,76,242
2,762	3,66,372	15	3	20,09,014	10,22,377	4,97,423	727	6	0	5	7	8	586	87,412	5	0	37,270	368	325	491	62,820	6	0	1,72,434
744	83,975	0	4	2,48,338	1,40,065	62,157	333	12	7	2	15	3	277	36,082	0	0	13,886	118	184	937	1,13,519	14	11	2,99,375
2,185	1,96,928	13	6	11,43,264	5,77,056	2,79,104	523	3	8	5	12	10	466	45,149	0	3	18,655	278	970	84	7,637	8	0	18,798
1,384	92,467	1	6	9,02,836	4,73,896	1,75,085	652	5	5	9	12	2	239	16,401	11	11	5,939	117	349	792	65,484	15	7	1,79,033
																			589	766	49,437	13	3	1,36,221

APPENDIX III.

The Bhavnagar State Kheduts' Protection Act.

Whereas it is expedient to prevent the money-lenders from taking undue advantage of the illiterate and indebted condition of the agricultural classes, it is hereby enacted as follows :—

Preamble.

CHAPTER I.

PRELIMINARY.

1. This Act may be called 'The Bhavnagar State Kheduts' Protection Act,' and it shall extend to the whole of the Bhavnagar State from the date of its publication in the Darbar Gazette.

Short title,
commencement
and extent.

NOTE.—Section 10 of this Act shall also apply to civil suits pending in Courts on the date on which this Act comes into force.

2. If there is anything in other Acts now in force, repugnant or contrary to the provisions of this Act, then those Acts shall not apply to that extent to the provisions of this Act.

Repugnant
Acts ineffective.

3. Unless there is something repugnant in the subject or context,—

Construction.

(a) "Agriculturist or Khedut" shall mean a person, who, residing within the limits of the Bhavnagar State, by himself or by his servants, earns his livelihood wholly or principally by agriculture carried on as Khatedar (registered holder) or Sub-sharer in the Darbari Khata land (registered holding). Such a person shall be deemed to be an agriculturist even if he carries on agriculture in other Mulgiras or Barakhli land along with the Darbari land, and the word "Agriculturist" shall also include sub-sharers living as members of a joint family along with him.

Agriculturist.

NOTE.—An agriculturist, who having first obtained the necessary sanction, has leased his Darbari land to others for agriculture, shall not thereby cease to be an agriculturist within this definition.

(b) "Money" shall be deemed to include agricultural produce, implements and stock.

Money.

(c) "Standing Crops" shall include crops of all sorts attached to the soil, and leaves, flowers and fruits upon and juice in trees and shrubs.

Standing
Crops.

vid in composition.

Indebted in a sum exceeding ten years' assessment.			Kheduts whose debts were composed by advancing Redemption loan.								
Number.	Assessment.	Amount of Indebtedness.	Not exceeding one year's assessment.			Exceeding one year's but not two years' assessment.			Exceeding two years' but not three years' assessment.		
			Number.	Assessment.	Amount of Loan advanced.	Number.	Assessment.	Amount of Loan advanced.	Number.	Assessment.	Amount of Loan advanced.
22	23	24	25	26	27	28	29	30	31	32	33
	Rs. a. p.	Rs.		Rs. a. p.	Rs.		Rs. a. p.	Rs.		Rs. a. p.	Rs.
2,916	2,72,798 7 4	51,32,223	4,785	5,77,263 2 5	2,33,359	2,639	3,04,578 0 9	4,68,092	5,069	4,97,854 13 3	13,58,022
243	16,506 5 1	3,68,848	222	13,572 11 7	6,290	138	9,244 12 9	14,819	447	30,350 11 5	82,897
249	18,293 3 4	3,40,464	198	18,134 10 8	8,273	158	12,488 9 4	18,702	401	31,189 14 8	88,872
193	22,706 10 2	3,85,202	539	73,609 3 6	30,232	371	47,893 9 6	73,935	315	37,418 6 5	96,269
147	19,980 0 0	3,87,900	159	25,053 0 0	10,634	119	18,259 8 0	29,816	268	37,801 5 0	1,07,881
313	31,787 6 0	6,32,999	163	25,801 14 0	8,062	139	18,337 0 0	29,003	568	62,193 14 0	1,76,242
252	27,824 10 1	5,33,065	503	78,415 7 8	33,718	219	37,387 1 4	57,625	491	62,820 6 0	1,72,434
530	62,584 15 9	10,79,801	1,194	1,68,912 0 10	70,464	631	83,940 15 6	1,27,584	937	1,13,519 14 11	2,99,375
63	5,843 1 0	89,985	493	59,989 13 4	19,389	167	16,347 11 0	23,970	84	7,937 8 0	18,798
465	37,904 8 8	6,49,175	939	87,372 11 8	35,022	454	44,091 2 3	66,049	792	65,484 15 7	1,79,033
461	29,367 11 4	6,75,984	375	26,401 9 2	11,275	243	16,627 11 1	27,589	766	49,437 13 3	1,36,221

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Money.

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Standing Crops.

CHAPTER II.

Of Kinds of suits and place of suing according to this Act.

Application of
this Act.

4. The provisions of this Act shall apply to:—

(1) Suits for an account instituted by an indebted agriculturist according to the provisions of section 5, and

(2) Suits for the recovery of money alleged to be due to the plaintiff creditor

On account of money lent or advanced to or paid for, the agriculturist defendant, or as the price of goods sold, or on an account stated between the plaintiff and the defendant, or

On a written or unwritten engagement for the payment of money not herein before provided for.

Agriculturist
debtors may sue
for accounts.

5. Any agriculturist who owes any debt to his creditors as shown in sub-sec. 2 of Sec. 4, may sue for an account of such debt and of money paid by him to the creditor, and for a declaration of the amount, if any, still payable by him to the creditor.

Place of suing.

6. Subject to the pecuniary jurisdiction of Courts as provided for in other Acts, suits to which the provisions of this Act apply, shall be instituted in a Court within the local limits of whose jurisdiction the agriculturist, whether he be plaintiff or defendant, resides.

NOTE.—Every such suit, in which there are more than one agriculturist as plaintiffs or defendants, who reside within the local jurisdictions of different Courts, may be instituted, with the leave of the Court, in any of such Courts.

CHAPTER III.

Of hearing of suits according to this Act.

Summons to
be for final dis-
posal of suit.

7. In every case in which it seems to the Court possible to dispose of a suit at the first hearing, the Summons shall be for the final disposal of the suit.

Oral evidence
admissible not-
withstanding
written agree-
ment

8. In suits, to which the provisions of this Act apply, the Court shall, notwithstanding anything contained in the Evidence Act or in any other law for the time being in force, have power, in order to inquire

into and determine the real nature of any transaction between the agriculturist and his creditor, to admit evidence of any oral agreement or statement pertaining to such transaction, even though the transaction has been the subject of a written agreement.

9. In any suit to which this Act applies, the Court, whether the amount of the creditor's claim is disputed or not, shall examine both the plaintiff and the defendant as witnesses and shall enquire into the history and merits of the case, from the commencement of the transactions between the parties, out of which the suit has arisen, first with a view to ascertaining whether any fraud, mistake, undue influence or any such thing has been practised upon the agriculturist-party, and, secondly, with a view to taking an account between the parties in manner hereinafter provided.

Parties to be examined and history of transactions with Agriculturist debtors to be investigated.

NOTE.—It is not to be understood that it is compulsory to examine the plaintiff and the defendant as witnesses according to the provisions of this section, even when the Court, for obvious reasons, deems it unnecessary so to do. But the Court shall in that case record its reasons in writing.

10. When the Court inquires into the history and merits of a case from the commencement of the transactions between the parties, in accordance with the provisions of Section 9, it shall

Mode of taking accounts.

notwithstanding any agreement between the parties as to allowing compound interest and,

notwithstanding any statement or settlement of account or any contract purporting to close previous dealings and create a new obligation,

take the account according to the following rules:—

(1) The account shall be inquired into and ascertained from the commencement of the transactions to the date of the suit;

(2) Separate accounts of principal and interest shall be taken;

(3) In the account of principal, there shall be debited to the debtor such money as may from time to time have been actually received by him or on his account from the creditor, and the price of goods, if any, actually sold to him or on his account by the creditor;

NOTE.—(1) Care should be specially taken that Vataw or such other item, if any, added to the money actually advanced, or to the price of the goods actually sold, shall not enter into the account of principal.

(2) When the price of grain or any other goods is to be debited or credited, it should be debited or credited, as for grain, having regard to the rates of price published in the Darbari Gazette of the time, and as for other goods having regard to the market rates prevailing at the time.

(4) Interest accrued due should be kept separate and special attention should be paid to the fact that interest does not get included in the principal ;

(5) Simple interest only shall be allowed at the contract rate, but more than 12 per cent. shall not be allowed ;

(6) Interest to be debited monthly : that is interest only on the balance of principal outstanding at the end of a month shall be computed from the beginning of the next month ;

(7) All money paid or goods delivered by or on account of the debtor to the creditor or on his account and all profits in the form of Vatav of Kothli-ehodaman, (be it in cash or goods) and other advantages of every description, received by the creditor from the debtor in the course of the transactions, shall be credited, first, in the account of interest; and when any payment is more than sufficient to discharge the balance of interest due at the time it is made, the residue of such payment shall be credited to the debtor in the account of principal.

(8) The accounts of principal and interest shall be made upto the date of instituting the suit, and the aggregate of the balances (if any) appearing due on both such accounts against the debtor on that date shall be deemed to be the amount due at that date.

Damdupat.—But if the balance appearing due on the interest account, exceeds that appearing due on the principal account, double the latter balance shall be deemed to be the amount then due and, that amount only, the Court shall decree.

Regarding
former decrees.

11. In regard to decrees standing against the agriculturist when this Act comes into force, and decrees included in other debts, when they come before the Court in execution or in a suit, account should also be taken of such decretal debts in accordance with the provisions of Sec. 10. In taking such account if it appears to the Court that the transactions which have led to the passing of the decrees, are a part and parcel of other transactions entered into between the parties, then

the whole of the transactions should be inquired into, as if the agriculturist has instituted a suit for taking accounts in accordance with the provisions of Sec. 5; and the amount remaining due by the agriculturist should then be ascertained. But the ascertainment of such amount, shall not, except under circumstances mentioned in Sec. 12, entitle the creditor to realize from the agriculturist debtor any sum in excess of the balance due under the decree, which, on coming before the Court had led it to order the taking of accounts in accordance with the provisions of this section.

12. (1) In suits for account according to Sec. 5 and at the time of taking accounts according to Section 11, besides ascertaining the amount remaining due by the agriculturist, the Court has power to direct that such amount shall be paid by instalments with or without interest. But if in the account upto the date of the institution of the suit the interest accrued due is equal to the amount of the principal, the Court shall not direct instalment with interest.

In suits according to section 5 and section 11, instalments may be granted in the decree.

(2) When the Court has directed payment of the amount by instalments according to sub-section (1), the agriculturist-debtor may pay, into Court, the amount of each instalment, as it falls due, in default whereof, execution of the decree may be enforced by the creditor in the same manner as if he had obtained a decree in a suit to recover the debt.

13. Where the Court awards interest, if at all, from the date of the suit to the date of the decree and from the date of the decree to the realization of the amount due, it shall not award more than 6 per cent interest.

Interest after the date of decree.

14. The Court may at any time direct that the amount of any decree passed under this Act, or the amount ascertained due after proper enquiry according to Section 11 into the decrees passed before this Act, shall be paid by instalments with or without interest.

Power to fix instalments in execution.

15. The interest to be awarded under this Act shall be simple.

Simple interest to be awarded.

CHAPTER IV,

MISCELLANEOUS.

- Suit to include arrears. 16. Where the creditor files a suit, such suit shall include all arrears of debts due to him by the agriculturist defendant.
- Re : court fees. 17. A suit by an agriculturist debtor shall be exempt from the payment of Court-fees. When the suit is by a creditor, he will at first be liable to pay the Court-fees, according to law, but the amount of Court-fees upon the sum decreed will be remitted to him.
- Re : Proof of payment and adjustment. 18. The agriculturist debtor shall be at liberty to prove any payments made by him towards the decree, even though such payments have not been certified in Court according to law ; and he shall also be at liberty to prove even such payments as are made after this Act comes into force.
- Production of books of former accounts. 19. If the Court is satisfied that the creditor intentionally abstains from producing books of accounts of previous transactions, it shall dismiss the suit to that extent. If the Court has reason to suspect that the creditor does not intentionally produce books of accounts, one half of the balance due on the earliest account produced, shall be counted as principal : but if the Court is satisfied that the debtor has received full consideration and that the accounts produced by the creditor are trustworthy, then the full amount may be awarded even in the absence of previous accounts.
- Power to make rules. 20. With a view to carry out the object of this Act, the Darbar may, from time to time, make, in conformity with the provisions of this Act, such rules, as are deemed to be necessary, in regard to the manner of taking accounts and other matters.

APPENDIX IV.

The Khedut Debt Redemption Scheme.

COUNCIL RESOLUTION No. 219.

A Committee was appointed to enquire into the indebtedness of the Darbari Kheduts of this State. As a result of the enquiries made by this Committee, it has been found that the terms of dealings between the merchant, creditor and the Khedut debtor were as a rule fixed by taking undue advantage of the ignorance and need of the Kheduts. Similarly the account books of creditors have been found to be containing many irregular and suspicious entries. So with a view to improve this state of thing, and to place the relations between the creditor and the debtor classes on a purer and better footing and also, to enable the latter to recover the monies advanced by them at reasonable rates of interest, the Darbar have considered it expedient to draft a bill called the Agriculturist Protection Bill and to publish it in the *Darbar Gazette* by Outward No. 1179, dated the 4th October 1929, for the information of the public and for giving them an opportunity of offering their views; and after taking into account what they have to say in the matter, such action as is thought necessary and proper would be taken. But in the meantime the Darbar desire to 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. Now, therefore, it is considered expedient to order as under :—

1. If a majority of the Kheduts and Sowcars of any Mahal of this State jointly apply, expressing a desire to avail of this liquidation scheme, the Darbar will be pleased to favourably consider such application.

2. Upon such an application being made by both the creditors and debtors, the Darbar will appoint a Debt Liquidation Committee as under :—

(a) This Committee will consist of two Darbari Officers, of whom one will be drawn from the Revenue Department and one from the Judicial Department.

- (b) The creditors of the Mahal, whose outstanding accounts with the Kheduts are to be liquidated, will nominate two respectable Panch, who will be appointed to the Committee as members representing the creditors.
- (c) The Darbari Officers mentioned in sub-clause (a) and the Panch on behalf of the creditors mentioned in sub-clause (b) will jointly co-opt one or two respectable persons of the village in regard to which the work of liquidation is taken in hand.

3. When this Committee will take in hand, the work of liquidation in respect of any village, all the creditors and all the debtors of that village shall give an undertaking to the Committee to the effect that the awards of this Committee shall be binding on both the parties. Those, who refuse to do so, will be debarred from the benefit of the liquidation scheme.

4. All debts whether decretal or attested by a bond or otherwise due by all the debtors of every creditor and to all the creditors of every Khedut debtor upto the date of the commencement of the work by the Committee shall be included in the liquidation scheme and unless this is done, the work of liquidation shall not proceed any further.

5. This Committee shall, having regard to the statement of objects and reasons accompanying the Draft Agriculturists' Relief Bill published in the *Darbar Gazette*, examine accounts in accordance with Section 10 of that bill and fix the amount of debt outstanding.

6. If the total amount, that may be awarded in satisfaction of all the debts of any Khedut exceeds a sum three times the amount of the annual assessment payable by him, then the latter sum only shall be rateably distributed among the creditors, and the debtor Khedut shall be discharged in respect of the balance remaining.

7. Where the total amount adjudged, under clause 6, to be given to the creditors on behalf of the indebted Kheduts is within the limit of a certain anna proportion to be fixed by the Darbar of the nominal arrears outstanding in the books of accounts of the

creditors, the Darbar shall undertake to disburse such amount ; and always bearing this limitation in mind, the creditors and the debtors, will, the Darbar hope, co-operate in carrying out the work of liquidation.

8. The Committee shall prepare a statement showing the names of each individual Khedut debtor together with those of his creditors and the amount proposed to be awarded in liquidation within the limits prescribed in clauses 6 and 7, and shall then request Darbar's sanction to the statement thus prepared.

9. If this statement is considered as fit to be sanctioned, the Darbar will order advances, to be made on behalf of the Kheduts concerned, of the sums shown in the statement at a rate of 4 per cent. per annum simple interest, and the Committee shall then disburse the respective amounts to the creditors, after first obtaining a discharge from them.

10. After liquidation has been effected in pursuance of this Resolution, all debts of a date prior to the date of liquidation shall be considered to have been fully paid up and discharged, and no suit shall be entertained in any court of this State in respect of any such debt.

11. For the recovery with interest of the sum, which the Darbar may have advanced on behalf of any Khedut under clause 9 for the liquidation of his past debts, the produce of such Khedut shall be brought over to the Darbari Khalawad, and, after setting apart the State's share that would be due under the Bhagbatai system, the Darbar shall first deduct from the sale proceeds of such share, the amounts due on account of the current year's assessment according to the Nam fixed as also the Tagavi loans falling due and then apply the remaining balance towards payment of the interest and principal of the Redemption loan advanced on behalf of the Kheduts and this shall be done from year to year until the whole of the amount due on account of such loan is recovered in full. The Khedut's share of the produce will be left to the Khedut and this will enable the Khedut to maintain himself with ease. Any Khedut, who has a bumper crop and who desires to reimburse in full the loan advanced for liquidation of his past debts, will be free to do so.

12. Any new point arising during the proceedings of the Committee appointed for the work of liquidation, which cannot be elucidated by reference to the provisions of this resolution, shall be referred by the Committee to the Darbar for necessary orders.

This resolution shall be published in the *Darbar Gazette* for the information of all concerned.

St. 1985, Ashwin Sud 2, Friday.

Dated 4th October, 1929.

By order of the Council of Administration.

HARGOVIND MANISHANKER,

Secretary.

APPENDIX V.

Regarding the Establishment of Village Panchoyats.

COUNCIL RESOLUTION No. 226.

In order to interest the people in matters of common well-being such as Village-protection, etc., and also to help them to jointly work for and solve without outside aid, questions touching their own common interest, and also to enable them to manage their own affairs, the Darbar desire to establish Gramya Panchayats in the villages; and for this purpose the following tentative rules are propounded:—

1. Where a demand is made by the people of a village for the establishment of Gramya Panchayat in their village, the Darbar will take necessary steps to do so.

2. The Village Panchayat, which may thus come to be established, shall not consist of less than 5 Members, from among the leading Members of the Khedut and other sections of the village community, who are nominated by the village people as a whole.

3. In addition to the Members nominated as above, the Darbari Revenue Patel and the Mukhi shall be *ex-officio* Members of the Panchayat. But any such Mukhi or Patel is liable to be changed or replaced at the instance of the village-people, provided there are valid reasons for so doing.

4. On the ~~expiry~~ term of office of the Members so appointed, which is fixed at 3 years, fresh nominations will be made and at the end of each successive 3 years, a new Panchayat will be appointed, from among the leading men chosen by the village.

5. In the event of a vacancy occurring within the period of 3 years, the person, whose name is proposed by the village-people, will be appointed to such vacancy. But pending such appointment, the remaining members shall carry on the work of the Panchayat.

6. The Panchayat shall have power to employ any person as Talati, who is fit to assist them in the work of the Panchayat. But the Darbar shall defray the costs of his pay, which shall be fixed with due regard to the assessment of the village. Necessary arrangements will also be made,

if the Panchayat so desire, to loan, for the office of Talati, the services of any man of the Revenue Department, who is competent for the work.

7. The Panchayat shall also have power to appoint the Revenue and Police Chowkidars of the village, subject only to their confirmation by the heads of the Departments concerned, and the State shall reimburse to the Panchayat, the costs of their pay, according to the present scale or the scale that may, from time to time, be prescribed for such posts. The Panchayat shall also have power to continue or dispense with the services of these village servants. Only their appointment is subject to the approval as to fitness of competent authority, as stated above.

8. Pasayatas and others, who hold alienated land on service tenure and who are at present under an obligation to render service of some kind or other, shall continue to give such service under the control and direction of the Panchayat. If any such person makes any default in service or is seen to be in complicity with any bad character, and if the Panchayat will make a complaint in this behalf, the holding of such person will be declared forfeit to the Darbar, who will make arrangements to transfer the holding to another suitable person and ensure continuity of service to the village, where it is the practice so to do.

9. Village tanks, wells, roads and such other works of public utility, will be under the care and supervision of the Panchayat; and for the maintenance and repairs of these works, the Darbari contribution for *Abadi* shall continue to be added as at present, to any sums which may be collected by the village people in this behalf.

10. The proceedings of the meetings of the Panchayat shall be recorded in a book to be maintained for the purpose; and all members present at the meeting shall sign the same. Half the number of the members constituting the Panchayat will form a quorum.

11. The management of all matters, except that of the alienated, Bhat, Mulgiras, Sudharavarad and Rajhak lands, shall be vested in the Panchayat, if they so desire.

12. The administration of all Darbari Khata lands as also of alienated lands bearing full or half assessment, at present, in the possession of Kheduts, will vest in the Panchayat, who will administer

them, as Thandars do, in accordance with the rules and regulations in force at present. The Panchayat shall be liable to pay to the Darbar, according to instalments prescribed and on due dates, the amount of assessment payable under the current settlement or as may be fixed hereafter at a revision settlement. But the amount so payable shall be increased or decreased, when and according as any new land is leased out for cultivation or land paying full assessment is transferred to wasteland or any Sudharavarad or Rajhak land reverts to the State and is given over as Darbari assessed land.

13. When any Darbari Khata holding falls vacant, the Panchayat shall have power to auction the same and appropriate the Sukhadi amount that may be realized at such auction ; but they shall instead be liable to pay to the Darbar the average annual Sukhadi amount realized during the past 20 years. The Sukhadi of Padtar land rented for cultivation shall also be fixed on the same principle ; but the renting of such Padtar land shall be subject to the previous sanction of the Darbar.

14. The Sudharavarad and other levies payable by the holders of Bhayat, Mulgiras, Sudharavarad, Rajhak or other alienated land shall continue to be recovered direct by the Darbar as at present.

15. The land revenue dues shall be payable to the Darbar according to the Pratbandi system at present in force. However, if the Panchayat, for their internal convenience, desire any change in the system, they will be allowed to make such a change subject to the previous sanction of the Darbar.

16. When in a good or bad year, an anna levy is fixed for other villages of the Mahal, the Panchayat will also be entitled to pay assessment according to the Nam fixed for the village.

17. A statement showing the amounts outstanding in the village before the grant of Panchayat shall be prepared and handed over to the Panchayat, which shall recover the same as also the arrears accumulated in subsequent years, from the excess levy that may be ordered to be collected in a good year over and above the assessment. The amount so recovered shall be paid to the Darbar.

18. Tagavi advances under the existing rules shall continue to be given to the Panchayat Village if there is a demand for them.

19. If necessity arises to acquire any village land, for Darbar purposes, the same shall be acquired under the rules in force at present.

20. The Panchayat shall continue the practice in force at present, with regard to the houses or huts attached to the holding. Mutual transfers of houses may also be effected subject to Darbar sanction. The Panchayat shall report to the Vahivatdar the disposal by auction of such houses or lands or vacant sites for houses and the latter shall then send the usual Lekhs for the same.

21. The Panchayat shall have all the powers conferred under the Revenue Code for demanding security from any Darbari Khedut for assessment dues, for prohibiting removal of standing crops, for making recoveries by attachment of properties, and for forfeiture of Khata land, etc. Further all possible help, which may be required in this behalf, shall be rendered by the Revenue Department.

22. The administration of all miscellaneous levies, except the Revenue Assessment and the Sukhadi for the Darbari Khata land, shall be entrusted to the Gramya Panchayat, subject to its paying to the Darbar the annual average amount realized in this behalf during the last 20 years, and the Panchayat shall administer these matters in accordance with the Revenue Code and the rules and circulars made from time to time. The average amount so fixed is payable in good and bad years alike. But a statement showing the arrears on this account relating to the period before the grant of the Panchayat shall be prepared and handed over to the Panchayat, which shall recover such arrears and remit them to the Darbar.

23. The Darbar shall continue to enjoy, as at present, their prior right of recovery, in respect of land revenue dues, and the Panchayat shall act in accordance with the existing procedure, in regard to the execution of decrees against Kheduts and others.

24. The Panchayat shall maintain a book of Betha-khata for the management of the village ; and at the end of the year, a copy thereof shall be made and the original submitted to the Thandar's Office. The entries in the book shall be written up under appropriate heads and sub-heads, as is the practice in regard to the Betha-khata book at present. The Mahal Office shall supply, on the Panchayat's request and at their expense, all the necessary books and registers, such as the

Betha-khata book, Rojmel, Ledger, Pahanipatrak, Receipt books, etc., and the books, which are stamped at present, shall continue to be so stamped.

25. The Darbar shall cause the emoluments of Patel, Mukhi, as well as the Haks of Mulgirasias and others to be paid, through the Panchayat, to the parties concerned.

26. The Panchayat shall have power, after obtaining the previous sanction of the Darbar in that behalf, to remove any person from the village, if they think it proper so to do, in the interest of the peace and general security of the village.

27. If the Darbar are properly satisfied with the Panchayat administration of any village, the Darbar will take necessary steps to delegate, to the extent they think proper, to the Panchayat, powers under the Civil Procedure Code to hear money suits upto a prescribed limit, as also powers under the Cattle Trespass Act and the Indian Penal Code, to try petty cases of theft and mischief.

28. In a village where the rights of ownership and sale have been conferred, the Chauth cess payable at the time of transfer of ownership and the ground cess payable for acquiring the right of sale, shall continue to be recovered direct by the Darbar as at present.

29. The Darbar shall directly recover, as at present, the Customs Duty leviable according to the British Tariff Act, upon goods, which having been imported at a foreign port, are brought by land within the limits of any village of this State.

30. Matters relating to opium, salt, excise, arms and ammunition, shall continue to be administered by the Darbar, as at present.

31. The registers and returns of the cattle-pound fees, births, deaths, and crops, shall continue to be submitted, as at present by the Village Patel and Mukhi, who will be held responsible for the same.

32. Fines and penalties being Darbar revenue, the Panchayat shall remit to the Darbar any amount collected by way of fine or penalty.

33. If any Panchayat applies to be relieved of the Panchayat administration, the same shall be terminated at the close of the year.

34. The Darbar may suspend any Panchayat, if they think that it is not administered according to the existing rules and regulations, or if they find the Panchayats unable to carry on.

35. Every request for any additional convenience and concession besides the above, made by the people at the time of applying for the Village Panchayat, shall be duly considered, and the needful done in the matter. In brief, the Darbar's earnest wish is that each and every village should be enabled to manage its own internal affairs.

The above resolution to be published in the *State Gazette* for the information of the public.

Dated 4th October 1929.

By order of the Council of Administration,

HARGOVIND MANISHANKER,

Secretary.

APPENDIX VI.

Extracts from Official Speeches, etc.

1

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 money-lenders 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 money-lenders having dealings with them. The secret of the prevailing harmony between the Ruler and the Ruled in the Bhavnagar 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."

 (2)

Extract from the Minute of Diwan 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 liquidate 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."

* * * * *

3

Extract from the opening speech of Sir Prabhshanker 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 Gadi. 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 revenues. 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 arreras 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, Diwan 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 the 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 Vahivatdars 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.”

* Some 18 Panchayats are now in operation.

APPENDIX VII.

Correspondence.

(1)

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. Bhaskerrao, 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 Sisyphian 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 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,

Yours sincerely,

(Sd.) VINAYAK N. MEHTA.

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

(2)

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

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 in 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 safe-guarding 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 cultivator's 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 percent. 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.P.

VINAYAK N. MEHTA, Esqr., I.C.S.,

Lucknow.

(3)

*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

* Vide Appendix VII (1).

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 Saheb, 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.

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 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 a 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.

(4)

Reply sent by Sir P. D. Pattani to G. K. Devadhar, Esq., M.A., C.I.E., of the Servants of India Society, Poona's letter, asking for the former's views in regard to relief of Agricultural Debt, in connection with the Travancore Co-operative Inquiry Committee, of which the latter has been appointed President.

BHAVNAGAR,

29th September, 1933.

MY DEAR MR. DEVADHAR,

I am in due receipt of both your letters, respectively, dated 15th and 19th instant, as also the very detailed and comprehensive questionnaire enclosed with your second letter.

You have kindly put a red pencil mark against the questions, which you expect me to answer. But Question 155 presupposes a knowledge of the provisions of the Travancore Civil Procedure Code and Q. 156, a knowledge of the functions and financial standing of the Trivendrum Central Co-operative Bank, of both of which I am quite innocent. Similarly Q. 154, relating to the extent of rural indebtedness, demands a previous acquaintance with local conditions. The only question, therefore, to which I could attempt an answer is Q. 153, though here too, the absence of experience with local conditions must detract from any opinion, I might offer with regard to the need or justification for a scheme of Debt Redemption. I take it that in using the phrase 'Rural Indebtedness' you have in your mind principally the question of redemption of agricultural indebtedness. Further, though Travancore is a far-cry from Bhavnagar, I will assume that, apart from any local peculiarities, this problem of agricultural indebtedness has in its broad aspects many common features all over India, since the problem has its origin in more or less similar conditions obtaining in a predominantly agricultural country like ours. I am fortified in this opinion by the findings of the Central Banking Inquiry Committee, of which you must be well aware.

No industry can thrive without proper financing, and since agriculture is the largest industry in the country, its financing should be the first care of everyone interested in village uplift. But no scheme of agricultural financing can be complete, which fails to envisage the

problem of old debts, which bear usurious rates of interest—anything from 10 to 300 per cent. and even more as found by the Banking Inquiry Committee. While this dead-weight hangs round the Khedut's neck, it is impossible he can have any interest in his work, and if he were less fatalistic and conservative than he is, he would not have been able to carry on, as he has upto now. But if he has carried on, it is only as a listless and indifferent cultivator, who has no heart in his business.

But I thought the urgent need of debt redemption was hardly an arguable point. Everybody admits the extent and intensity of agricultural debt, and still if one fights shy of undertaking redemption, it is because of the magnitude of the problem and the huge financial outlay involved.

I am no psycho-analyst; but it is no uncommon experience to find that, when one is either unable or unwilling to do a thing, which is otherwise worth doing, one does not always confess one's inability, but by a curious psychological process, one is often apt to deceive one's self into the belief that the thing is after all not worth doing at all, or the time is not opportune for doing it. At times, I feel that a similar mental process, though not distinctly recognized, is behind the non-possimus attitude adopted towards the problem of rural debt redemption. While the sub-conscious mind admits the necessity of debt redemption, the conscious mind is frightened by the seeming impossibility of the task and proceeds to justify to itself its attitude of inaction and hesitancy either by denying the problem altogether or belittling its seriousness, or again by conjuring up a picture of the same conditions being reproduced in a few years after the old debts have been once redeemed.

Another result of not going to the heart of the problem and only keeping beating about the bush is to get side-tracked in sponsoring schemes of cheap and easy credit forgetting the heritage of old debts from the past. So, where in disregard of past indebtedness, attempts are made to unduly push forward Co-operative Banks or other Schemes intended to provide easy credit, they have not attained the measure of success expected, if indeed they have not totally failed. Any alternative scheme of providing necessary credit can have only a fair chance of success, after the problem of old debts has been successfully tackled once and for all.

The question whether there is real need and justification for debt redemption, may be met by the counter-query, whether, if redemption is not undertaken by an intermediate agency, the indebted Khedut can repay and discharge his accumulated debts from the narrow surplus of his agricultural income, in a reasonable period of time, and if he cannot as everybody will easily grant he cannot, where is the use of the creditor insisting on full payment which he knows or with the exercise of a little imagination ought to know, he cannot realise? The situation in some parts has become so acute that the suggestion has been made in some quarters, that "the only method by which agriculturists might be saved from utter ruin was to allow them to repudiate all their debt obligations." The words in the inverted commas are quoted from a lecture delivered last year before the Calcutta University Institute by Mr. Naliniranjan Sarkar, President, Bengal National Chamber of Commerce and who was also, if I mistake not, a member of the Central Banking Inquiry Committee. The method of total repudiation needs only to be mentioned to be rejected all at once; for the remedy would prove worse than the evil from the standpoint of both the debtor as well as the creditor. But at the same time it must be recognised that the debtor after all cannot pay more than his capacity would allow, and the sooner the creditor realises it, the better for him, no less than for the debtor. For while the stalemate of the debtor not paying anything and the creditor not receiving anything toward the arrears, continues, it cannot be to the advantage of either side, if indeed not positively injurious to the interests of both, and the best thing would be to end the stalemate by mutual adjustments and meeting half-way, if grave trouble is to be avoided in the future. Mr. Sarkar, in my humble view, did not exaggerate, when in the concluding part of his lecture referred to above, he observed that "the menacing position of the overwhelmingly indebted agriculturists now reduced to extreme destitution demanded immediate action for averting an almost cataclysmic disaster that might eventually overtake the whole country through an agrarian upheaval inspired by utmost desperation."

If the need for redemption is once conceded, the next question is how to go about the thing. Of course, there can be no question of repaying in full all the nominal outstandings claimed by the Sowcar. In most cases the nucleus of original advance is small and the swollen

figures consist mostly of accumulations of interest, commission, premia, etc. Further any sum advanced in composition of old debts must be determined with due regard to the capacity and credit of the indebted peasant who is all but insolvent. In the Bhavnagar Scheme, the sum to be paid in redemption of the debt of an individual Khedut, it has been laid down, should not exceed an amount equal to three times the annual assessment payable by him.

If redemption is decided upon, the present, I think, is the most propitious time for undertaking the task. The margin of agricultural profits from which the individual Khedut could hope to make payment towards interest and principal is greatly reduced owing to the prevalent economic depression especially in prices of agricultural commodities, and the creditors unable to make any recoveries on their own, would be in a more amenable mood to agree to the scheme of composition which holds out immediate prospects of cash payments. Further with reduced land values and low commodity prices, it would be safer to correctly appraise and calculate the credit and capacity of the indebted Khedut for repayment of the redemption loan without the risk of such calculation subsequently proving erroneous, than would be the case in a period of boom, when land values and prices are inflated, leading to an exaggerated view being taken of the Khedut's margin of profits from which the Khedut was to pay the redemption loan. If the advances required are not forthcoming from the State itself, the necessary funds in these times when so much cheap and fluid money is going about seeking investment could be easily raised at low rates of interest, by properly organised Land-mortgage Banks or similar organisations.

Of course, it would be hazardous to make any forecast regarding the future after the wholesale redemption has been once effected. Our experience in Bhavnagar is of far too short a duration, to base any generalisations upon. But the very fact that the Khedut is free from the load of old debts should improve his credit and enable him to obtain advances on easier terms, should he require them. From the way your questionnaire has been framed, the co-operative movement would seem to have been fairly advanced in the Travancore State, and the movement would be consolidated and be more capable of rendering useful service to its Khedut constituents, when once they are freed from their old debt.

We, in Bhavnagar, are carefully watching the after-effects of the wholesale redemption of the Kheduts' debts. So far there has not been noticed any marked tendency to incur fresh debts in the redeemed Mahals although nearly three years and more have elapsed in some cases. But we may grant that a certain percentage of the redeemed Kheduts will again relapse in the old condition of indebtedness after a few years. But I expect that the warning of bitter past experience will in the majority of cases act as an effective deterrent against the Kheduts repeating their past improvident practices. Of course, the best and most effective safeguard against thriftlessness and the too ready tendency to incur debts would be the growth of a healthy public opinion in the village community itself discouraging the Kheduts from incurring debts beyond their ability. But granted that the future is uncertain, that, I submit, should not be made an excuse for not undertaking or delaying action, whose necessity is otherwise plainly indicated. At any rate, I have found from my limited experience here, that the State certainly stands to benefit greatly by making its peasantry debt-free.

For apart from the experiment creating a debt-free and contented peasantry, it results in better and easier recovery of Land Revenue, which would not otherwise be the case in these days of abnormally low prices. I have further found that in places Kheduts have willingly deposited in advance large sums to set off against the loans to be advanced to them in discharge of their debts even before the compounding loan has been paid to the Sowcar concerned. This shows that this attempt to make them debt-free is not entirely unappreciated by the Kheduts.

Though, as stated above, I do not feel qualified to answer Q. 154, I would just add a word of warning against making any conjectural estimate of the extent of rural indebtedness, especially if such estimate is to be later made the basis of undertaking a liquidation scheme. It is no doubt a laborious and exhausting piece of work to collect figures of individual indebtedness, but I think, the labour is worth taking, if reliable data are to be made available. As you are aware, the Bhavnagar Redemption Scheme has been evolved as a result of the preliminary investigation of the Khedut Debt Inquiry Committee. This Committee took great pains to collect figures of debts of each individual Khedut. But when the Redemption Scheme came to be

applied, these figures have been found to be very wide of the mark by anything from 25 to 50 per cent. No doubt an interval of 3 to 4 years has elapsed between the first inquiry and the application of the new scheme. But even allowing for any fresh accumulations of debts in the intervening years the discrepancy is much too large to be explained by the mere time factor and it is suspected that at the original inquiry a large number of Kheduts either kept silent altogether or understated the amount of their indebtedness out of a sense of prestige or for fear of losing credit and social status or some other motive not easy to fathom. So I hope you would please avoid any mere guess-work in the matter of gauging the extent of rural indebtedness even where such guesses are made by men who think they are in intimate touch with local conditions and are, therefore, entitled to hazard a guess.

I do hope, you will be seen restored to your usual vigorous self and thus be enabled to resume the threads of this important public work in the beginning of November next, as you eagerly look forward to doing.

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

P.S.—As reinforcing the views expressed above, I take the following from a letter under the heading ‘Indebtedness of peasantry’ appearing at page 14 in the *Times of India* of September 27th:

“Next to education, the most acute problem of rural economy is as to how to remove the bonds of rural indebtedness that shackle Indian agriculture. It is said that “the Indian Agriculturist is born in debt, lives in debt and dies in debt.” Thus the redemption of debt is a fundamental condition precedent to the launching of any scheme of rural upliftment. There can be no denying the fact, therefore, that the further delay of village reconstruction or even the adoption of lukewarm measures would admittedly bring about a disorder and anarchy of a more dangerous character than those emanated from bread riots of the urban unemployment.”

(Sd.) P. D. P.

G. K. DEVADHAR, Esq.

(5)

Letter received by Sir. P. D. Pattani from Mr. G. K. Devadhar, giving impressions of his visit to Bhavnagar to personally study on the spot the working of the Debt Redemption Scheme.

THE TRAVANCORE CO-OPERATIVE ENQUIRY COMMITTEE.

President :

G. K. DEVADHAR, M.A., C.I.E.,
 PRESIDENT OF THE SERVANTS OF INDIA SOCIETY, POONA,
 C/O BHATIA MATERNITY HOSPITAL,
 BAZAR GATE STREET, FORT.

BOMBAY, 14th April 1934.

To

SIR PRABHASHANKER D. PATTANI, K.C.I.E.,
 PRESIDENT OF THE COUNCIL OF ADMINISTRATION,
 BHAVNAGAR STATE,
 BHAVNAGAR.

MY DEAR SIR PRABHASHANKER,

It was such a great pleasure to me to be enabled to pay the long promised visit to Bhavnagar, the place which is really made by you in regard to its modern aspects and which have been largely the result of your inspiring and organising genius, which had to combine with it a good deal of the necessary fighting spirit, tenacity, ultimate faith in humanity and in higher ideals.

2. My visit to your progressive state which is one of the most thriving and prosperous states in advancing India, has been an eye-opener to me, and the very pleasing impressions that I have received and brought here back with me will be of an abiding nature.

3. I have been trying to digest the very interesting and engrossing details of the *Scheme of Redemption of the Agricultural (but not rural) Indebtedness*, which your Darbar has so boldly and so far so successfully carried out. My visits on two separate days to Talaja and Timbi have really enabled me to form a true and realistic idea of the great work,

which your State under the able direction of your-self and the loyal officers and colleagues of yours has been able to achieve during the last three years or so. It is so complicated that it would not be wrong if I say that I would take sometime to formulate my own definite views. But this much I can say at once that it is not only thought-provoking but also an action-compelling experiment very boldly undertaken and most practically and successfully carried out. I have nearly finished the reading of the final draft of the report intended to supply up-to-date figures and facts, but these have not yet been included in the report drafted by Mr. Natwarlal. I will send you a copy of my letter to him after I complete its perusal.

* * * *

6. I hope to meet you in June in Poona for a further discussion on the subject of your Scheme with the Members of the Servants of India Society in Poona when most of them would be present there for the anniversary of the foundation of the Society.

With the kindest regards,

I remain,

Yours sincerely,

(Sd). G. K. DEVADHAR,

M.A., C.I.E.,

President.

(6)

Reply sent by Sir P. D. Pattani to Mr. G. R. Pillai, B.A., B.L., Personal Assistant to the Registrar of Co-operative Societies, Travancore's letter dated the 23rd October 1933.

Dated 4th November 1933.

MY DEAR MR. PILLAI,

Many thanks for your kind letter dated 23rd ultimo, and for the appreciative sentiments expressed therein for what little Bhavnagar has been doing on behalf of its peasantry. You will be glad to know that the scheme of wholesale redemption of agricultural indebtedness launched some three years ago has made considerable progress, and the

few Tappas, i.e., subdistricts, that remain to be brought under the operation of the scheme, will have been finished by about the end of March 1934.

I entirely agree that co-operation has been far from being an unqualified success. There are several reasons which have perhaps prevented the realization of the hopes, which co-operation theoretically holds out. One reason, as you suggest, is failure "to adhere to its main principles and the wrong approach from a joint-stock mentality." But the main reason, so far as I am able to judge, is rather the rash manner, in which it was sought to push forward co-operation in total disregard of the heritage of the Khedut's past indebtedness. 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 cultivator's neck, it is impossible that he can make any progress.

Experience in British India has served us here as a warning, and we are proceeding cautiously in the extension of the co-operative movement, generally restricting its activities to the *bona fide* purpose of supplying cheap and short-term credit for strictly agricultural needs. It is no use placing at the Khedut's disposal undue credit facilities, which are certain to be abused, without first making sure of the surplus income from which he would be able to repay the advances made.

The idea of a Land Mortgage Bank has not been mooted in the State so far, nor am I sure whether such schemes originating in the West would always suit Indian conditions.

It is good to have first-hand knowledge and experience of a foreign successful model. But such knowledge has at times also its disadvantages in that the mind fully preoccupied with the foreign model is rendered incapable of original and independent thinking, and is further tempted to blindly imitate the outside model, without giving proper thought and weight to the essentially differing local conditions.

It is a bold experiment, on which we have launched in undertaking wholesale redemption of agricultural indebtedness. But, in my humble view, no scheme of rural reconstruction can be successful which, as stated before, does not envisage the problem of past indebtedness. Lastly, unless the economic rehabilitation of the village cultivator is achieved betimes, the position which is grave and menacing enough in all conscience, will continue to worsen and ultimately might precipitate a country-wide cataclysmic disaster far more serious than any artificial political agitation, however violent and unscrupulous could ever bring about. The only way to a peaceful administration lies through economic contentment; and relief of the burden of past debts of the village Khedut—the backbone of the country—is the first and essential step in that direction.

Yours sincerely,

(Sd.) P. D. PATTANI.

(7)

Extract from a letter of V. L. Mehta, Esq., 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.

* * * *

APPENDIX VIII.

Newspaper Notices and Reviews.

1

BHAVNAGAR : RELIEF OF AGRICULTURAL INDEBTEDNESS, being the concluding portion of an article 'PROGRESS IN THE INDIAN STATES' by Mr. John De La Valette appearing at pp. 187-190 of the *Asiatic Review*, January 1934.

"Droughts and price slumps bring misery to the Indian peasants only intermittently ; the money-lender is always with him, or at least he was, for in Bhavnagar they have changed all that. And the way in which they have changed it is as ingenious as it is comprehensive and far-sighted, the latter characteristic being only what one would expect in action with which Sir Prabhashanker Pattani, the President of the Bhavnagar State Council, is associated. The problem of relieving the indebtedness of the Indian ryot has been qualified by the Indian Central Banking Committee as being one " of supreme importance from the point of view 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." The Royal Commission on Agriculture has pointed out that the worst policy towards debt was to ignore it and do nothing. A certain amount has in fact been done, largely along lines indicated by the Central Banking Committee, in the Central Provinces, the Punjab and in Bihar and Orissa. But nowhere in India, perhaps, has the problem been tackled so deliberately and has so comprehensive a remedy been applied as in the Kathiawar State of Bhavnagar.

There the problem has received systematic attention ever since the appointment in December 1925, of a committee to enquire into agricultural indebtedness. This body accomplished its task conscientiously ; it made an exhaustive investigation and presented an excellent report in April 1931, the recommendations of which were supported by evidence and facts. The measures taken on the strength of it proceeded from the consideration that the evil of indebtedness was only a symptom, the cause of which lay deeper. The removal presented a complex problem which could not be solved piecemeal, but only by comprehensive action. Thus no improvement in the condition of the ryot was possible, unless

he could be made to start with a clean slate. But it was of little avail to rid him of debt, if he was to slip back into indebtedness almost immediately. And he would, it was felt, be almost bound to get into debt afresh, unless village life as a whole could be placed on a sounder basis.

Finally, though the bad money-lender was branded as an evil to be eradicated, the need of the peasant to have recourse at certain times to some money-lender from whom he could borrow on reasonable terms for productive purposes was admitted as an economic necessity. In fact one finds a curious thought running through much that was written and said at the time on this aspect of the subject. It was, perhaps, most intriguingly expressed, when Diwan Bahadur Trivedi stated the aim of the contemplated measures to be removal of the existing conditions in order "to restore the pristine purity of the relations" between the ryots and the sowcars. Apparently, when the world was young, money-lenders were pure in Bhavnagar, which appears in practice to have meant that they never charged more than 12 per cent. per annum on the original sum advanced, and did not add premiums and commission which doubled and trebled in a very short space of time the original sum loaned.

The measures eventually enacted by the Bhavnagar State Council consisted first of an Agriculturists' Relief Act, which followed the principles of that in force for the Dekhan, with such modifications as local conditions rendered necessary. This Act could "at best only render negative help," but it did prevent extortion where loans had been made. Upon this followed a Debt Redemption Scheme, calculated to "wipe off at one stroke all the outstanding debts of the Khedut and enable him to write on a clean slate again." This scheme was based on the—no doubt fully justified—assumption that the highly indebted peasant was virtually bankrupt, "and if he was made legally insolvent as he really was, it was practically certain that the money-lender would get little or no dividend" from his estate. If, therefore, the State were to undertake to advance a reasonable sum to the indebted peasant, with which to pay off the creditor in full, "the money-lenders would in their own interest" accept the offer and thereby "help themselves and the State in economically rehabilitating the Khedut class."

The basis on which the sum due to the money-lender was compounded, was that he should receive his loan capital back in full with interest

at the rate of 12 per cent. per annum. Interest on the amount advanced by the State was to be paid by the peasant by way of an addition to his land revenue and, being based on 4 per cent. per annum, it meant only a very slight extra burden. After some preliminary reluctance on the part of the Sowcars the scheme was accepted. By March 1933, Kheduts paying one-half of the State's total land revenue had been cleared of debt. By August last their number covered three-fourths of the total. A very few months more will suffice to liquidate in equally satisfactory manner the remainder of the agricultural debts. This is a truly remarkable achievement which speaks well for the administrative skill of the Bhavnagar Government.

It has involved investigating the whole history of debts incurred in small amounts, but aggregating to sixty lakhs of rupees and necessitated a total payment by the State, so far, of some fifteen lakhs. To this should be added some nineteen to twenty lakhs which the State has written off in respect of arrears of land revenue due to it. This settlement, therefore, not only clears three-fourths of the peasantry of all debt whatsoever, but it also reduces their annual liability for payment of interest by some four and one-half lakhs of rupees, as the actual rate of interest payable by the peasants frequently rose to and even exceeded 25 per cent. per annum. In the matter of land revenue the human understanding of Sir Prabhashanker Pattani once more displayed itself. He had found that "over 50 per cent. of the farmers of (his) State had been very honest, and had no arrears of land revenue, nor had they blindly incurred private debt." So to benefit also these deserving individuals who had no outstanding debts to compound and no arrears of revenue to remit, "any suspension of revenue ordered during the current lean year" was to be wiped out "as a reward for fair dealing." There is a kind of justice which democracies are barred from exercising. It is well that there should still be States in India to demonstrate the good points in forms of government in which merited discrimination can still be applied.

Having thus rid the peasant of his present debts, and protected him against extortion in respect of his future ones, it still remained to raise the village as a community to a higher level. For this purpose the Gramya Panchayat measure was passed, the object of which was "nothing less than the rehabilitation of the whole village life itself" on a

basis of local autonomy. Under it each village, which applied for the right, may henceforth, *inter alia*, "determine its own method and procedure of revenue collection." It may punish defaulters to the extent of forfeiture of land and the auctioning of vacant holdings. It is also empowered to build up a reserve from the surplus proceeds of land so sold, which is to accrue to the benefit of the Panchayat. Where the reserves are large enough, they can be used for financing the agricultural needs of the Kheduts. There are other provisions which, taken in their entirety, justify the claim that the Panchayat measure is both "educative and ameliorative."

But if it has proved possible to make a peasant get on good terms with a money-lender, it seems much harder to make him trust his neighbour. And so, apparently, the progress made with these grants of village autonomy has been slow.

Even so the comprehensive nature of these agricultural reforms in Bhavnagar is bound to have a salutary effect on the population of the State. It will also stand as a useful object-lesson to be studied by other States and in those parts of British India where similar evils are experienced, but where a remedy on so broad a basis has never yet been tried."

2

Extract from "Bhavnagar: Recent Progress"—being a notice, by Mr. John De La Valette of the Bhavnagar Censes Report appearing in the Asiatic Review, July 1933, p. 540.

"Whilst the percentage of the urban population was 26.8 in 1881, it is now 30.5. Even so, the farmer's struggle for life is no easy one, and his indebtedness correspondingly burdensome. A committee of inquiry which was appointed to investigate this question delivered itself of an able report, which disclosed a disturbing state of affairs. The number of Kheduts free from debt was only half that of those who were in debt, and as many as 30 per cent. of the total number of farmers were stated to be "hopelessly involved in debt, and their condition such as to give cause for grave anxiety." Here the matter might have remained, as such matters frequently do after recommendations have been made. Not so in Bhavnagar, where the thorny problem was energetically

tackled on the basis that the cultivator "should be liberated from the economic bondage of money-lender," whilst the latter should at the same time be equitably treated. A system was organized, under which existing obligations could be investigated at the joint request of the Khedut and the money-lender in accordance with rules similar to those of the Deccan Agriculturists' Relief Act. After reducing the amount due to equitable dimensions, the Darbar discharged the Khedut's debt by distributing the total amount of the liability so fixed pro rata among the farmer's creditors in full settlement. At the time the Census report went to press, the cultivators of three districts had in this way been completely freed from debt to money-lenders, their resulting obligations to the State being brought within reasonable limits. Operations in other districts are proceeding to similar effect. This bold and constructive policy by the Bhavnagar Government cannot fail to react favourably upon the condition of the peasantry."

 3

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 complement 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

* Vide Appendix IV.

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 motived 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 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."

 4

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 debts as unrealisable. 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 backbone 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 agriculturist 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 * * *

(5)

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

* *Vide Appendix VIII (3).*

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 Gadhada, 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 Sowcar's 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.

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 Rupees 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.

(6)

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; Diwan 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 Prabhashanber 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 Diwan Bahadur Tribhuvandas 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 Khatodars 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 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." 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, Chowkidars, 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 villages. It can finance the agricultural needs of the Kheduts and will also exercise municipal powers. The Council Resolution No. 226, 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.

(7)

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 Sowcar's 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.

(8)

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.

* * * * *

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."

(9)

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 effort 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

† *Vide* Appendix VIII (6).

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 had 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 has been compounded by paying a total sum of Rs. 3,67,991. 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 or of 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 Prabhashanker 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 Prabhashanker 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 Commerce, 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 Sisyphian 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 agricul-

tural 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 had 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 progress 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.

(10)

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

BHAVNAGAR IN 1930-1931.

* * * * *

“ 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.

* * * * *

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Extract from the Times of India Annual, 1933.

BHAVNAGAR.

* * * * *

“ 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 complement to an Agriculturist's 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 motived 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."

AGRARIAN DISTRESS
SIRSI & SIDDAPUR

*Being the report of the Committee appointed by
The Karnatak Provincial Congress Committee
to enquire into the agrarian situation in
Sirsi and Siddapur Talukas, in
North Canara*

KARNATAK PROVINCIAL CONGRESS COMMITTEE
D H A R W A R

1931

Eight Annas

OFFICE OF THE
KARNATAK PROVINCIAL CONGRESS COMMITTEE,
DHARWAR.

20—12—1931.

A Committee consisting of Sjts. Narayanrao Joshi, T. S. Nayak, D. P. Karmarkar, and B. V. Burli was constituted at the meeting of the Karnatak Provincial Congress Committee at Ankola to enquire into and report on " (1) The coercive measures adopted by the revenue officials for the realisation of revenue last year; (2) the general economic condition of the ryots in the two talukas and especially of the garden-holders: (3) the extent of *Kole roga* this year; (4) The adequacy or otherwise of the remissions of land-revenue announced by Government as applicable to Sirsi and Siddapur."

Mr. B. V. Burli was unable to work on the Committee owing to other pressing duties. Mr. T. S. Nayak and Mr. H. G. Masur, B. A., of Belgaum whose services were requisitioned by the Committee, toured through about 30 villages in the two talukas from 25th October to 2nd November and recorded statements of agriculturists on the subjects of enquiry. Messers Narayanrao Joshi, D. P. Karmarkar and T. S. Nayak visited the talukas during the 2nd week of November and recorded further evidence. The Committee submitted its report on the 22nd November and it was considered and adopted by the Council of the Karnatak Provincial Congress Committee. It is now published for the information of the public in accordance with the directions of The Council of the K. P. C. C.

The Committee have recorded their appreciation of the assistance rendered by Mr. Masur and Mr. R. V. Jathar, LL. B., Dharwar, in their labours.

Karnad Sadashivrao,
President, K. P. C. C.

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I. ECONOMIC CONDITION OF SIRSI AND SIDDAPUR PRIOR TO 1930.

1. Sirsi and Siddapur are contiguous talukas in the eastern side of the North Canara district, which is predominantly a forest area. Sirsi has an area of about 490 sq. miles and a population of 39,955, in 1931. Siddapur has an area of 331.8 sq. miles and a population of 33,379. The land revenue demand for Sirsi is Rs. 1,55,433(a) and for Siddapur 1,48,823(b). So far as economic conditions are concerned these two talukas exhibit common characteristics and have been treated as a homogenous area in our enquiry. As the Kanara Gazetteer observes, "most of Kanara is hilly and thickly wooded. A somewhat broken and irregular range of Central hills divides the district into two parts, the uplands with an area of nearly 3000 sq. miles. The talukas of Sirsi and Siddapur form the eastern part of this upland portion of the district. Of the hills in the two talukas the chief in Sirsi are Bhedasgave and Menshigudda, the height being 2500 ft. and 2000 ft. above sea level respectively; in Siddapur, are Hukali, Rakshas and Mavinagundi, 1500, 1600 and 1600 ft. above the sea-level respectively.

GENERAL DESCRIPTION

North Canara is essentially a forest district, and about 90% of the total area is a forest. The following table will give an idea of the occupied and forest area in acres in Sirsi and Siddapur talukas. (The figures are for 1924-25).

North Canara
a Forest Area

Occupied,			Govt. Waste.	Forest.	Other.	Total.
Total	Cultivated.	Fallow.				
Sirsi 34,880	19,128.	15,752.	8,374.	169,738.	4,312.	212,326.
Siddapur 54,849	24,361.	30,361.	6,262.	245,410.	8,879.	314,040.

2. These forest tracts, as has well been observed by the Gazetteer (1885) (P. 18) especially the upland forest, are always feverish and at intervals are visited by specially fatal outbreaks. Bad water, stagnant or laden with vegetable matter, and the want of free currents of air are

Impediments
to
Agriculture

(a) Of this Rs. 71,755 of for paddy land; Rs. 71,648 for garden land, and Rs. 12,030 for grazing land.

(b) Of this Rs. 55,741 for paddy land, Rs. 87,734 for garden land and Rs. 5384 for grazing land.

supposed to be the two chief causes of the unhealthiness of the forests. The crops have to face the onslaught of wild animals namely, elephants, wild pigs etc. The climate is injurious to cattle and those that withstand diseases are many a time a prey to tigers which heave a heavy toll year by year. Under these adverse circumstances agriculture has always been a hard problem for the agriculturists and made still harder by the callous indifference— as we shall presently see— of the Government which was expected to protect their interests.

Area and Assessment

3. The cropped area may be broadly divided into two categories namely ricelands and garden lands. The following table gives the the respective areas in acres and assessment in rupees of the two talukas.

	Total area assessed	Total assessment.	Garden land area.	Assessment.	Rice-land area.	Assessment.	Other area.	Assessment.
Sirsi	60,692	157,771,	6093	77,368	28603,	68358	25996	12045.
Siddapur	38,260	144835	7444	93,706	18022,	45665	12794	5514.

The average assessment for garden lands in Sirsi and Siddapur is Rs. 12-9-5 and Rs. 11-7-7 per acre; the average for rice-lands is Rs. 2-5-11 and Rs. 2-8-0 per acre respectively.

Betel, pepper, and cardamom are grown in the gardens and they are the main paying crops in the garden area. It must be noted here that pepper and cardamom are only minor crops and betelnut is the main crop in the garden. It is the price of the betelnut, therefore, that is the determinant factor in the income of the garden-land-holder. It will also be noted that the prices of betelnut were the lowest in 1930 than those ever recorded since 1888. Chief of the other crops grown is (*not a garden crop*) sugar-cane.

The rainfall in these two talukas generally does not fail and the average (worked for 1900-1923) for Sirsi is, 97.26 and 113.66 for Siddapur. But there is always a fear of destruction of the rice crops by wild pigs and of garden crops by wild elephants and the rot-disease (Koleroga) of which more hereafter.

Former Forest Privileges

4. Agriculture in a forest area is a peculiarly difficult adventure and the peasants are entitled to special privileges if they are to prosper. That they used to get these privileges in the past is amply proved by the testimony of the Gazetteer(c), who writes: (P. 24)

(c) References to the Gazetteer are, in this report to be always understood as references, to the Gazetteer of the Bombay Presidency, Volume XV, Part I, Kanara, published in 1883,

"Of the forest privileges exercised by the people, the chief are clearing patches of the forest for wood-ash or *Kumari* tillage, lopping leaves for manuring spice and betel gardens, growing pepper in certain ever-green forests, free grazing and free or cheap wood and fuel. The people have always enjoyed free grazing in certain parts of the forests. Under the survey Settlement in each village certain numbers have been set a part for free grazing. All classes are allowed to take free of charge, for their private use, bamboos, poor timber fit to build huts and cattle-sheds, head-loads of firewood, grass and fallen leaves for manure, thorn, brush wood, and stakes for hedges and dams, wood for field tools and dead *sago* and other palm for water courses. They are also given good building timber at from one eighth to a quarter of the marked price, and they are allowed to take larger quantities than head-loads of fuel on paying a fee of 6 d. (4 annas) a cartload."

Rule No. 1 under the Forest Act of 1878 provided as follows:—

"The people may, in accordance with customary usage, cut and collect in the Government forest of their own village when not specially reserved for the growth of timber or the conservancy purposes, the following sorts of forest produce: (1) Bamboos of sorts (2) jungle wood for small houses, hut, choppers, cattleshed etc. (3) dry wood for fuel (4) leaves and grass for manure etc. (5) Thorns and brush-wood and stakes for hedges and dams, (6) wood for agricultural implements, (7) dead *sago*, and other palm trees for water courses etc. excepting those that may be prohibited,..... In the case of villages within the boundary of which there is no forest, an adjacent tract beyond the boundary will be set apart for the use of the villagers, who must, before resorting to it, produce before the Patil in charge of it, a permit from their own village officer(d),"

5. So long as such liberal privileges were given it appears that the ryot found it tolerable to carry on his pursuit with a sense of ease. "The arrangements then made were not dictated solely by considerations of revenue and conservancy but were also influenced by sympathy and regard for the customary privileges of the ryots and the welfare of the agriculturists.(e)" The forest was divided into two classes in 1880—the

Reaction in
Forest Policy

(d) Vide Gazetteer p. 417.

(e) Forest grievances in North Canara, representation made to the Collector of North Canara on behalf of the Kumta Agricultural Association in March 1918—p. 7.

reserved and protected. In the whole of the North Canara district the reserved forest was 466 sq. miles, while that of the other class was 3048 sq. miles. The needs of the ryots could well be met by recourse to the minor protected jungle. But a reactionary policy set in 1890 and the reaction has been progressively worsening since then and today the ryot justly feels that his interests are being sacrificed to the forest.

Present forest
privileges
inadequate

The agriculturist has been deprived of the right of free grazing. In many a case, people complained to us that they were charged for grazing their cattle in their own *bettas* (f). They are allowed certain privileges in minor jungles. e.g. removal of head-loads of felled dead wood of unreserved trees for domestic purposes but not for the purposes of *Jagri*, removal of clay and stones indicated by the Forest officer, of canes, creeper and forest produce *save those* specially reserved from time to time, of thorns, brushwood, bamboos etc. But these privileges appear to have been of no use at some places because the minor jungles there are useless. We shall not dilate on this point but only refer to the able presentation of this subject in the representation made to the Collector of Kanara on behalf of the Kumta agricultural Association by Sj. G. R. Masur, the Secretary of the Association in 1918, which memorandum the Collector was pleased to characterise "as a reasoned and able presentation of the case for agriculture." Further it is common knowledge that the administration of the Forest rules has been unduly rigorous.

Poor and ignorant ryots are hunted down for trivial wrongs. The forest administration report for 1906-07 contains the following remarks: "There is a general complaint all along the coast that under the existing settlement no provision exists for supplying the agricultural and domestic needs of the people." The trouble given by petty officials was not small. "According to the Collector's experience the guards of Sirsi division bear the least enviable reputation in the district. Blackmail is doubtless of every-day occurrence. As a class, they seem to stand in urgent need of improvement" (Forest Administration Report 1907-03).

Antagonism
between forest
& agriculture

What we have stated in general terms in the district has been equally true as to the talukas of Sirsi and Siddapur. The reserved forest in Sirsi is 236.64 sq. miles as against 34.01 in 1880. A clear analysis of

(f) Land given to the agriculturists at the rate of 9 acres per one acre of gardenland to enable the gardeners to prepare manure etc from the leaves there-from-

the pressure of the forest on agriculture is presented in the notes by Non-official Members incorporated in the Report of the Forest Grievances Enquiry Committee Part 2, P. 63. "Kanara is the only forest district in the Presidency where population and cultivation are both declining. The Committee visited some places in Kumtha and Sirsi talukas where forest has been extended to the very doors of the cultivations and habitations." The report then proceeds to give instances and observes, "Proximity of closed proper forest round about cultivation and habitation serves as a haunt for wild animals and reptiles dangerous to life and cultivation and a hot-bed for malaria brought about by the thick overgrowth of useless vegetation choking the process of ventilation and by the decaying of organic matter. It interferes with the right of grazing and the exercise of privileges. It also gives rise to impounding of cattle, ravages of wild beasts, scarcity of water, harassment by forest officials, insanitary conditions of the locality affecting the lives of the residents, thereby making the very existence of agriculture and habitation difficult and impossible. On account of such forest pressure, *both population and cultivation in some villages and hamlets have been extinct and in the case of some villages they are in the very verge of extinction*" From our own personal observation and the repeated statements made to us we are in a position to say that almost the limit has been reached in this matter and it is no mere rhetoric to say that the agriculturists are feeling that their interests are being throttled by the invasions of the reserved forests. Even Mr. H. Tupper, as back as 1918 admitted that there had been an antagonism between agriculture and the forest. He hoped that the antagonism would be temporary but that has proved to be a vain hope.

7. It is not our purpose to enter into a detailed enquiry into all the causes of the present agricultural deterioration but we feel bound to touch on the main causes of the present misery and discontent. The precis of the Settlement report has dealt with the present deterioration of agriculture especially the garden tract in detail. Among other things, it says "(1) Wild pigs cause much of the loss to crops. (2) In some parts people have deserted whole villages and *majares* or groups of villages, havoc played by the wild elephants being the principal cause of the migration of the villagers. (3) Considerable mischief is done to crops by monkeys also everywhere. (4) There are sufficient grounds for issuing more gun licenses in all parts of the taluka. (5) Considerable difficulties are experienced in regard to keeping the lands under cultivation. (6) *One third of the private lands are lying uncultivated. Fallow land has in-*

**Causes of
Agricultural
deterioration**

creased by about 50% since the year 1900. (7) The enormous increase in deaths between the years 1912 and 1921 is the result of the insanitary climate and malaria. (8) The condition of the owners of garden lands is not what it ought to be. Most of them are largely indebted and this indebtedness is mainly responsible for their inferior cultivation. (9) The cultivation of the garden lands is not as profitable as it was some years ago."

Decrease in
population

8. Under these trying circumstances it would not be surprising if people chose to desert their homes and find a more convenient living elsewhere. In fact we find that the two talukas like the rest of the district are being gradually depopulated as the census figures given below will show :—

		1891	1901	1911	1921	1931
SIRSI	...	53,922	53,071	47,835	40,987	39,955
SIDDAPUR.	...	42,631	41,344	37,334	32,208	33,379

So during the course of 40 years Sirsi shows a decrease of about 14000 or about 26% and there is a decrease of 9252 or 21% in the Siddapur taluka. Appendix M. to the precis of Collins' report for Siddapur taluka shews that whole families have sometimes deserted their homes and moved to neighbouring territory. A large part of the decrease was due to the migration of those who lived on labour. Prohibition of raising *Kumri* has been stated to us to be one of the causes contributory to this migration of labour from the territory.

This scarcity of labour led in its turn to the deterioration in cultivation. The number of fallow lands increased in both the talukas as can be seen from the table given below : (extracted from the Precis)

SIRSI

	Average for 1900-01—1904-05.	Average for 1910-11—1914-15.	Average 1919-20—1923-24.
Occupied	20,260	33,475	34,620
Of which cultivated	20,020	20,172	19,799
Fallow	7,240	13,303	14,821
Govt. waste	10,046	4,766	3,008

Effect of
Migration of
labour

9. It is a fact that the decrease in the cultivated area is not as great as the decrease in the population. But this does not mean that the people were any the better for it, because the decrease in popula-

tion has been, as shown above, due to the migration of labour which in its turn led to deterioration of crop produce and an increase in the cost of cultivation. Another effect of this gradual scarcity of labour resulted in the rise in wages which is given in full in the appendix.

Further there has been deterioration in the out-turn of garden crops as is observed by Mr. Baskerville in the *Precis of the Settlement Report*: "There is sufficient evidence to show that the out-turn of garden-crop has deteriorated. The difference in the out-turn of pepper and Cardamom is apparent."

10. The scarcity of labour, the pressure of forest on agriculture, the deterioration in crop produce, the deprivation of agricultural facilities which the ryots enjoyed in former times are thus the main causes of the deterioration of agriculture in these talukas. There is one more contributory cause yet to be dealt with, namely the inadequate facilities with regard to the protection of the crops. The rules under the Arms Act are rigorous, and the rules as to shooting in the forest are still more so. Possession of a gun is not therefore as great a comfort as otherwise it would have been. Nobody can shoot into a Reserved forest and the Reserved forest has sometimes come so close to the villages that this rule practically means that destruction of wild animals is almost prohibited. Then again in the issue of licenses a discrimination is made between big landholders and smaller ones. Political opinion is penalised and we have a copy of an order before us which shows that at one stroke of the pen on one single day the Collector cancelled the gun-licenses given for crop-protection of 89 persons on the alleged grounds of their sympathising with the Civil disobedience movement. And unless it is seriously argued that persons that happen to range themselves against the present system of Government have no civic rights to protect their life and property from the depredation of wild animals, such orders can have no legal or moral justification. The rules do empower certain authorities to withhold a license for reasons they may consider fit, but political opinions and activities of a person can be no valid ground for cancelling a license, unless the authorities have really reasons to think that the license would be abused. There was another complaint brought before us in this connection that before a license can be secured the applicant has to spend on an average Rs. 40-50 in satisfying the subordinate officials in Government service. We have no reason to disbelieve these complaints and we think this must be acting as a great deterrent.

Inadequacy of
Gun-licenses

**Agricultural
indebtedness**

11. Hedged in by so many handicaps it is no surprise if during the last 30 years we find the peasantry heaving in debt. We have not been able to secure exhaustive figures for each village in the two talukas but the evidence that has come before us is sufficient to give us an idea of the extent of indebtedness from which these poor peasants have been suffering. We cull a few extracts from the reports we have received in regard to indebtedness. The following table gives the results of an intensive study of four villages from different parts of Sirsi taluka.

Name of villege.	No. of families.	Total Debt.	No. of families having no debt.	Average debt per family.
Hare-Hulikal ...	16	17,700	2	1,106-4-0
Targod ...	20	31,750	3	1,587-8-0
Mundgesar ...	27	18,775	5	695-8-0
Gonsar ...	23	28,300	?	1,230-0-0

A similar detailed study in Harogar centre revealed a debt of Rs. 94,981-4-0 in an aggregate of 102 families.

**Price fall in
1930**

12. It was owing to these adverse circumstances that Mr. Collins the Settlement Commissioner recommended a reduction in the assessment of gardenlands to the extent of Rs. 5,720 in Sirsi and Rs. 5,972 in Siddapur. But these proposals were not put into effect. The peasants, especially the garden land-holders, continued to border on bankruptcy when there was a sudden and severe slump in prices in 1930. The seriousness of the fall may be seen from the table of the course of prices given below :—

Prices prevalent in the Siddapur taluka from 1900—1931.

The same prices hold good for Sirsi also more or less.

The figures represent Seers of 80 tolas per rupee (g).

	Betelnuts	Cardamoms.	Pepper.	Rice.
1888-1899 ...	3- 1	0- 5	2- 9	11-12
1900-1908 ...	3- 0	0- 5	1- 8	10- 6
1909-1917 ...	2- 8	0- 5	1-12	8- 9
1918 ...	2- 3	0-10	1- 3	7-13
1919 ...	2- 8	0- 9	1- 2	4- 2
1920 ...	2-14	0- 5	1-12	5- 6

(g) The rates are all as in Government records.

The figures stand respectively for Seers and Chataks ($\frac{1}{16}$ of a Seer).

II: FALL IN PRICES AND GOVERNMENT ATTITUDE

1921	...	2- 4	0- 7	2- 2	6-12
1922	...	1-13	0- 5	2- 2	5-15
1923	...	1- 8	0- 3	2- 0	5-15
1924	...	1- 4	0- 2	2- 0	6- 2
1925	...	Figures not available to us			
1926 Jan.	...	1-10	0- 4	0-12	7- 0
1927 „	...	2- 5	0- 4	0-13	6- 7
1928 „	...	1-13	0- 3	0- 9	5-14
1929 „	...	1- 9	0- 3	0- 9	6-11
1930 „	...	1-12	0- 5	0-10	7-11
1930 April	...	2- 6	0- 6	0- 9	9- 4
1930 July	...	3- 2	0- 7	0-12	8-11
1930 October	...	5- 2	0-12	1- 0	8- 3
1931 Jan.	...	4-13	0- 9	1-10	9-11

Betelnut and Rice are, as already observed, the two main paying crops and the prices detailed above will easily show the fall they underwent. The condition of the garden-land was already so bad in 1924 that in spite of a rise in prices as between the period 1888-1924 Mr. Collins had to propose a reduction of assessment on garden-lands. When prices went far lower than those current in 1924, the condition of the garden-land-holders may easily be imagined. As for the rice lands, the prices of rice having undergone serious fall, the anticipations of Mr. Collins that the prices current in 1924 would be steady, failed and the owners of rice-lands were also hit hard by the slump in prices. We might here draw attention to the fact that so far as betelnut is concerned the prices current in October 1930 were the lowest ever recorded during the preceding 42 years. So were the prices of the other commodities more or less.

II. FALL IN PRICES AND GOVERNMENT ATTITUDE.

13. When the prices fell so abnormally, the lot of these already impoverished agriculturists may better be imagined than stated. Till 1930 they had regularly paid the assessment somehow or other but this fall in prices tried their strength and found them humbled down. Their only course was to approach the authorities, and seek relief by way of suspension or remission. The agriculturists of Sirsi met in a conference in January and discussed the economic distress. The agriculturists of

Government
approached for
relief.

Siddapur held a conference in which resolutions were passed praying for relief. Representations were made by the agriculturists but as Mr. Keshawain puts it in his statement, the Collector of the District was not disposed to consider the representations sympathetically. He replied that "the rains were particularly favourable and that the current prices were not less than those which prevailed at the time of the original settlement viz. about the year 1885 and that these were not valid grounds for relief." He ignored the fact that the cost of production had very highly increased during that period. A deputation of representatives of land-holders and ryots waited upon the Collector at Sirsi in the first week of February, but no definite assurance of relief was given to them. All that the Collector did was to extend the date of payment of the 2nd instalment from 15th April to the 15th May. We find that the main reasons of this indifference of the officials was that in the wrong belief that this was a political move the Government authorities did not pause to enquire into the economic distress of the peasants.

Under these circumstances the farmers made a resolve not to pay the taxes until the Government enquired into the economic distress and gave appropriate relief. The Congress gave them full support in this their hour of need. Most of the garden land-holders stood firm. In spite of all efforts by Government officials, Rs. 45,000 were yet due on account of the first instalment in Sirsi and Rs. 40,000/- in Siddapur. Most of this balance was due from garden-land-owners. After the Gandhi-Irwin Agreement, the Working Committee issued instructions that where-ever no-tax campaign was going on, on an economic basis, people affected should seek redress through other ways. Representatives of the two talukas met together and discussed the situation with Provincial leaders. It was there settled that Mahatma Gandhi should be approached and kept informed of the situation. It was also settled to approach the revenue officials again.

Ryots' efforts
fail.

Accordingly a deputation of the ryots of Siddapur waited upon the Collector but in vain. Mr. Keshawain, the president, of Sirsi Ryots Association wrote to the Collector representing to him all the facts. In reply the Collector wrote that the date of the payment of the 2nd instalment was extended to the 15th of May and added with a sense of finality "This is the utmost concession that can be granted." Meanwhile Mr. Diwakar was deputed to see Mahatmaji. He saw Mahatmaji and explained the whole situation. Mahatmaji accorded whole-hearted support to the

cause of the riots. Mr. Diwakar came to Poona and at his request, Messrs. Karki, Jog, and Angadi, members of the Bombay Legislative Council, saw Mr. Smart, the Commissioner, S. D. but the Commissioner did not pay any heed in regard to the request for relief in these two talukas. The matter was again raised in the Legislative Council by Mr. V. N. Jog on 18th March 1931 but the Revenue member, Mr. Hudson suggested that the movement was political. While these approaches were being made, coercive processes had already begun.

Coercive
measures in
Progress.

14 The first attachment of movable property was effected in Siddapur taluka on 8th March. At that time Rs. 45,000 were due on the first instalment in Sirsi and about Rr. 40,000 in Siddapur. Most of this balance was due from garden-land-owners. Attachments commenced in the Sirsi taluka on the 26th March. Till the 9th April, there were in all 65 attachments of movable property in Sirsi and 80 in Siddapur. The attached property was attempted to be sold in 8 cases in Siddapur. Criminal proceedings were instituted against volunteers who peacefully picketed the auction sales. Notices under S. 46, District Police Act to quit the district were issued against 10 volunteers in the Siddapur taluka. No such prosecutions were however launched in Sirsi taluka though attachments etc. continued.

15 In the meanwhile, as these coercive processes were in full swing the Congress representatives again waited upon Mahatma Gandhi and Sardar Vallabhabhai Patel, the President of the Congress. It is understood that as a result of a talk between Mahatmaji and the Viceroy, a more conciliatory attitude was taken by the revenue officials and we find that the Commissioner, Southern Division became amenable to a compromise and through the mediation of S. P. R. Chikodi, M. L. C. of Belgaum, entered into an agreement with S. R. R. Diwakar, the then president of the Karnataka Prov. Congress Committee under whose direction the movement in Sirsi and Siddapur had been conducted and on the 9th April, the Commissioner, S. D. issued the following order.

Signs of
reconciliation.

No. R. E. V.

OFFICE OF THE COMMISSIONER, S. D.

Belgaum, 9th April 1931.

MEMORANDUM:

" Mr. R. R. Diwakar proposes to call off the no-tax campaign in Sirsi and Siddapur talukas provided the Collector receives and deals with individual applications of holders of garden-lands asking for suspension of the 2nd instal-

ment owing to hardship in paying due to the heavy fall in the price of betel, nut and other garden produce. (Vide Commissioner's Memorandum No. R.E.V. dated 7th April 1931).

"If the Collector finds on enquiry into individual cases of hardship that a case for the general postponement of the 2nd instalment of land revenue on garden lands in the above two talukas appears to have been made out, he should report to the Commissioner with a view to obtaining Government orders for the grant of this concession. The Commissioner has no power to grant such a concession.

"As soon as Mr. Diwakar fulfills his promise to call off the campaign, coercive processes should be stopped including action under Section 148 L. R. Code.

"Fines for non-payment of revenue imposed but not already levied will be cancelled."

Sd/ W. W. Smart,

Commissioner, S. Division.

Government's
breach of faith

16. In accordance with the above-mentioned agreement, the economic campaign ceased, volunteers were withdrawn and Congress workers did their best to persuade land owners to pay up the first instalment and present applications for the suspension of the 2nd instalment. It pains us much to have to come to the conclusion, after full consideration of the evidence and record before us, that officials then and thereafter, did not play by the game with the poor distressed ryots. Even by taking loans and sometimes by the sale of necessaries of life, the land-holder somehow paid the first instalment in the hope that ready relief would be given in the second instalment. Their hopes proved futile. All went well till the 25th April. Ryots paid the first instalment and began to take back their articles. Cases against the volunteers were postponed *sine die*. Fines were remitted. But a re-action set in after the 25th, by which date, mainly owing to the persuasion of Congress authorities, the people had paid over most of the amount due on the first instalment even at great hardship, in many cases by recourse to loans. In some cases, the attached movable articles were not returned even after payment of the 1st instalment. Mr. Keshawain wrote a letter on the 22nd April to the Collector, bringing to his notice all the relevant facts about garden-lands and also urged that in view of the fact that 50% of the rice lands were fallow, the Collector be pleased to consider the question of suspending land revenue demand on fallow rice lands also.

He wrote another letter on the 27th to the same effect. We regret to say that the Commissioner in reply to this letter made allegations against the Congress, with whom he had entered into a solemn agreement, allegations which we find are false and unworthy to have been made by a responsible officer like the Commissioner. In paragraph 2 of that letter he observed :

“ The present settlement in these two talukas has remained unaltered from 40 to 60 years, during which time in spite of a rise in prices and favourable circumstances, Government have kept faith with the occupants and occupants have kept faith with Government, until they were instigated or intimidated not to pay, by the Congress leaders, who embarked on a no-tax campaign in spite of the Irwin-Gandhi Pact. ”

17. We have carefully scanned through the evidence that was brought before us. We have closely observed the situation on the spot. We have seen the poverty of the distressed ryots in the true perspective. And we venture to submit that there is no truth in the attack levelled against the Congress by the Commissioner. By all that we have seen and read, we are convinced that, had not the Congress come to the rescue of the poor ryots, they would not have been able to earn the concessions they have been able to, with Congress support and under Congress guidance. In his letter dated 4th May to the Commissioner Mr. Keshawain observed “ Referring to the Congress activities, I can only say that the ryots in their helplessness welcomed any assistance in their hour of need. The Congress people cannot be blamed for their coming to the aid of the ryots. In other parts as well as in this district also, the no-tax campaign was called off as soon as the truce was declared. But in Sirsi and Siddapur talukas it was not based on political motives but it was due to acute economic depression. The people have approached with their representation and have all along acted in a constitutional way. ” We find that the undignified remarks of the Commissioner are perfectly un-warranted by the facts. It is sufficient for us to observe here that if one wants to see how Govt. has kept faith with the poor agriculturists, he should just glance through the causes of misery of the occupant as given by the Settlement Commissioner in his Report. The Commissioner further stated in his letter :—

Gratuitous
Attack on
Government.

“ In any case, they (i. e. the estimates of costs of cultivation etc) are irrelevant as Government have in the last session of the Bombay Legislative Council stated clearly that suspensions will not and can not be granted on the ground of the fall in prices in one year during the course of settlements

guaranteed for 30 years, It is only persons who are genuinely unable to find money to pay the second instalment that have any claim to consideration. It is possible that the Collector may find from the result of enquiry in the capacity to pay of small garden-holders in the less favourably situated tracts that these are genuinely unable to pay owing to inability to raise the amounts due on the 2nd instalment."

**False
Allegations.**

18. Applications were addressed by the ryots to the Collector in accordance with the agreement of the 9th April. Naturally the cause of the requested suspension was nearly the same in all the applications. Naturally also Congress workers helped the people in the draft and despatch of these applicants. In strict accordance with the agreement, the Collector ought to have personally enquired into the ability or otherwise of the applicants. He went to 2 or 3 villages, in one case accompanied by Mr Keshawain and then he appears to have done with enquiries. The following letter from the Commissioner shows what was the result of the Collector's enquires :—

Office of the Commissioner S. D.
Belgaum, 31st April 1931.

DEAR MR.....

" I have received a letter from Mr. Aminuddin which shows that the Congress leaders or the Local agitators are not keeping to the letter or spirit of the undertaking given by them. Petitions in a stereotyped form obviously dictated by Congress are pouring in for suspension or remission of not only the 2nd instalment of garden-lands but of rice lands.

" The petitions are not individual applications even for the suspension of the 2nd instalment of garden-lands. They give no individual reasons for inability to pay and are mostly from Muligenidars (i. e. permanent tenants) of garden-lands and not from the occupants who appear to have recovered their rents already.

" The above remarks apply specially to Sirsi where volunteers deprived apparently of Congress pay are moving about and getting food and money from the people.

" Also the Congress told the people not to pay the 2nd instalment without instructions and are assuring all garden-holders of land that the 2nd instalment will be postponed.....

" It is impossible for the Collector to decide in accordance with the Congress undertaking in this case and the terms of the Gandhi-Irwin Pact whether

petitions for suspension are genuine or not if stereotyped applications are made wholesale.

Yours sincerely,
W. W. Smart."

We shall only observe, with regard to the contents of the letter, that the allegations made were wholly incorrect. We regret that responsible officers like the Collector and the Commissioner should have given themselves to use undignified language like that in some parts of the letter quoted above.

19. In pursuance of the spirit of the letter above-mentioned, stereotyped replies that the application was rejected began to be received by the agriculturists. But coercive measures commenced even before the final decision of the Collector on all the applications. On the 11th June the following order was issued by the Mamlatdar of Sirsi:—

Coercion
again.

" From the Taluka Katoheri—

" The following order has been received from the Commissioner by telegram. to all Circle Inspectors and Village Officers :

" Land revenue has been in arrears for a long time in your firkas and circles. Therefore there is no need of a *demand notice*.

" Now land revenue has to be realised by resort to all coercive processes other than *demand notice*.

" Therefore in cases where attachment is necessary orders should immediately be taken from here.

" In cases where attachment is inadequate, forfeit notice should be sent. In the 70 villages previously communicated coercive measures should not be undertaken for the present, in regard to the 2nd instalment of the garden-land.

" The year end is approaching. Therefore all processes should be completed within 10 days. If you fail to do this you will be held responsible. Your report that all coercive processes have been completed should reach before the 25th June '31. You should not fail, understand.

11-6-31

Sd/ V. A. Telang "

Mamlatdar, Sirsi.

Accordingly, without much thought as to whether the agriculturists were really able to pay or not coercive processes were begun. These will be notified in a little detail in the next paragraph. But we find here necessary to note our considered opinion that the agreement of the 9th April was not scrupulously observed by the Government.

III. OPPRESSIVE COERCION BY GOVERNMENT OFFICIALS.

Coercive
Measures in
Practice.

20. According to the Government admission in Sirsi taluka there were in all 120 attachments of movable property and 5 sales of movable property, forfeiture of rice lands 11, of garden lands 9. In Siddapur taluka there were 231 attachments of which sales were effected in 10 cases; attached property returned in remaining 221 cases; in 8 cases rice lands were forfeited and in 9 cases garden-lands. Government officials were expected to be careful to observe all legal requirements and not to give unnecessary provocation to the sentiments of the persons in distress. We have recorded numerous statements as to the peculiarly harsh—in some cases—irregular manner in which the coercive processes were enforced. We have found that in a large number of cases the Police accompanied the revenue officials. The people had exhibited no tendency of violence and the presence of the Police could have been utilized only to exercise pressure on the poor peasants. Of the numerous statements of complaints that have been recorded in our inquiry we quote here one or two to illustrate the method of these coercive processes.

Statement of Shrikrishnabhata Ganapathbhatta of Kerehonda, of Chapparmane grama:—

(i) "The assessment I have to pay amounts to Rs. 40. Last year the crop was not good and prices were not fair. In this way assessment could not be paid. On the 2nd instant I received a notice. But before I received the notice, they had attached property at my house. They did not give me time when I asked it at the time of attachment. They attached a copper pot and a milch buffalo. Then in accordance with the Mamlatdar's order that the attached goods would be released on payment of the first instalment, I raised a loan and paid the first instalment. They asked me to come after 4 days. I went accordingly but still they did not give. After a time I paid the second instalment. Then they returned my copper pot. They did not return the buffalo. On being asked about the buffalo they said that the buffalo was sold for the grazing fees. Thus I did not get back my buffalo. At the time of paying the first instalment I had paid the grazing fees Rs. 3-8-0 in accordance with the Mamlatdar's word (instruction). But still he did not give me my buffalo at that time.....I waited at his door and said I would fast till I got back my buffalo. I was pushed away by the Police. I am now getting rice from the relief fund."

Statement of Ganapayya Subrayya, Itagi gram, Siddapur Taluka:—

(ii) Patel, Shanbhag and Ugrani came to attachment for first instalment of Rs. 6/-. Deponent not at home nor any male member. Wife of deponent

asked officials to wait but they did not comply. Out of fear she tried to shut the door, but the door being forcibly pushed in by the attaching party stuck and injured the woman's forehead, and bangles in her hand also broke.

21. We shall not make any further extracts. There are numerous complaints of this nature. We shall just cite a few more instances of high-handedness in the matter of these attachments. The property of the uncle of Mahadev Subrao of Shivgaum (Sirsi taluka) was attached for the latter's arrears. At Mattinke in Shiralgi (Siddapur taluka), the Mamlatdar had gone with armed police, Circle Inspector, and village officer; the shanbhag lifted a pot in which rice was being cooked and attached it. This was brought to the notice of the Mamlatdar but he expressed his helplessness to do anything in the matter. At Makkigadde of Shashigali grama, Siddapur taluka, the Circle Inspector, shanbhag, and 2 armed police broke open the door of Vishweshwar Venkappa Hegade in his absence, in spite of the protest of his servants and took out articles for attachment. Revenue officials attached a cart and bullocks belonging to Ganapati Narayanbhatt of Hannagunde, Siddapur Kasaba (Siddapur taluka) for arrears due from his aunt. In some cases the floor of the house was dug and in others, articles of daily necessity and agricultural implements were attached. We have excluded all secondary evidence from our enquiry and we are in a position to state, as our considered opinion, *that the revenue officials in many cases were unnecessarily harsh, unjust and irregular in the manner of conducting coercive processes.*

Harsh, unjust
and irregular
methods.

22. We regret, however that the officials were not content with such sort of oppressive coercion. We have to take note of what, in all certainty was a gross injustice to the already too oppressed peasantry and a gross fraud practiced on the Government by its subordinate officials. It appears that realising that in spite of all coercion, the ryots would not be able to pay the balance, they proposed a tagavi loan of Rs. 25,000 to help the ryots who were in distress. When the peasants clamoured for a suspension, what was the motive in the tagavi loan which was to be advanced to the ryot at 8% interest is not plain to us. Nor are we aware of any published resolutions of the Government in regard to this matter. We are sure from personal enquiries made that no peasants asked for Tagavi when they had still not paid up the assessment. We are unable to say who originated the idea of giving tagavi to the people when still the assessment had yet to be realised from the peasants. From

Officials'
Abuse of
Statute Law

what followed, we must observe that this was an ill-judged measure. We have a suspicion that the peasants were unwilling to avail of this, what strikes us as a gratuitous loan, lest it be credited in payment of their arrears and over and above a burden of 8% interest created; for, the Commissioner in a letter to the General Secretary of the Karnatak Provincial Congress Committee says, "Rs. 25,000/- has been sanctioned by Government for distribution as tagavi for purchase of seed & bullocks in the three talukas of Sirsi, Siddapur and Yellapur as a special case. Its distribution has begun but is being expedited. *Little advantage of this concession has been taken so far.*" We shall now proceed to see how, at least in some cases this was abused. We quote a couple of relevant statements:—

"I, Jeevottam Krishnabhatt of Bilgi Taluka Siddapur state on solemn affirmation as follows:—

"I had paid the 1st instalment of last year's assessment. I had not paid the second instalment on account of difficulties. The Magistrate's clerk, *Ugrani* and the shanbhag had come for attachment. Tappeli, Topa (cooking pot) and other pots used for cooking puddings were attached and taken to the Patel's house. On the very next day the shanbhag said 'I shall give tagavi. Pay up the assessment by that and take back the movable property.' The Magistrate's clerk wrote the tagavi form that I wanted the money for bullocks and seed. The amount of my second instalment is Rs. 23. They took my signature on the tagavi form for that much amount. They did not pay me in cash. They have given me merely a receipt for assessment."

The statement of Subrao Venkataraman Hegde of Tallinmane Bakkal grama of Sirsi Taluka is as follows:

"I could not pay the 2nd instalment last year on account of difficulties. There was an attachment in the neighbour's house. The shanbhag said to me 'Why worry yourself unnecessarily? Take tagavi and pay up the assessment.' The amount of my second instalment is Rs. 19. I applied for a tagavi loan of Rs. 50/- in the hope that it may be useful both for the assessment and agricultural purposes. But the Mamlatdar said "That much cannot be sanctioned. Only amount to the extent of the assessment will be sanctioned.' He sanctioned 20 rupees, gave me one rupee in cash and credited the remaining for assessment."

Another statement of one Venkataramanna Timmappa Hegde of Hanmanti, Taluka Sirsi reads:—

" I had not paid the 2nd instalment of last year on account of difficulties. About Rs. 200/- had to be paid. They had come for attachment. But they went away without attaching property. And the Circle Inspector, shanbhag etc., asked me to pay the assessment at least by taking tagavi. I put my signature to the tagavi application prepared by shanbhag. On presenting the application the Mamlatdar said that more than Rs.100 could not be sanctioned. I said that it would be of no use, to me. On hearing this the Mamlatdar enclosed the application in an envelope and sent it to the Prant officer., with me. The Prant officer sanctioned it. Then I was given a receipt for my assessment and after deducting the assessment I was given six or seven annas."

Nagappa Shivaram Hegde of Tallinmane Bakkala grama of Sirsi Taluka stated before the Committee that at the instance of the shanbhag he applied to the Mamlatdar for tagavi for Rs. 100. The assessment he was to pay was Rs. 26. But the Mamlatdar said ' That much (Rs. 100) cannot be sanctioned. We shall give you only to the extent of the assessment.' A tagavi of Rs. 30 was granted and after deducting the amount of assessment, Rs. 4 were paid in cash to the applicant. We shall not burden this account by a detailed report of these instances which are summarised in the appendix. We have no reasons to disbelieve the witnesses, who have made open statements with a full knowledge of the consequences and they were warned that the statements would be published making allowances as far as possible to minor inaccuracies, in statements made by them. The broad fact remains that some of the subordinate revenue officials in the two talukas abused the provisions of the *Agriculturists' Loan Act* (India Act XII of 1884) which provides for such loans only for the relief of disress, the purchase of seed or cattle or any other purpose not specified in the *Land Improvement Loans Act* of 1883 but connected with agricultural objects with the knowledge that they were so contravening the express provisions of the said Act. Referring to this gross irregularity, Mr. L. T. Karki in his letter to the Collector (22-6-1931) said " Another gross irregularity of which I have heard is that those who have no means to pay the second instalment are made to apply for short term loans under the *Agriculturists' Loan Act* to the extent of the instalment due to be paid as assessment and the money directly credited to Government as assessment paid by the Khatedar, which is nothing short of book-adjustment. This novel procedure of revenue recovery means a distinct departure and abuse of the provisions of the Act which admits of purchase of seed and plough-animals, to carry on agricultural operations when impeded, due to

indigence of the cultivators." It is not for us to judge what effect such doings have on the administration, for the persons affected are bound to lose faith in the legality of Government transactions. But we are of opinion that this abuse of tagavi has imposed on the persons concerned the additional burden of interest at 8%. For otherwise these persons were entitled to a suspension of assessment due from them. Our enquiry has not enabled us to exhaust the number of such instances and therefore we are not in a position to say what portion of the sanctioned tagavi was so abused. Nor are we in a position to fix the responsibility and apportion blame for this abuse. It is neither profitable, nor, we believe, necessary within the scope of our enquiry to apportion blame in that manner. But we feel it our duty to record our opinion that Government who ought to be jealous of the purity of administration do institute an enquiry into these serious allegations of the ryots and bring to book all of its servants who are found, on an impartial enquiry, to be guilty of these breaches of a statutory provision so that popular confidence in Government, which, we have observed has received a rude check, may be restored.

Relief Work
and Govt.
Indifference

23. The distress of the ryots was so great that in spite of coercion and even after the realisation of part of assessment from the Tagavi, ostensibly granted for seed and cattle, there still remained a substantial balance. This the Government ultimately suspended. The amount of such suspension in Sirsi taluka was Rs. 8,000/- and Rs. 12,000/- in Siddapur. But the economic distress had thrown a large number of agriculturists into destitution and in some cases the exactions of land revenue brought the peasants to starvation. It was found on enquiry that about 314 families would require immediate relief. A local committee with Sjt. Keshawain as president approached the Gandhi Seva Sangha, Karnatak Branch for help. Seth Jamanalal Bajaj paid a visit to the two talukas on the 1st June, and the work commenced in July. About Rs. 10,000/- were collected for this work from all parts of Karnataka, as well as distant places like Bombay and Rangoon. Medicine was also distributed. But it is sad to note that the Government not only did not do anything to promote the relief but it tried to thwart it wherever it could. The Collector wrote to the President, Karwar District Local Board that there was no keen distress and when the Board did ultimately sanction Rs. 500/- the Collector refused to sanction it. Similar grants were made by the Municipalities of Sirsi and Kumtha and the taluka

Local Boards of Siddapur and Kumtha but the Collector vetoed all these grants. We must characterise this indifference as unwise and callous.

IV. INADEQUACY OF PRESENT REMISSIONS

24. It will be remembered that when Mr. Collins made his proposals for reduction in the assessment of garden lands, the prices of garden produce were bright but now in addition to the other handicaps the gardeners are faced with a heavy fall in prices. In its rejoinder to the Congress charge sheet Government stated that "the question of some permanent reduction of garden assessment will be now considered." In a resolution published on 17th [October the Government of Bombay stated :—

Remissions
granted by
Government
Inadequate.

"The current settlements of Sirsi, Siddapur and Yallapur talukas and Mundgod Mahal were to expire in 1925-26. Mr. G. F. S. Collins, C. I. E., O. B. E., I. C. S. who was appointed as the Settlement officer submitted his revision proposals in 1926 but no orders were issued on them in consequence of the decision of the Government not to introduce revision settlements pending legislation regarding the principles according to which assessment should be revised.

"In this report Mr. Collins has suggested the following reductions in the assessment of garden-lands.

Taluka or Mahal.	Rs.
Sirsi.	5,720
Siddapur.	5,972
Yallapur.	5,434
Mundgod.	40
	<hr/>
	17,166

"The Governor-in-council considers that the relief recommended for occupants of garden-lands should not be withheld because the proposals as a whole are kept in abeyance. *The need of concession has been accentuated by the recent fall in the prices of garden produce.* The remissions (*sic* suspensions) amounting to Rs. 20,000 were given last year to occupants of garden land, in the talukas of Sirsi and Siddapur. In order to secure more equitable *distribution* of land revenue demand as a whole in the areas in question, the Governor-in-council is now pleased to direct that remissions equal to the reductions proposed by Mr. Collins should be granted every year on garden-lands in the talukas of Sirsi and Siddapur, Yallapur and Mundgod mahal, till current settlements are finally revised. The orders should have effect from the current revenue year, 1931—1932."

We have to make some observations with regard to this resolution. First, whatever the general policy, we deem it unfair to the distressed garden-holders that the proposals were not immediately put into effect, especially in view of the admitted fact of their distress and need of giving immediate assistance. We think it is up to Government even now to give retrospective effect to the concessions as from 1925-26. But as if to meet that in anticipation Government have put forward the reason of the fall in prices for a reduction now and hereafter. One might ask, why did Government forget this fact when the Revenue member declared from his seat in the Legislative council *that a fall in prices would be no relevant factor in judging the suspension for a particular year?* It is a clear shifting of ground and we have no hesitation in saying that the peasants are entitled to a similar remission for the last 5 years at least.

Present Economic Distress

25. This is not all. For, in our opinion the distress of the ryot would not be lessened to any great extent by piecemeal concession. We are afraid that the agriculturists, especially the garden land owners are on the verge of bankruptcy. We do not want to be understood to suggest that there are not any persons that are not well off, but the number of agriculturists who eke out a comfortable living among the agriculturists of Sirsi and Siddapur is very small. And by far the large majority are living on the verge of starvation. This year has seen the climax of misery. They have not been able to repay their debts. Those of them that have tilled other people's lands have not been able to pay their land-lord's rent. We shall just cite an illustration or two from among the facts that have been brought to our notice. The following speaks for itself :—

TOTGARS' SOCIETY, SIRSI

YEAR.	DEBT DUE.	DEBT CLEARED.	STILL DUE.
1925	16,500	13,350	3,150
1926	29,925	24,490	5,435
1927	24,425	22,180	2,245
1928	21,000	17,200	3,800
1929	11,800	Not paid at all.	All debts are all still due.
1930			

It is clear from the above that the ryots' capacity to pay is crippled. To take another instance there is a Co-operative Society at Hulgol whose balances of debts have been progressively increasing.

Another index of the present condition would be to examine whether and to what extent agriculturists paid their revenue by recourse to loans. It is difficult to have an exhaustive survey of this nature. We have some figures placed before us which, show that a number of persons had to borrow money to pay the tax and we have come across an instance when the peasant sold away part of his immoveable property to pay the land revenue.

26. The time has therefore come for the taking of an exhaustive economic survey of the conditions of the peasantry in the two talukas, at present. Conditions may vary in different localities but a scrutiny ought to enable us to give a general idea of the precise extent of the people's misery. We do not pretend to have made such a thorough statistical enquiry but we must say we have done our best to acquaint ourselves with the general economic condition of the agriculturists at the present day. In order to avoid vagueness we deputed Sjt. T. S. Nayak to make a house to house enquiry in 2 villages and his results show that the average income was 81 and expenditure 83 leaving no margin to pay the debt which averaged Rs 60 per head. This was the state of things last year, when though the prices fell, the crop was at least not much below the normal yield.

Economic Re-
survey Essential.

V. EFFECT OF KOLE-ROGA IN 1931

27. If the fall in prices last year was abnormal, there is no substantial improvement this year. In addition to this a new factor has made the situation far worse than what it was; that is the abnormal ruin of the garden crops owing to the Kole-Roga (Rot-Disease). That this disease takes an annual toll of crops is not disputed. We have been informed that the average annual loss amounts to about 10-12% of the crops on the gardens affected. As to the origin of the disease, our impression from what we saw and heard and read is that this disease arises either from an excess of rain or an alternate attack of rain and sun. The disease not only ruins the year's crops but in many a case completely dries up the tree which means an absolute loss. We have ourselves seen a garden at Bilgi which had been completely affected by Kole-Roga and 90% of the crop had been ruined and we saw a number of trees killed by the disease. The disease being recurrent every year, the ryots tie covers for the bunches of betel-stalks, which is a good remedy in normal times

Kole-roga
in 1931

But it does not serve any purpose if the rains are abnormally excessive as they were this year. The table given below will show the extent of rain during the last 4 years in Siddapur taluka :—

	June.	July.	August.	September.	October.	Nov.
1928	2-95	46-86	24-42	2-56	11-87	
1929	33-84	40-10	22-38	8-51	2-62	
1930	25-75	31-8	16-63	11-39	8-25	
1931	11-14	43-11	57.48	8.59	3-9	

The season of growth of the betel crop is from June to October. And this year's excessive rain just at the period when betelnut was yet unripe has played havoc to some extent in Sirsi and to a large extent in Siddapur. It may be argued that since this disease is annual what grounds are there to show that the disease is abnormal this year. In the absence of better statistics we have perforce to have recourse to personal testimony, and that testimony has brought home to our minds the fact that the ruin this year is enormous. We append herewith an anevari estimate prepared by Congress deputies. The calculation and estimates were made a month ago, and the misery must have been aggravated since then. Even a cursory glance through the figures will show the enormous loss that the agriculturists have had to suffer through this Act of God. We shall not waste more space in commenting on the obvious and we shall only observe that the agriculturists are entitled to liberal suspension this year also, to the extent of their misery.

VI. CONCLUSIONS AND RECOMMENDATIONS.

Conclusions. 29. We have come to the end of our survey. We have done our best to give our considered opinions on the points of reference that were entrusted to us for enquiry and report. And our opinions as summarised on each point are as follows :—

1. That Government was *ab initio* completely indifferent to the misery of the people and that some Government officials have been harsh and unjust and irregular in the methods of realising the revenue.

2. That the economic condition of the agriculturists has been gradually deteriorating largely owing to the ruinous forest policy of the Govt. and that during the last year and this year particularly they are on the verge of bankruptcy on account of low prices, and ruin to garden crops on account of Kole-roga.

3. That the crops have been substantially ruined this year by an abnormal onset of Kule-roga and the agriculturists are entitled to generous concessions by way of suspensions and remissions.

4. That the concessions announced by the Govt. of Bombay in regard to garden-lands on the 17th of October are inadequate and should be extended to the extent rendered necessary by the present economic conditions and that they should have retrospective effect from at least the date of the last Settlement enquiry, 1925-26.

29. We shall conclude our report with our recommendations as regards the remedial measures that are necessary to be adopted for the amelioration of agriculture, especially the garden-lands in these two talukas. We must first observe that no extraneous aid would be useful unless the agriculturist bestirs himself to realise the seriousness of his position and sets about improving his prospects. It is a hopeful sign to learn that the Sirsi Mahamandal has prescribed economic measures cutting down expenses of an agriculturist family, on such ceremonial occasions like marriage. But no effort by the agriculturist is likely unless the State removes the abnormal handicaps under which the average agriculturist, especially the garden land owner, is working today. And among measures for the amelioration of the agriculturist's condition at the present time would be :—

Recommendations.

- (1) That forest policy be regulated in consonance with the needs of agriculture and all the privileges noted in the Gazetteer be restored to the agriculturist.
- (2) That assessment on fallow lands be exempted.
- (3) That a fresh inquiry into the economic condition of agriculture be made by Government and the assessment revised in accordance with the need of present situation.
- (4) With reference to the conditions in the last and current year, the Committee recommends that the amount of Tagavi credited to assessment be counted as suspended arrears and that liberal concessions by way of suspension and remission be given in those villages where they are found to be just and necessary.

DHARWAR,
22-11-1931

N. G. JOSHI
D. P. KARMARKAR
T. S. NAYA

Appendix to Paragraph 2B

ANNA-VALUATION OF BETEL CROP IN SOME VILLAGES

I SIRSI TALUKA

Hegade Katte Centre

*Kotagehalli	3	Bettan̄ni-mane, Emmi-gundi, Kallagadde	5
*Negar	4	Gavinbena, Kalla Methu	3
*Mudgar	8	Chanohakār	5
Onakai-Hegadekatte of Shivalligrama	3	Melin-Kanalli One part of Kodbāl	2 3

Haruḡar Centre

Neggu	3	* Balavalli	6
Hulekal-centre	5		

The villages marked with an asterisk have received partial suspension last year.

II SIDDAPUR TALUKA

Anna-valuation of betel-crops in some villages of Siddapur taluka by personal observation.

Kansur Centre

Halkani	4	Adakalli	5
Halgesar (Devisar)	3	Yalugur	5
Other villages of Devisar grama	6	Banagi	5
Ganansuguddi	2½	Kodsar	5
Kangod-kansur	5	Kansur	5
Girgadde	5	Taggin-balagār	5

Lambapur Centre

Vajgod	3½	Other majares of Danamaon	3
Sungali-Mane	4	Keremane	3
Kelagin-Mane	3	Alavalli	4
Suttalmane	2½	Hukkali	4
Masali-Makki	2½	Kudgund	3
Danamaon-majare	6		

Dodmane Centre

Kaunsale	2	Kadavadi	3
Kibbale	3	Kallakni	2
Gubbagod	3	Dodmane	3
Naigar	2		

Herur Centre

Hullunde	3½	Keregadde	3
Nandigal <i>majare</i> of Harigār	6	Kanchikai	5
Other <i>Majares</i> of Nandigal	3	Umbalamane	4
Hosatoī	5	Murur	2
Taresar	3	Anāleball	3
Heggur	3	Attimuradu	5
Amābail	2½	Hegge	4
Halegaauri	5	Kibballi	5
Sarkulli	2½		

Balur Centre

Karjagi	5	Hasargod	5
Balesar	6		

Bilgi Centre

Hosamanju-grama	1½	Other <i>Keris</i> of Bilgi	5
Hārurkeri, of Bilgi	3		

Karki-Saval Kendra

Honne-Hadda	5	Hemgar	5
Kodasar	5	Bāhdarkeri	4
Muttalli	4	Sampgod	2
Harsi-mane	6	Golgod	2
Kaval-koppa	5	Godlabil	5
Huttagār	4	Karki-savala	4

Kyadgi Centre

Kyadgi-grāma	5	Sakigoli	3½
Itagi	4		

Annewari estimate of betal-crop in some of the Villages in which land revenue collection was suspended in 1930-31.

Kudgund	3	Kadavadi	3
Hukkali	4	Kallakai	2
Alavalli	4	Dodmane	3
Keremane	3	Ilimane	6
Danmaon	3	Hullunde	3½
Talekere	3	Harigar	3
Vajagod	3½	Hegge	4
Sungolimane	4	Kanchikai	5
Kelaginmane	3	Girgadde	5
Suttalmane	2½	Halkani	4
Masalemakki	2½	Halgesar of Devisar	3
Kaunsale	2	Other majares of Devisar	6
Kibbale	3	Gamangudde	2½
Negar	2	Kangod, Kansur	5

APPENDICES

1. *Statement of Mr. S. N. Keshawain, President, Sirsi Taluka Ryot Sangh, Sirsi.*

The economic conditions of the ryots in these parts are anything but satisfactory. The abnormal fall of price last year accentuated the situation. The garden holder was especially badly hit. The situation was duly brought to the notice of the authorities and relief was sought. In the beginning the Collector of the District was not disposed to consider the representations sympathetically. He replied that the rains were particularly favourable, and that the current prices were not less than those which prevailed at the time of the original settlement, viz about the year 1885, and that there were not valid grounds for granting relief. He did not, however, take into account the other factors that affect the situation. In the past, the cost of production was very low. The wages had increased nearly fourfold during the last 45 years. The habits of the people and the standard of living have also changed. So, it could be seen, that unless the wages and cost of living appreciably decreased, the ryot could not make both ends meet. In fact, the garden holder could not realise even the cost of production by the sale of his produce last year. All these things were then represented to the Collector, and also a deputation of landholders and ryots waited upon him at Sirsi in January 1931. The then Collector Mr. Baskerville was pleased to say that he wanted assurance from the people that it was no part of the no-tax campaign and that if they paid the 1st instalment of revenue, he would consider favourably about the suspension of the 2nd instalment taking, into consideration the economic depression prevailing.

On the strength of this assurance, more than half of the khatedars paid their first instalment, while others were trying to find out the necessary funds to pay. The Government also tried to recover the balance of the 1st instalment by having recourse to coercive measures from March 1931. But still the full amount could not be recovered. In the meanwhile, the Collector was approached to make the announcement of the suspension of the 2nd instalment, so that pressure may be brought on those who had still to pay the 1st instalment to make payment. To our great surprise and consternation, the Collector sent a reply saying that the due date of the 2nd instalment was advanced from the 15th April to the 15th May 1931. This was no concession at all. What was required was relief until the next harvest. The ryots could not be expected to find money during the intervening period. It was therefore deemed advisable to approach the Commissioner and wait in deputation upon him.

For this the help of the members of the Legislative Council from the Karnatak was also sought. Repression was still going on. Mr. R. R. Divakar, President of the Karnatak Provincial Congress Committee, moved in the matter on behalf of the ryots. Mr. P. B. Chikodi of Belgaum saw the Commissioner with a view to make an appointment with him for members of the Legislative Council and the distressed ryots to wait upon him and represent matters. It appears that the Commissioner was already satisfied that there was acute economic depression in these parts and an agreement was arrived at by which the Collector was to enquire into individual cases and if he found during the course of enquiry that a case for general suspension existed, that he should recommend for the same.

In view of this assurance, the ryots were urged to pay the balance of the 1st instalment and most of it was paid by borrowing and other means. In the meanwhile, the Commissioner revised his opinion and it was ordered to give suspension only in a few ill-favoured tracts without the promised enquiry. I produce the copies of the relevant correspondence that passed between the Ryots Association and the Government. The result was that coercive measures were again resorted to and the ryots had to undergo much hardship. Even then all the revenue could not be realised. The Government then granted some of the ryots *takavi* loans and recovered land revenue. What balance still remained after these adjustments, was suspended.

Owing to this state of things, it became imminent to organise relief to the needy gardenholders by way of distribution of weekly doles of rice. This work was organised by a local committee in co-operation with the Gandhi Seva Snagha and the local Congress Committee. I am glad to say that the general public here as well as outside and also some public institutions generously responded to our appeal and we were able to collect sufficient funds to meet the crying need.

Owing to heavy and continuous rains this year, betelnut gardens in many parts of the Sirsi and Siddapur Talukas are seriously affected by the "Koleroga" with the result that in some places, where they are worst affected, even a four annas crop is not assured. Though this disease could be found on a small scale every year, its havoc this year is terrible. Such parts where the disease has taken its heavy toll deserve the sympathetic consideration of the Government in the matter of the recovery of Land Revenue. The government have recently, by a Press Communique sanctioned a reduction of Land Revenue in the Sirsi, Siddapur and Yellapur Talukas. The reduction is based on the report of Mr. G. F. S. Collins, the then Settlement Officer in 1926. Though the annual reduction in Revenue on Garden lands by about Rs. 17000/- in these talukas would be welcomed by the hardpressed ryot, this measure would not go a long way in easing the situation. In normal times, it would have afforded some relief. The conditions during the last two years have much

changed and it would not be too much to ask Government to hold a fresh enquiry in the light of the present conditions and revise the land revenue accordingly. The reduction now sanctioned applies only to a number of villages which are in a worse condition. The conditions in the other parts also deserve the consideration of Government.

To give an idea of the present situation, I give below the prices of the garden produce that prevailed in 1926— the year of the settlement report — and the prices that now rule. From this table, the extent of economic depression as affecting the garden-lands can be gauged.

THE PRICES OF GARDEN PRODUCE IN THE YEAR 1926

Betelnuts.	Per maund	Rs. 9/-
Pepper.	..	Rs. 13/-
Cardamom.	..	Rs. 55/-

IN THE YEAR 1930

Betelnuts.	Per maund	Rs. 3/-
Pepper	..	Rs. 8/-
Cardamom.	..	Rs. 28/-

The lot of the rice landholders is in no way better. Fallow lands have increased by about 50% since the year 1900 as can be seen from the settlement report of Mr. Collins. The population has gone down by 25 and 24.4 percent respectively in the Sirsi and Siddapur Talukas during the last 3 decades. Unless Government affords relief by reducing land revenue on the rice lands and improving village conditions the lot of the ryots and land-owners will be anything but desirable.

Sirsi
18-11-1931

}

A. N. Keshawain,

2. *Extract from settlement officer's report*

- (1) The original settlement began in these talukas in the year 1869 and ended in 1888.
- (2) Gross yield of garden crops of Sirsi Taluka in the year 1823-24.

Betelnut	8313	Khandis	(18 lbs. = 1 maund)
Pepper	769	..	(20 mds = 1 Khandi)
Cardamoms	71½		
- (3) *Hundreds of families from this Taluka migrated to Dharwar, Mysore and Mundagod.*
- (4) The large area of garden land in the lowest group is important and

clearly shows that the assessment of these gardens is excessive and that their owners are on the verge of resigning them. *Para 38 Page 9).*

- (5) In the last group there has been an almost complete absence of sale statistics and those which exist show that land has little or no selling value. (*Para 48 C 3*)
- (6) The western ghat substrata contain some of the wildest and the most in-accessable parts of the Dist. and it is an area of marked deterioration. Many Villages are on the crest of the ghats and in some of them the garden cultivation extends down the sides of the ghats in steep terraces, the garden cultivation being, where the water supply is plentiful of mixed *supari* and Coconut. The labour expended in constructing these gardens must have been enormous. But they are now for the most part ruined or abandoned. In the north part of it the villages round Menshi used to be very prosperous fifty years ago. Now some of them are deserted and in the remaining, the population is fast disappearing and the cultivation being abandoned. The six or seven villages near Dewaramane in the north of the old abandoned "Vaddi Ghat" road comprising what is known as the Mutli ghat area constitutes the west part of the Taluka. The main Sirsi-Kumta road traverses the southern part of the ghat subtract, but the cultivation is confined chiefly to the small hamlets which lie on the road. South of it, Bugdi Village has been abandoned and Hosur nearly abandoned owing to the incursions of wild elephants.

3. *Summary of the Statement of Sj. Gangadhar Ramachandra Patwardhan, Sirsi.*

The betel, pepper and cardamom produce has decreased during the last 25 years, especially the cardamom. The main reasons are: (a) want of adequate rains. (b) rise in the cost of labour. (c) depression in the minds of the agriculturists. The cardamom plant which used to live 20-25 years is now alive only for a year or two. Cardamom has also suffered from *Katteroga*. and the fall in prices does not induce the agriculturist to devote much attention to it. The percentage of decrease in betel and pepper produce is 25% but in cardamom the decrease is 80%.

This year the betel-crop has suffered on account of *Koleroga*. The pepper-crop is also spoilt by the falling betelnuts.

The reason of rice-lands being fallow is the loss to crops by wild animals.

Monkeys bring loss to betel-crop, cardamom, and plantain-trees. Wild-cats eat cardomom. Monkeys, wild-cats, wild-pigs, destroy the Sugar-cane produce. Sometimes elephants bring permanent ruin to the gardens. The rice lands are attacked mainly by wild pigs.

The reasons of the people's indebtedness are: (1) the increase in their wants. Formerly agriculturists used to grow rice to the extent of satisfying their wants and so had not to buy it. In the present day the agriculturist puts in less labour than before. (2) the easiness with which they could get more loans. (3) litigation on account of prosecution by the forest department and otherwise.

The method I would suggest for wiping away this debt would be to collect a fund and lend money at a very low interest to the ryots.

Till now 14 villages and mazars have been deserted. The two reasons of such desertion are malaria and the wild animals in the forest. The main reason of deterioration in cattle-wealth is its destruction by tigers year by year.

The suggestions that I should like to make in regard to Mr. Collin's settlement report are as follows: There has been error in grouping the gardens. In the same area there are grades of gardenland, and each garden ought to be assessed according to its fruitfulness.

4. *Summary of the Statement of Hari Ramakrishna Vaidya of Bilgi regarding the deterioration of agriculture.*

- 1 Rains are not timely during the last 12 years.
- 2 (a) Formerly temporary licences were given for the period June-December. That practice has been stopped since 1930.
- (b) Gun-licenses are given only to those who own large properties but who do not make adequate use of their guns. The poorer people who would make a proper use of guns are not given licences.
- (c) For obtaining a competency Certificate from the subordinate officials namely Village officers, police etc. one is compelled to bribe them at least to the extent of 40 Rupees.
- 3 The Kole disease has increased during the last 12 years. The method of spraying as a safeguard against *Koleroga* is costly and besides makes the betelnut hard.
- 4 Before the operation of the Forest Act, forest round about the plantains used to be cleared. But now, on account of the proximity of the jungle the trouble from wild animals has increased. Malaria has taken a growing toll. Cattle wealth has decreased on account of its destruction by wild animals. Grazing land has decreased.
- 5 There has been Scarcity of labour, on account of numerous deaths at the time of the influenza epidemic and labourers are afraid to come to these talukas on account of malaria.

- 6 There has been decrease in the *efficiency of labour*. Of my seven servants 4 are disabled by disease.
- 7 Formerly cattle used to multiply well. But now we have to import cattle on a large scale.

5. *Statement shewing agricultural wages prevalent in Sirsi Taluka from 1898-1929*

1898	0 3 6	1909	0 5 6	1920	0 8 0
1899	0 4 0	1910	0 5 0	1921	0 9 6
1900	0 4 0	1911	0 5 0	1922	0 12 0
1901	0 4 0	1912	0 6 0	1923	0 14 0
1902	0 4 0	1913	0 6 0	1924	0 13 0
1903	0 4 0	1914	0 6 0	1925	
1904	0 4 0	1915	0 6 6	1926	{ 0 14 0
					{ 0 12 0
1905	0 4 0	1916	0 6 0	1927	{ 0 15 0
					{ 0 12 0
1906	0 4 0	1917	0 6 0	1928	0 14 0
1907	0 4 0	1918	0 7 0	1929	0 14 0
1908	0 4 0	1919	0 7 0		

Statement shewing agricultural wages prevalent in Siddapur Taluka from 1895-1931.

1895	0 4 0	1907	0 4 0	1919	0 6 0
1896	0 4 0	1908	0 5 0	1920	0 7 6
1897	0 4 0	1909	0 5 0	1921	0 7 0
1898	0 4 0	1910	0 4 9	1922	0 8 0
1899	0 4 0	1911	0 4 6	1923	0 9 0
1900	0 4 0	1912	0 5 0	1924	0 9 0
1901	0 4 0	1913	0 5 0	1925	... ..
1902	0 4 0	1914	0 4 0	1926	0 10 0
1903	0 4 0	1915	0 6 0	1927	0 12 0
1904	0 5 0	1916	0 6 0	1928	... ..
1905	0 4 3	1917	0 6 0	1929	0 12 0
1906	0 4 0	1918	0 6 0	1930	0 12 0
				1931	0 10 0

6. *Letter of the Collector, North Canara to Mr. S. N. Keshawain.*

KANARA COLLECTOR'S OFFICE
Karwar 28th March 1931.

Dear Mr. Keshawain,

I beg to acknowledge your letter of the 25th March. As you will probably have learnt already, the due date of the second instalment has been advanced in this district from the 5th April to the 15th May, so as to give land holders more time for making arrangements to pay it. *This is the utmost concession that can be granted.*

Yours truly,
 J. D. Baskerville

7. *Extract from.*

*First Order of the Commissioner in regard to suspensions in
 Sirsi and Siddapur Talukas, dated 7th April.*

ABOUT KOD

Under Rule XXXI of the Suspension and remission rules, irrigated lands, (tari) on which about Rs. 46000/- have been already remitted this year as water rate, can be treated as an HOMOGENOUS TRACT and suspension granted for the soil-assessment according to the Anevary of these lands. The Collector has power to do this without reference to the Commissioner.

ABOUT SIDDAPUR & SIRSI

The average assessment of lands growing rice is only Rs. 2-6-9 per acre and this assessment dates from between 1869-1888 as no enhancement was made in 1900 revision.

It is therefore impossible to consider suspension or remission of assessment on rice land as the rice crops this year have been fully normal.

As to garden crops the average assessment is Rs. 12-13-9 per acre and owing to the very serious drop in the price of betel-nut it is possible that owners of garden lands may find it difficult to pay the second instalment, the Collector can accept and dispose of applications of individuals and order postponement of recovery till next Revenue Year when these arrears will be authorised arrears for 1930-31. Contumacious defaulters are under Sec. 148 Land Rev. Code not entitled to the benefit of the postponement of the second instalment till 25th May 1931 granted by the Commissioner and should not be given this concession.

8. *Letter by Sj. R. R. Diwakar to Sj. P. R. Chikodi in regard to the above, dated 8th April.*

BELGAUM
8th April 31

My dear Chikodi,

I thank you very much for your keen interest and your timely intervention in the matter of the economic distress of the three Talukas of Sirsi, Siddapur and Hirekerur. I equally thank the Commissioner for his sympathies to the ryots.

I have read carefully the concessions embodied in the Commissioner's note. As regards Kod, I think that the concessions extended will considerably ease the situation though they may not completely satisfy the ryots. I am glad to see that the Commissioner has realised the difficulties of the gardeners of Sirsi and Siddapur on account of the heavy fall in the prices of betel-nut. There too if the suspension of the 2nd. Instalment is made a general rule rather than a matter of discretion in individual cases it will help the gardeners as a whole class who have been equally hit.

The agitation in the three Talukas was based on economic grounds and I do not think that there was any contumacy as such in the defaulters. Even if the Officers have reasons to say that there were such cases, I would urge you to plead that that should not be made any ground for vindictive treatment.

The atmosphere in the Talukas is at present very uneasy on account of the sufferings imposed by the coercive measures. I am quite anxious to see that the sufferings cease as early as possible and in view of the concessions, I shall try my best to see that normal conditions are restored.

Mean-while I hope you will kindly urge the Commissioner to stay the coercive measures including fines, notice fees etc. and prosecutions in the Talukas in connection with this affair. That will avoid all unnecessary sufferings and the ryots will feel at ease.

Yours Sincerely,
Sd/- R. R. Diwaker

9. *Revised order of the Commissioner, dated 9th April as Modified in view of Sj. Diwakar's letter.*

No. R. E. V.
OFFICE OF THE COMMISSIONER S. D.
Belgaum, 9th April 1931

MEMORANDUM:

Mr. R. R. Diwakar proposes to call off the no-tax campaign in Sirsi and Siddapur Talukas provided the Collector receives and deals with individual applications of holders of garden lands asking for suspension of the 2nd instal-

-ment owing to hardship in paying due to the heavy fall in the price of betel-nut and other garden produce (vide Commissioner's Memorandum No. R. E. V. dated 7th April 1921).

If the Collector finds on enquiry into individual cases of hardship that a case for the general postponement of the second instalment of land revenue on garden lands in the above two Talukas appears to have been made out, he should report to the Commissioner with a view to obtaining Government Orders for the grant of this concession. The Commissioner has no power to grant such a concession.

As soon as Mr. Diwakar fulfils his promise to call off the campaign, coercive processes should be stopped including action under Section 148, Land Revenue Code.

Fines for non-payment of revenue imposed, but not already levied will be cancelled.

Sd/ W. W. Smart,
Commissioner, S. Division.

To,

The Collector of Kanara (*Camp Sirsi*) with spare copies for Assistant Collector and Mamlatdar of Sirsi and Siddapur.

.....

Copy to P. R. Chikodi Esquire, M. L. C., Belgaum.

Sd/ W. W. Smart,
Commissioner, S. D.

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10. *Letter by the Commissioner to Mr. S. N Keshawain,  
President, Sirsi Taluka Ryot Sangh, Sirsi.*

No. R. V. E.

OFFICE OF THE COMMISSIONER, S. D.  
*Belgaum 1st May 1931.*

MEMORANDUM:

With reference to his letters of 22nd and 27th April to the Collector of Canara in his capacity of President, Sirsi Taluka Ryots Association, Mr. Keshawain is informed that the occupants of Sirsi and Siddapur must pay up the whole of the first instalment on all lands and second instalment on rice lands and garden lands also unless the Collector who is judge in this matter is satisfied that any individual is genuinely unable to pay. Stereotyped petitions by garden-owners which are word for word the same have no value as the alleged general ground such as malaria etc. and do not prove the

individual's incapacity to find money to pay. It is not surprising that some rice-lands remain fallow and are relinquished as the average assessment on rice-land is only Rs.2-6-9 per acre and is under Rs. 2/- in places.

2. The present settlement in these two talukas has remained unaltered for from 40 to 60 years, during which time inspite of a rise in prices and favourable circumstances, Government have kept faith with occupants and occupants have kept faith with Government until they were instigated or intimidated not to pay, by the Congress leaders who embarked on a no tax campaign in spite of the Irwin-Gandhi pact.

3. Estimates of costs of cultivation submitted by cultivators whether backed by Congress Leaders or not are worthless and have been proved to be so. In any case they are irrelevant, as Government have in the last Legislative Council stated clearly that suspensions will not and cannot be granted on the ground of the fall in prices in one year during the course of Settlements guaranteed for 30 years. It is only persons who are genuinely unable to find money to pay the second instalment that have any claim to consideration. It is possible that the Collector may find from the result of enquiry into the capacity to pay of small garden holders in the less favourably situated tracts that these are genuinely unable to pay owing to inability to raise the amount due on the second instalment.

Sd/ Commissioner / S. D.

**11. Confidential Circular issued from the Mamlatdar's office, Sirsi to Circle Inspectors and village officers**

OF 9708

“ FROM MAMLATDAR'S OFFICE SIRSI

The following telegraphic order received from the Commissioner S. D. to Circle Inspectors and village officers:—

As the amount of land revenue not recovered from your circle and Firka has been very great since many days it is not necessary to issue demand notice to the defaulters.

It is now necessary to recover all the revenue dues even adopting the coercive measures besides the issue of demand notice.

Where attachment seems to be necessary, order from this office should be obtained before recovering the dues by attachment.

When it is found that the dues cannot be recovered even by attachment forfeit notices should be issued. No coercive measures should be enforced to recover the second instalment of revenue on garden lands. The end of the revenue year is approaching. Therefore all the measures must be resorted to during the next ten days. *If you fail to do this, you will be held responsible for this.* You must send the report to this office before 25-6-31 to the effect that you have adopted all the measures for the recovery. Do not fail. 11-6-31”

(Sd.) V. A. Telang  
Mamlatdar, Sirsi

**12. Cases of persons in Sirsi Taluka who paid the first instalment but whose attached property was not returned**

(On the plea that the second instalment was not paid, though according to the Smart-Divakar agreement, the property ought to have been returned after payment of 1st instalment.)

1. Mr. Ganapati Nagappa Hegde, Mr. Laxmi-Narayan Hegde, Mr. Subraya Sheshappa Hegde, and Mr. Ramakrishna Vishveshwar Hegde, all of the village Navageri paid the first instalment on 25th April but the *Shanbhog* refused to give back the property.

2. Mr. Govind Krishnappa Hegde of Boppankodlu suffered in the same way at the hands of the Shirastedar on 24th April.

3. Gajanan Sektaram Bhat of Kerekai of Kulve Firka paid the 1st instalment on 22-4-1931 but was refused his property on 2nd May, by the Shirastedar.

4. Similar are the cases of Ganapayya Paramayya Hegde of Shivalli, Bisalkop Firka and Mrs. Laxi-amma Shankarappa of Hare-hulekal.

**13. Cases of temple grants refused on the plea that the managing trustees pleaded inability to pay the 2nd instalment.**

On the 20th May, the Shirastedar refused the annual grant of the Ganapati temple, simply because the honorary trustees of this public temple had not yet paid the 2nd instalment. The temple owed no dues to the Government. On the 21st May the Shirastedar refused the grant of the Someshwar temple of Somasagar in Sirsi Taluka on the same plea.

**14. Order of Mamlatdar to village officers asking his Subordinate office to expedite Collection.**

FROM MAMLATDAR'S OFFICE, SIRSI

With reference to the order No.  $\frac{f\ 7604}{29-4-31}$  from the D. D. C's

office Divn. the following order has been issued.

The commissioner had given some some concessions in the first instalment on 9/4/31. We can not continue to grant these concessions as they are. Sufficient time has been given to those who desire to pay off their assessment dues. And the property of those who withhold payment deliberately must be attached. *Especially the property of those persons who instigate others to withhold payment must be attached.* In default of payment of first instalment in time the defaulters are bound to pay second instalment also immediately. Therefore attachments must be effected for both the instalments. This order must be brought into force immediately.

(Sd.)

Mamlatdar Sirsi.



15. *Letter by Sj. Keshawain to the Commissioner, dated 4th May 1931*

*From,*

S. N. Keshawain, Esquire.,  
President, Sirsi Taluka Ryot's Association.,  
SIRSI.

*To,*

The Commissioner, S. D.

Belgaum.

Sirsi. 4th May 1931.

*Subject* : SUSPENSION OF LAND REVENUE IN THE SIRSI TALUKA.

With reference to your No. R. E. V. dated the 1st inst. I have the honour to point out that the Ryots have been paying up the first instalment some how or other after being assured that they will obtain relief in respect of the second instalment. Applications from individuals might be similar in some cases, where the grievances were the same, but malaria is not the main ground urged as alleged by the authorities. In their difficulty to find a good writer, some discrepancies might have crept in. It seems rather strange that the local authorities should ignore the main grounds and make much of the weak points if any in the applications, when they have not the inclination to listen to the real grievances of the ryots. If the applications are carefully gone through and enquiries made with an unbiased mind, they will convince any impartial critic that the Ryots' paying power is at its lowest ebb this year. The difficulties and the reasons for not relinquishing fallow rice-lands are mentioned in the Revision Settlement Report of Mr. Collins and it is not necessary to repeat them here.

As regards the contention that the present settlements have remained unaltered for the last 40 to 60 years, I may point out to you that Mr. Collins in his last Revision Settlement Report recommended the reduction of Land Revenue on garden lands in the Sirsi and Siddapur talukas, taking into account the local unfavourable conditions. But his recommendations were not brought into force. This was in normal times. How the situation must have aggravated in an abnormal year can better be judged. Referring to the Congress activities, I can only say that the Ryots in their helplessness welcomed any assistance in their hour of need. *The Congress people cannot be blamed for their coming to the aid of the Ryots.* In other parts as well as in this District also, the no tax campaign was called off as soon as the truce was declared. But in the Sirsi and Siddapur talukas, it was not based on political motives but was due to acute economic depression. The people here approached the authorities with their representations and have all along acted in a constitutional way.

It is easy for local authorities to dispose off the estimates of cost of cultivation and income submitted by cultivators as worthless, when they cannot meet them by their own arguments. The peculiar conditions of this taluka

are already urged and the Ryots' incapacity to pay can be discerned if the local authorities care to go into the question sympathetically and with an unbiassed mind. This year no Savakar or Coperative Society has been able to recover even a portion of their dues. The landlord also has not received rent from the garden lands. These facts alone will speak for themselves as to the miserable condition of the Ryots this year.

The new Collector has started with an assumption that the ryots have a surplus this year deducting the cost of cultivation though the actual facts and figures are otherwise. In his individual enquiries also, he has not elicited all the points, which would go to make clear the capacity or otherwise of the ryots to pay. To tell the truth, the lot of the bigger land-holder is more deplorable in these parts since he could not either manage his holding economically during the critical time owing to unwieldiness, or recover his rent when a portion of his property is leased. He has already paid the first instalment, though he did not receive rent.

I would therefore urge upon you to visit this place personally and have an idea as to the actual state of affairs. Otherwise, I believe, that the lot of the ryots is doomed.

I have the honour to be,

Sir,

Your most obedient servant.

(Sd) S. N. Keshawain

President, Sirsi Taluka Ryots Association.

*Letter by Commissioner alleging that Congress was not acting up to the agreement of 9th April.*

OFFICE OF THE COMMISSIONER S. D.

Belgaum 39-4-31

DEAR MR.....,

I have received a letter from Mr. Aminuddin which shows that the Congress leaders or the local agitators are not keeping to the letter or spirit of the undertaking given by them.

Petitions in a stereotyped form obviously dictated by Congress, are pouring in for suspension or remission of not only the 2nd instalment of Garden-lands but of rice lands.

The petitions are not *individual* applications even for suspension of the second instalment of garden lands. They give no individual reasons for inability to pay and are mostly from mulgenidars of garden lands and not from the occupants who appear to have recovered their rents already.

The above remarks apply specially to Sirsi where volunteers deprived apparently of Congress pay are moving about and getting food and money from the people.

Also the Congress told people not to pay the second instalment without instructions and are assuring all garden-holders of land that the second instalment will be postponed.

The understanding is quite clear and to the following effect :—

(1) The first instalment on all lands will at once be paid up. (2) The first and second instalments on all rice lands will be paid up. (3) Individual applications i.e. not stereotyped petitions word forward the same alleging general grounds such as Malaria etc, for suspension of the second instalment should be made by those who genuine are unable to pay.

The facts stated in Mr. Aminuddin's letter are confirmed by an application I have received from Mr. Keshwain which shows up the tactics which are being used.

All perishable articles and cattle have been returned. It is only in cases in which the holders obstinately refuse to pay the first instalment that non-perishable articles have not been returned and such cases are few.

It is impossible for the Collector to decide in accordance with the Congress undertaking in this case and the terms of the Gandhi-Irwin pact whether petitions for suspension are genuine or not if stereotyped applications are made whole-sale.

Your sincerely,  
Sd. W. W. Smart.

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16. *Letter by Sj. B. R. Diwakar, to Sj. P. R. Chikodi regarding allegations by the Commissioner against Congress.*

Dear Mr. Chikodi,

After you showed me the Commissioner's letter dated 30-4-31 on the 2nd May, I thought it better to see the Collector of Karwar personally. I went to Sirsi after casually explaining to you all the allegations made in the letter against the Commissioner. When I went to Sirsi, I saw also the Commissioner's memorandum to Mr. Keshwain dated 1st May.

I was surprised as well as very much pained to read some of the allegations as they divert our attention from the main issue, namely, the bad condition of the ryots and the 2nd instalment of garden lands.

I saw the Collector at Sirsi on the 6th of May. Mr. L. T. Karki, M. L. C. also happened to be there. Point by point I explained to the Collector as to

what has been done and what not by the Congress. He seemed to be quite satisfied and said that he would write to the Commissioner to that effect,

I clearly told the Collector that all the volunteers who were working under the Congress during the campaign in Sirsi and Siddapur had been withdrawn from that work since the undertaking given by the Congress. Such of those who came from outside the District had been sent home. Those who were now there belonged to the locality and most of them were engaged in doing the constructive work of the Congress such as enrolment of Congress members, formation of Congress Committees etc. I may also say that they are working under the local committees and helping the people to understand the true-terms. I am not prepared to admit the charge hinted at, that some of the volunteers have been trying to maintain themselves at the expense of the villagers by misinterpreting and deceiving the people.

I hold that the owners of rice-lands are quite wrong if they have applied for suspension of 2nd instalment under the order of 9-4-1931. I am assured by my people that they have never instructed any of them to do so. When asked by ryots regarding 2nd instalment what we have done is, we told the people that we pressed on the attention of the Commissioner the necessity for the general suspension of the 2nd instalment, of garden lands only, that the Commissioner replied that he had no powers to make such an order and if the Collector found on enquiry that there were reasons for general suspension he might report to the Commissioner for obtaining the necessary orders from the Government. I must emphatically repudiate the charge against us of having asked the people not to pay 2nd instalment.

As regards the allegation that applications are stereotyped and therefore dictated by the Congress, I simply say that the cause of their being stereotyped does not lie in the dictation of the Congress but on the common causes that are operating in the talukas and in the general custom of villagers who get applications written by writers who copy from some common draft. If in addition to heavy fall in prices and other relevant matter, malaria and other irrelevant things have crept in, that merely shows the ignorance of the villagers as to the nature of applications required to be sent. I told the Collector that such applicants should be given a fair chance of being heard rather than be dismissed for their ignorance. I went then through the application of Mr. Keshwain also which contains much extra matter. When I asked him the reason of putting in so much, he said that he did it as the President of the Association of ryots so that the whole perspective might be presented to the officers concerned.

On inquiry, I find that the owners of land are not realising or rather are unable to realise rents. It is not at all a fact that owners are realising rents

while they are putting up tenants to make applications for suspension of the 2nd instalment. I find that mostly only those who had been served with demand notice etc. have now applied. When I discussed this point with the Collector, I found that his was merely an inference that the owners had realised rents.

I had ascertained that there was an order to bring into play Section (48 L. R. C. even before the 2nd instalment became due on the 15th of May. When I brought this to the notice of the Collector, he said that it had been stayed. I brought to his notice that in certain cases (a list of such cases has been attached herewith), attached property had not been released even when the 1st instalment had been paid up. He asked me to refer such cases to him. But I pleaded for general orders. I have sent him a copy of the above list and have written to him again.

It is but lately that such cases are happening and they go a great way in disturbing the calm that has been restored. If under such circumstances, the Government decides to realise the 2nd instalment of garden lands without considering the case for a general postponement, it is possible the atmosphere of distrust may prevail.

There is no question about those who can pay. The question is regarding those who cannot pay and who might have run into debt even to pay the 1st instalment. If the majority is of the second type, there may be said to be a general case. However, I hope the ryots are not driven to desperation where more time can be given them for making payment which in no case they seem to refuse.

I hope that side issues about the Congress and undertakings etc. do not divert our attention from the main issue. I hope also that the peace once secured by your joint efforts is not disturbed and all misunderstandings are cleared away, so that all can work in harmony and co-operation.

Your most sincerely,  
R. R. Diwakar

*Letter received by the Secretary K. P. C. C. from the  
Commissioner S. D.*

No. R. E. V. — (C)

OFFICE OF THE COMMISSIONER S. D.  
Belgaum 27th June 1931.

#### MEMORANDUM

The Commissioner S. D. presents compliments to the Gen. Secretary K. P. C. C. Dharwar, and in reply to his letter dated 22nd June 1931 has the honour to state:

(1) The Collector of Kanara has reported that all applications for suspension of the 2nd instalment of land revenue have been dealt with except in 115

villages of Siddapur taluka and 70 of Sirsi taluka the condition of gardens has deteriorated.

(2) Arrears of the 1st instalment on all kinds of land remained uncollected and the collection of the 2nd instalment both of rice, khuski and garden lands was practically at a stand-still in Siddapur taluka and negligible in Sirsi taluka long after the very latest date on which it should have been paid. The date for the collection of the 2nd instalment was postponed from the 5th April to the 15th May 1931 to give the Khatedars the utmost possible facilities for payment. Therefore coercive processes which had been stopped were renewed with the Commissioner's approval but subject to Collector's superintendance and discretion, except as regards the 2nd instalment of garden lands in the 115 villages of Siddapur and the 70 villages of Sirsi taluka where they have been *strictly prohibited* by the Commissioner for the present.

The recommendations of the Collector as to suspensions in these villages are awaited.

(3) Rs. 25,000/- have been sanctioned by Government for distribution as takavi for purchase of seed and bullocks in the three talukas of Sirsi, Siddapur and Yellapur as a special case. Its distribution has begun but is being expedited. *Little advantage of this concession has been taken so far.*

(4) The Commissioner has taken steps to ascertain whether the above orders have been made widely known. They are in no way inconsistent with the Commissioner's orders dated the 9th April 1931.

Sd/ W. W. Smart,  
Commissioner S. D.

19. *Extracts from the letter of Mr. L. T. Karkki, M. L. C.  
to the Collector, Karwar.*

*Camp, Sirsi 22nd June 1931.*

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2. The news of distress in gardening centres of the above two talukas made me personally visit Herur, Kansur, Tyagli, Bilgi, and Kyadgi in Siddapur taluka and Hegdekatte and Targode in the Sirsi taluka. The distress is acute where garden cultivation alone prevails and where rice-cultivation is proportionately inadequate. This year's abnormal fall in the prices of garden produce has failed to cover even the cost of cultivation. A very large percentage of gardeners find no money to engage outside labour and many gangs of below-ghat labourers had to return home disappointed this working season and some worked on credit. Thus their next year's cropping prospects are also minimised, since tying "kotte" to protect the tender arecanut crop is an essential process involving money and labour which the gardeners have not the means

to employ. Some gardeners are in immediate need of food-supply while some can wait for a month or two ; those who have no staple food-grains live upon green plantains, plantain-flour, jackfruit, cloves and seed and this I have personally seen in some of the distressed households. These gardeners have absolutely no hope of any income till the next crop is marketed, about December next, nor can they leave gardens and earn elsewhere since they would be deprived of the benefits of the love and labour applied to the gardens. Thus while the next year's crop is threatened in various ways some of them stand in need of immediate relief. I can quote a recent yet clear instance regarding the acute distress of the gardeners. There is deep prejudice and a ruling superstition among the Brahmin cultivators against handling the plough. Some of them have been fined by their respective Mutts for violating this social custom. But the pressure of the present distress is so great that on the 18th June 1931 a large crowd of Havik Brahmins, en masse, broke the superstition and began ploughing rice fields in the proximity of the Nelemav mutt, in the Herur village of the Siddapur taluka. I chanced to be personally present at the time and that was an impressive occasion.

\* \* \* \*

4. I have during my enquiry heard that inroads of wild elephants were another menace. In Targode centre several villages have been affected and a herd of some three elephants moved on to Manjuni side after doing much mischief of sugarcane and supari in Hegdekatta village. It pained me much to hear that the administration paid no heed to the cry of the distressed villagers and to their repeated petitions and telegrams. I understand that the Shikari's services have been dispensed with, since some months, and the rifle purchased for elephant-shooting is rusting as it is not fit for that purpose. To add to this trouble gun-licences of many gardeners have not been renewed and in some cases withdrawn and thus the garden crops have been left to be attacked by many pests. These grievances, even now, need to be immediately removed, else gardening would be rendered impossible in the jungle tracts and the life of the gardeners would not be worth living.

5. Recovery of the land revenue in these two talukas seems to engage the attention of the Officers, to-day, more than the acute distress of the ryots. Everywhere I went I heard the wail of the gardeners and they told me that they paid the first instalment of the assessment with greatest difficulty in the hope that some concession would be given to them in the matter of the second instalment due to be paid later, since they had appealed to the Commissioner individually stating their cases. Many of the gardeners had risked their everything in meeting the demand of the first instalment. Now I see that in most cases even without considering these petitions and even without issuing demand-notices coercive measures for the immediate recovery of the second instalment have been launched.

6. The irregularities and the coercion brought into play in recovering the second instalment of garden-lands are, I understand, a chapter of imposing the greatest hardship on the ryots. Complaints to the effect that *cooking utensils and food provisions are attached have been brought to me*. I have so far traced one case in which a pair of plough bullocks has been attached. Some times the inmates of the houses, men, women, and the children, are driven out, armed Police are kept at the door and attachments are carried on. The floor is dug in many instances, even endangering the houses in the heavy rains where the digging extends even to the very base of the walls. All this in the expectation of *coming on hidden treasure*. Money paid voluntarily is entered as money found during the course of attachment. It seems it is an attempt by Officers to prove contumacy. Another gross irregularity of which I have heard is that those who have no means to pay the second instalment are made to apply for short term loans under the Agriculturists Relief Loans Act to the extent of the instalment due to be paid as assessment and the money directly credited to Government as assessment paid by the khatedar which is nothing short of book-adjustment. This novel procedure of revenue recovery means a distinct departure and abuse of the provisions of the Act which admits of purchase of seed and plough animals to carry on agricultural operations where impeded, due to indigence of the cultivators.

7. I have also scrutinized instances in which the value and weights of attached moveable properties are not entered in the lists provided by the attaching officers and attachments are made, in some cases, in the absence of adult members of the houses searched; the attached things are left in charge of the Patel of the village while in the receipt handed over to the owner the things are shown as left in his or his nearest relative's possession to be produced whenever called upon to do so. There are also complaints that the Sub-Registrars refuse to admit deeds presented for registration unless proof is given them that assessment of the concerned parties is fully paid; the village officers do not furnish copies of record of rights and the Revenue Courts do not admit Rent Suits until assessment is fully paid. Cash Alienation Allowances due to be paid to many temples have been withheld pending full payment of assessment due from the trustees and priests of the temples in their personal capacity. This is the tale of distress I have heard in many places needing thorough public enquiry.

8. I was reliably informed at Hegdekatta that a Christian Ugrani of the village was urged to enter the houses of the Brahmin gardeners and was made to roam through kitchen and all parts of the houses which never admitted non-Brahmins thus committing violence to all religious ideas and sentiments. I was assured that it was never necessary to do so as there were others in the



party who could have entered any parts of the houses without prejudice to religious feelings.

\* \* \* \*

12. I learn that the Congress workers co-operated with the Authorities in collecting the first instalment when the Commissioner promised to consider the postponement of the second instalment. I had a talk with some of them and they are still willing to bring moral pressure on those who are able to pay. While speaking with them I gathered that the coercive measures were a surprise to them since presumably applications for suspension were under consideration and negotiations were going on through Mr. Chikodi according to the Commissioner's orders dated 9th April 1931. I still feel that it were better for all if the coercive methods are replaced by conciliatory measures which will bring pressure on those who are able to pay and which will give relief to those who deserve relief. The question whether certain individuals are able to pay or not need not present any difficulty as it can be easily managed if the local leaders are taken into confidence."

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**20. Communique of the Director of Information Bombay regarding  
Government of Bombay's Resolution re remissions on  
garden-lands in Sirsi and Siddapur.**

With The Compliments of

The Director of Information, Bombay.

P-249

17-10-31

A resolution of the Government of Bombay states :—

"The current settlements of the Sirsi, Siddapur and Yallapur talukas and Mundgod Mahal were to expire in 1925-26. Mr. G. F. S. Collins, C. I. E. O. B. E., I. C. S., who was appointed Settlement Officer, submitted his revision proposals in 1926, but no orders have been issued on them in consequence of the decision of Government not to introduce revision settlements, pending legislation regarding the principles according to which assessments should be revised.

In his reports Mr. Collins had suggested the following reductions in the assessment of garden lands :—

| Taluka or Mahal. | Rs.           |
|------------------|---------------|
| Sirsi            | 5,720         |
| Siddapur         | 5,972         |
| Yallapur         | 5,434         |
| Mundgod          | 40            |
| <b>TOTAL</b>     | <b>17,166</b> |

The Governor in Council considers that the relief recommended for occupants of garden-lands should not be withheld because the proposals as a whole are kept in abeyance. The need of concessions has been accentuated by the recent fall in the prices of garden produce and remissions amounting to nearly Rs. 20,000 were given last year to occupants of garden-lands in the talukas of Sirsi and Siddapur. In order to secure a more equable distribution of the land revenue demand as a whole in the areas in question, the Governor in Council is now pleased to direct that remissions equal to the reductions proposed by Mr. Collins should be granted every year on garden-lands in the talukas of Sirsi, Siddapur, and Yallapur and in the Mundgod Mahal till the current settlements are finally revised. The orders should have effect from the current revenue year, 1931-32."

21. *Statements of agriculturists on the coercive and repressive measures employed by Revenue Officers to realise in Sirsi and Siddapur.*

**Narayan Narasappa Hegde, Addymane, Shivagaum of Shivagaum gram :—**

Deponent requested Circle Inspector to ask the Brahmin Shanbhag to enter. But in spite of his request the Circle Inspector made the Christian Ugrani enter deponent's house. Even his kitchen was entered into.

**Mahadev Subrao Shetty, of Shivagaon grama :—**

Deponent's relative's property attached for deponent's arrears.

**Ramachandra Venkataramana Hegde, Mattinkeri of Shiralgi grama, Siddapur Taluka :—**

Mamlatdar, 2 armed constables, Circle Inspector, Patil and Shanbhag came for attachment. Cooking pot with half-cooked rice attached. Mamlatdar was approached but pleaded helplessness. 2 pots of Gal also attached.

**Timmanna Krishnabhata, of Telaginakolagi Kolagi grama, Siddapur Taluka :—**

Had to pay 64-8-0 assessment. At the time of first instalment 3 armed constables, one Patel and 2 ugranis came for attachment. Only his wife at home. Patel began attachment. Cooking pot with half-baked rice on the oven taken off, cleaned and attached. Other articles included 1 big pot, 1 small pot of daily use, a small bogoni (Pot), buffalo with its calf. In the meantime he arrived. Receipt not given. The whole lot sold in auction for Rs. 24-4-0.

**Ganapati Narayanbhatta, of Honnegundi, Kasaba Siddapur, Taluka Siddapur :—**

His property attached and sold for his mother-in-law's arrears, in spite of protest. Cart and oxen attached.

**Vishweshwar Venkappa Hegde, of Makkigaddi, Sashigoli grama, Siddapur Taluka :—**

Had not paid assessment on account of economic distress. 6 Shanbhags, Circle Inspector, 2-3 armed constables, 3 Patits and 3 ugranis had gone to his house. Only servants were at home. Patil pulled up the door of the house in spite of servant's protest and property attached. Property released when instalment was paid but Rs. 18/- were taken from him as conveyance charges of articles attached. Half a mound of pepper was missing.

**Krishnabhata Ganapabhata Kerehond, Chapparmane grama, Siddapur Taluka :—**

Had to pay Rs. 40/- as assessment; was not able to pay on account of economic distress. Notice was served on 2-4-1921 but even before that copper pots and milch buffaloes attached. On payment of first instalment articles attached, excepting buffaloes, returned. Later informed that buffaloes was sold for grazing fees, went to Mamlatdar's house but was driven away by police. Deponent had to secure relief from Relief Fund.

**Nagesh Ganesh Hegde, Doddamane grama, Siddapur Taluka :—**

Rs. 1.00 rent due from tenants but only Rs. 250 could be realised this year. Therefore could not pay assessment. At the time of first instalment 8-10 armed constables, 8-10 ugrans, 8-10 Shanbhags, 3-4 Circle Inspectors and 3-4 Patels had gone to deponent's house. Deponent not at home. In spite of protest of his brother, one pot of cooking betel attached, and another pot belonging to the labourers' gang attached in spite of protest. Middle room dug knee-deep.

**Ganapayya Subrayya Harije, Itagi grama, Siddapur Taluka :—**

Patel, Shanbhag and ugrani came for attachment for first instalment of Rs. 6/-. Deponent not at home nor any male member. Wife of deponent asked officials to wait but they did not comply. Out of fear wife tried to shut the door, but the door being forcibly pushed in by the attaching party stuck and injured the woman's forehead, bangles in her hand also broke.

**Balakrishna Shantabhata Bilgi, Taluka Siddapur :—**

Paid first instalment with great difficulty. Not possible to pay 2nd instalment on account of economic distress. Rs. 38/- due on 2nd instalment. Government officials asked him to pay Rs. 15/- cash and apply for Rs. 25 tagavi loan. He did so. A receipt for payment of assessment was given but nothing in cash.

**Upendra Shanabhata of Bilgi, Taluka Siddapur :—**

Could not pay 2nd instalment on account of non-realisation of rent from tenants. With great difficulty managed to pay Rs. 32/- out of it. Rs. 33/-

remained. There was an attachment. He was advised to pay Rs. 8/- in cash and apply for the rest for Tagavi loan and asked to mention that the amount was wanted for bullocks and seed. He did accordingly. Then and there the Shanbhag gave a receipt as for payment of the assessment. At this time the Mamlstdar was also camping at Bilgi.

**Damodar Sheshagiriappa Bedkani of Bilgi, Taluka Siddapur :—**

Could not pay 2nd instalment on account of non-receipt of geni (rent) from tenants. Rs. 30/- due on 2nd instalment, Rs. 10/- paid by pledging movables went to apply for Tagavi for the remaining amount, was instructed to write that the amount was wanted for bullocks and seed and asked not to mention that it was for assessment. Did so to avoid attachment. Had applied for Rs. 24/- only Rs. 20 were sanctioned and were credited to the assessment in arrears.

**Subraya Krishnappa Hegde, Karkisaval grama, Siddapur Taluka:—**

Could not realise geni (rent) due from tenants, therefore could not pay even first instalment. Circle Inspector, Shanbhag, 4-5 armed constables came for attachment. The party dug the floor with a *Hari-kol* (digging iron bar) but could get nothing. After Smart-Diwakar agreement paid part of first assessment in the hope that 2nd instalment would be suspended. Part was paid by tenants. But there was no suspension of the 2nd instalment.

**Timmayya Mabalayya Hegde, Mangrami, Taresai grama :—**

Could not pay assessment on account of economic distress owing to fall in prices. But paid somehow the first instalment in the hope that the 2nd instalment would be suspended but there was not suspension. 10-12 people came for attachment. All members of the house asked to go out. Gul pots attached. Floor in middle room dug to the depth of a foot or more. Then come to know that tagavi was given for payment of assessment. Applied for tagavi which was sanctioned but it was credited for assessment.

**Saraswati Annayabhat (a widow) of Shirgodhail, Kaṭbali grama, Siddapur Taluka :—**

Paid first instalment by recourse to loan in the hope that second instalment would be suspended. There was attachment for 2nd instalment. The attachment party broke open her house in her absence and attached Rs. 1-8-0 belonging to her and Rs. 5/- belonging to others. After that, paid the balance of Rs. 15/- by selling rice that she had kept for her sustenance.

**Vighneshwar Nagappa Hegde of Sirgodhail, Kabbaligramma Taluka, Siddapur:—**

Paid first instalment in great distress, with the hope that second instalment would be suspended. But 2nd instalment not suspended. Circle Inspector, Shanbhag and 2-3 armed constables went for attachment. Rs. 23/- due on 2nd instalment. Attaching officers asked to attach pots etc. But they attached rice which I had kept against the rainy season. On being informed

that they would release rice bag if application for tagavi was made and assessment paid therefrom. applied seeing no other remedy, was instructed to write that tagavi was wanted for binding Kottes. Rice bag which had been taken to Patel's house was then released. Rs. 1/- taken for coolie hire for taking the bag. Receipt for assessment not given.

**Balayya Santayya Bilgi, of Bilgi, Taluka Siddapur :—**

Has been warned not to reap his crops this year without permission, Asked as to the reason of this, the Mamlatdar said that he has been selected just as an example.

**Shivaram Venkappa Hegde, of Sarigoli, grama Sarigoli, Taluka, Siddapur :—**

Articles of daily use like pot of cooking rice, bathing pot, pot for cooking betal, 1 copper pitcher etc. were attached, for the 2nd instalment.

**Hari Subraya Pai, of Bilgi :—**

7 bags of pepper attached for 2nd instalment. Asked as to why attachments were being effected in villages that were recommended for suspensions, the Shanbhog said they had orders to that effect.

**Jivottama Krishna Bhatta, of Bilgi, Taluka Siddapur :—**

Cooking pots attached for 2nd instalment of Rs. 23. At the instance of Shanbhog applied for Tagavi which was credited towards the payment of his arrears.

**Venkataramana Timmappa Hegde,**

At instance of Shanbhag applied for Tagavi to pay assessment which amounted to a little less than Rs. 200.

**Shivaram Timmayya Hegde, of Balgod :—**

Notice of forfeiture issued for arrears of both instalments. Has applied for suspension.

**Parameshwar Shivaram Hegde, of Harogar, Taluka. Sirsi :—**

At instance of Shanbhag applied for Tagavi to the extent of Rs. 100. Arrears were Rs. 75 and that amount only, was sanctioned as Tagavi and credited towards payment of arrears.

**Ganapati Ramakrishna Hegde, of Hipanhalli, Taluka, Sirsi :—**

At instance of Shanbhag applied for Tagavi, Rs. 34 and odd were credited from this amount towards payment of revenue arrears and about Rs. 5 and odd were paid to him.

**Mabalayya Ramayya Hegde, of Balgod :—**

Forfeiture notice for default in paying both instalment. 2nd instalment suspended. Asked to pay first instalment by recourse to Tagavi. Rs. 50 was sanctioned. Rs. 42-9-0 was credited to arrears of revenue and Rs. 7-7-0 were actually paid to him.

# The Problem of Rural Indebtedness

By

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## PREFACE.

THE Problem of Rural Indebtedness is approached in the following pages after a careful investigation of conditions in two Villages of Chidambaram Taluk, viz., Sivapuri and Gavarpet. The manner in which the investigation has been conducted can be discerned from the questionnaire which forms the appendix.

Rural reconstruction is very much in the Public Eye to-day and we have attempted a brief analysis of the existing conditions and put forward some concrete suggestions in the last chapter.

*Annamalai University*  
*August 1935.*

B. V. Narayanaswamy,  
V. Venkataraman,





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THE PROBLEM OF RURAL INDEBTEDNESS

# The Problem of Rural Indebtedness

## I

### THE PRESENT CONDITION OF AGRICULTURISTS.

The low standard of living to which the mass of India's population attain is one of the first things that strike a western visitor. Wants are few, diet is simple, climate is usually kind and a deep-rooted tradition tends to make the country content with things as they are. But the depth of the poverty, the pervading presence of which cannot escape notice, is not so easily realised.

—*Simon Commission Report.*

1. The ever present theme of Indian rural economy is the appalling poverty of the people. Economists and observers both foreign and Indian have testified to the growing poverty of the vast mass of India's population that lives and labours in their thousands in the villages of India. The Central Banking Enquiry Committee has estimated the average income of an agriculturist in British India at about Rs. 42 or a little over £ 3 a year. The Simon Commission note that if we compare this income with the average income per head in England (£ 95 in 1922) even allowing for the different standards of life the contrast is striking. This view is more than corroborated by statistical evidence.

2. The average income per head of the Indian Agriculturist can be arrived at by subtracting from the gross value of the produce the cost of cultivation, land revenue and payments of interest etc., and dividing it by the total number of persons dependent on land. The gross value of the crops of the Madras Presidency in 1928-29 has been estimated at about Rs. 165 crores. Out of this, cost of cultivation and revenue assessment would have consumed nearly Rs. 70 crores and Rs. 8 crores respectively. The volume of rural indebtedness was estimated at Rs. 150 crores. If interest payment at an average rate of 12% per annum which will amount to Rs. 18 crores is taken to have been paid, then, only Rs. 69 crores would have remained for the maintenance and other purposes of farmers. Taking income from other sources to have been Rs. 11 crores, the amount available for the forty millions of the rural popula-

tion for their living must be Rs. 80 crores. This shows a net income per head of Rs. 20 per annum. As prices have gone down nearly by 47% and the gross produce has not shown any signs of increase, the gross value of the crops in 1933-1934 would be Rs. 87.45 crores. The cost of production has not fallen in the wet areas so much as in the dry. Granting a reduction in the cost of cultivation of about Rs. 20 crores the present cost will be Rs. 50 crores. The revenue assessment is Rs. 7 crores. Taking it for granted that the debt remained stationary and no interest was paid during the period of depression, the amount at the disposal of the forty millions will be Rs. 30.45 crores or a per capita income of Rs. 7.6. No doubt this income is supplemented by the wages earned by the labourers. But even this cannot exceed an additional Rs. 5. per head.

3. It is clear, therefore, that the agricultural classes who form more than 70% of our population are exceedingly poor. The gloom of poverty is only deepened by the disheartening conditions under which they labour. The holding of the average cultivator in India is too small to enable him to live in comfort on its yield. Poor and illiterate, half fed and ill-clad the Indian peasant works at his fields with cattle even more famished than himself at tasks which have become mechanical by the custom of centuries. Even under the enlightened and benevolent government of the day he is too much sunk in troubles and sorrows to dream of improved methods of agriculture or scientific manuring. Hungry and famished almost all the days of the year he easily falls a prey to disease and even the toil of his weakened hands is not enough to save him from the ravages of droughts, floods and pests. What the mercy of nature spares the money-lender is ready to filch away. When compared to other countries the yield per acre in India is ludicrously low and little attention is paid to scientific manuring and improved methods of cultivation. The consequence is that the average cultivator still continues to live on an insufficiency of food which impairs his physical capacity for work and largely accounts for the high percentage of mortality in the country. The Central Banking Enquiry Committee says that "these conditions cannot be wholly ascribed to an undue increase in population and consequent pressure on land. Nor can the low productivity be justly ascribed to the inefficiency or ignorance of the Indian cultivator. The standard of inherited skill in husbandry of the Indian cultivator is high, but the farmers of other countries are undoubtedly in a position of greater advantage in as much as they are aided by the discoveries of scientific research made available to them by an enlightened state policy in regard to agriculture". As Darling points out in his book 'The Punjab Peasant in Prosperity and Debt', the amount spent on agriculture by the Central and Provincial Governments stands no comparison with that of

other countries. In 1924-1925 the Central and Provincial Governments in India spent Rs. 34 per thousand of population and Rs. 30 per thousand acres cultivated whereas in the United States of America the amount spent in 1919-1920 was Rs. 1,020 and Rs. 210, in the United Kingdom Rs. 960 and Rs. 1,380 in 1921, in Germany Rs. 945 and Rs. 705 in 1910 and in Italy Rs. 265 and Rs. 184 in 1925-1926.

4. The causes for this state of things have been gone into by the Committee appointed by the Madras Government to investigate into the "Economic conditions of the Agriculturists in certain Districts" and have been endorsed by the Central Banking Enquiry Committee with certain additional remarks. "(i) While population has increased extension of cultivation has not kept pace with it. (ii) No improvement in the condition of unemployment of agricultural labour has taken place. (iii) There is an increase in the fragmentation of holdings while the average area of holdings has gone down. (iv) The indebtedness of the agricultural population is heavy, hampers cultivation and reduces incomes. (v) Various causes bring about a rapid change of hands of lands and ryots are unable to repay their debts except by the sale of their lands. (vi) The margins available for the maintenance of the cultivator's family after paying the assessments, are either inadequate or nil. While a few rich people get richer, and a small number remain on the margin of subsistence, the majority are running into debt and losing their hold on land which is frequently changing hands. (vii) The system of Land Revenue is based too much on *averages*. The inelasticity of the system leads to low production and indebtedness. It is antiquated, and is not in keeping with the trend of land revenue policy in civilised countries."

Land Revenue in India is much heavier in its incidence than other taxes. In the recent years of depression the incidence of taxation has been heavier and the poverty of the people greater as is shown by the working of the Revenue Department. The frequent resort to coercive measures for the recovery of its due in recent years is an index of the growing distress of the people. The following are the figures for South Arcot District:—

| Year.   | Notice of demand. | Notice of distraint or attachment. | Sale notices. | Sales : No. of defaulters. |
|---------|-------------------|------------------------------------|---------------|----------------------------|
| 1927-28 | 18,480            | 16,145                             | 13,008        | 1,407                      |
| 1928-29 | 19,933            | 13,299                             | 12,468        | 592                        |
| 1929-30 | 21,523            | 10,538                             | 8,907         | 932                        |
| 1930-31 | 36,127            | 27,314                             | 16,702        | 1,092                      |
| 1931-32 | 36,046            | 23,885                             | 19,434        | 3,391                      |

There has been a noticeable increase in the number of coercive processes issued for the realisation of the revenue demand. Whereas in 1927-1928 the number of demand notices, of distraint and sale notices were 18,480, 16,145, and 13,008 respectively, in 1931-1932 they were 36,046, 23,885, and 19,434. One can very well realise the rigour and the stringency with which the authorities enforced their claims at a time when the ryots were hard pressed for ready cash. The number of defaulters whose property was sold in the last two years was 1,082 and 3,391. The percentage of attachments of real property was on the increase. From 6.6% in Fasli 1325 it has increased to 16.6% in Fasli 1341. In Fasli 1341 the amount of arrears was Rs. 16,420. The fact that immovable property to the value of Rs. 1,25,579 was sold for Rs. 12,319 to realise the arrears in Revenue of Rs. 16,420 is proof positive of the utter helplessness of the ryots who could not but let slip their lands as they had no means of finding the necessary money where-with to pay their dues. No ryot, if he could help it would allow himself to be deprived of his land for a fraction of its value. So proverbially attached is the Indian ryot to land that he would have parted with anything if he could only retain his land.

5. The Central Banking Enquiry Committee hold that this state of things is the resultant of a few more contributory causes. Not least important among them are the comparatively small spread of literacy, extravagance of social habits, lack of opportunities for fuller life and for initiative and enterprise and absence of definite and large scale action by Government or people for the uplift and betterment of the agricultural classes. The steep fall in prices of agricultural produce in recent years (about 50%) has only served to intensify the suffering and distress of the peasants.

6. Another handicap which the Indian agriculturist labours under is the absence of large scale selling organisations and lack of marketing facilities. Without any organisation to support him and with next to no credit the Indian agriculturist is unable to get a fair price when he deals with the giant buying organisations of European nations. Illiterate and single-handed the Indian cultivator is unable to stand up to foreign capitalists and secure a square deal. The disorganised condition of the cultivators which in certain cases is accentuated by the presence of powerful organisations of buyers, and the lack of proper credit facilities enabling them to hold on to their crops in times of plenty, often prevent them in India from obtaining a fair price for their produce.

7. The amelioration of the condition of the agriculturist cannot be effected by the pursuit of any single method. It is wrong to suppose that in an easily obtainable credit alone lies the panacea for all the ills, from



which the Indian agriculturist suffers to-day. A complete programme of rural development must aim at measures that would make agriculture a paying industry. At present, 'in India agriculture is, with most cultivators, with uneconomic holdings more a mode of living than a business.' The following words of the Royal Commission on agriculture hold good even to-day: 'To a very great extent the cultivator in India labours not for profit nor for a net return but for subsistence.' The existing impediments to efficient production must be removed. The fiscal organisation of the country should be so arranged as to benefit agriculture particularly by means of subsidies and tariffs. The lightening of the burden of taxation and the economic organisation of the industry and in particular, development among farmers of better methods of purchase and sale and co-operative insurance will go a long way to better their condition. Not the least important of all is the organisation of the transport of the country with due regard to the interests of agriculture.

## II.

### THE PROBLEM OF RURAL INDEBTEDNESS.

(With Special reference to the Madras Presidency)

1. The central fact of the Indian economic situation is the poverty of the agriculturist, and the extent of his indebtedness is an unmistakable index of his growing penury. The spectre of debt has grown very much in proportions during recent years of a world-wide slump in trade and an unexampled fall in the price of agricultural produce and no scheme for bringing back prosperity to agriculture can afford to neglect the growing incubus of debt that lies heavy on the Indian peasant. A few years ago the Central Banking Enquiry Committee estimated the volume of indebtedness for the whole of India at Rs. 900 crores and for Madras at Rs. 150 crores. It is beyond doubt that the volume of debt could not have gone down during these years of depression. As the debt position of Madras in 1929 was estimated at Rs. 150 crores, the interest charge on an average at 12% per annum would come to Rs. 18 crores. Since, during the period of depression, the cultivators were struggling hard to make both ends meet, interest payments or repayments of capital—if at all there were any—would have been very slight. On the other hand fresh borrowings are to be found as a result of agriculture becoming completely a non-paying concern. The repayments of the principal and the fresh borrowings, even according to the most modest estimates, could be taken to balance each other. So the volume of debt should have increased at least to the extent of the non-repaid portion of the interest charges. For the past five years the interest charges would amount to Rs. 90 crores of which, even allowing

Rs. 40 crores for the repaid portion, at least Rs. 50 crores could not have been repaid. So even according to very modest estimates the present volume of indebtedness of our province would come to about Rs. 200 crores. With the 47% fall in prices the real burden would be nearly Rs. 300 crores. (The fall in prices has affected the pre-depression debt only). Thus we are able to see that the burden of indebtedness to-day is roughly two times heavier than what it was in 1928-29. If this state of affairs is permitted to continue for some more years the Indian agriculturist will be completely ruined. Since agriculturists form more than 70% of the total population the miserable position of the agriculturist will react on the prosperity of the nation as a whole.

2. Having regard to the vital importance of the problem to all schemes of amelioration it is necessary to gauge its origin and extent before turning one's attention to the methods of eradicating it. Sir Frederick Nicholson summarises thus with approval the findings in regard to the causes of agricultural indebtedness of the Commission appointed to investigate the causes of the agrarian riots in the Deccan in 1875:—

“First, poverty with unproductive soil, precarious climate and irregularity of income,

Second, ignorance and improvidence,

Third, extravagance,

Fourth, ancestral debt,

Fifth, expansion of credit,

Sixth, increase of population without corresponding increase of return,

Seventh, facilities for borrowing owing to influence of money-lenders,

Eighth, the limitation laws as leading to renewals on usurious terms including compound interest and,

Ninth, revenue system of a fixed demand.”

The root cause of the problem is not so much the extravagance of the expenditure as the extreme insufficiency of income. This state of things is due to the smallness of holdings, inefficient methods of production and marketing, frequent failure of crops and loss of cattle. There is barely an acre per head of the total agricultural population; for there are only 4½ acres for every cultivating family of about five or six members on an average. As most of the Indian agriculturists are, “born in debt, live in debt, die in debt and bequeath debt,” the weight of ancestral debt is too much. Whether the ryot has got property enough to pay off the ancestral debt or not, he feels that he is bound to repay all his ancestral

debts. The idea of escaping payment of ones debts by declaring oneself insolvent is repugnant to peasant sentiment. The agriculturist has a deep rooted feeling that money once borrowed must be repaid even at the cost of his own existence. For example while conducting personal enquiries in certain villages we met some agricultural labourers who were involved very deeply in debt. When the suggestion of renouncing their claims and seeking some other job somewhere else was made they emphatically replied that on no account their conscience would permit them to do that ; for, they feared damnation in the other world.

3. A close observation of the working of the credit machinery in rural areas reveals it to be remorseless in its operation and devastating in its result. Usually some man who has command of ready cash starts lending it in small amounts to the agriculturists relying on their position in the village and their general standing. The rate of interest varies from 12 to 24% and even small sums tend to mount up in the course of a few years since the interest is often added on to the capital every year. When the amount has thus gone up the money-lender gets it secured on the peasant's property. The peasant always lives on the margin of starvation and is able to eke out a livelihood only after incredible labours. If the harvest is bad the only way in which he can continue is by borrowing. It is a fallacy to think that to the average peasant there is a surplus in a prosperous year which he can utilise in a year of bad harvest. Seasonal fluctuations and scarcity so frequent in India only tend to increase borrowings and eliminate all chances of repayment by the peasant of his debt. So the lender gets a sale of the peasant's lands and gradually turns into a ryot money-lender as a result of his getting lands in return for the amount due to him. In the case of landless men to whom he advances money he secures an agreement by which the peasants work for him till the amount they have borrowed is returned with interest. When the labourers struggle hard even for their maintenance the chances of repaying the loan are small indeed. This debt is bequeathed from father to son and slowly the whole family sinks into a torpor of semi-slavery. Helpless and hopeless they are at the mercy of the ryot money-lender for whom they work more and are paid less.

4. The average peasant's income is meagre because of the extreme smallness of holdings, the adoption of primitive methods of agriculture, the heavy burden of land revenue and above all the difficulties of a period of great economic depression. The agriculturist who is always leading a miserable life would try to lead a better life at least in one or two years when he gets a tolerably good yield. We cannot call this the extravagance of the peasants alone. It is only a part of human nature as a whole. In addition to the abovementioned factors the frequent loss of

cattle also goes to swell the debts of the peasant. Even more important is the lack of proper marketing facilities. 'In the first place his holding is often so small that, after keeping back what is required for consumption and for seed there does not remain enough of any particular product to make it worth while to take it to a distance. In many parts of the country the transport conditions act as a further deterrent. If, as often, the cultivator has to drive his bullocks for miles across cultivated land and along rough tracks to reach a metalled road he will prefer to sell his produce in the village market. Even when he can more easily reach the wholesale market he is out of his element. He is liable to find even the weights and measures confusing and still more so the numerous exactions and deductions of middlemen. On the whole the ordinary peasant cultivator finds that it suits him better to retail his produce on the village market where he can obtain his own simple requirements in exchange. If he has surplus quantities of wheat, rice, oilseeds, etc his need of immediate cash will usually make it better worth his while to dispose of them, even at a discount, to the itinerant traders who buy up such surpluses from village to village and finally take the produce to the wholesale market where they know how to make their profit.' (Ref. Agricultural situation in 1932-33 of the International Institute of Agriculture.) The lack of other sources of income plays no mean part in making the income of the agriculturist very small.

5. Next in order of the causes that contribute to agricultural indebtedness are 'ignorance and improvidence'. Even the Central Banking Enquiry Committee has recognised the higher standard of inherited skill in husbandry of the Indian cultivators. But the number of troubles and sorrows born of ignorance and illiteracy is legion. Nothing will minimise the exactions of money-lenders and prevent perpetual exploitation of the people by minor tyrants and swindlers than the spread of literacy. There cannot be even the shadow of a doubt that with the proper kind of education the economic condition of the people will be greatly improved. The Indian cultivator is too often accused of extravagance. Much emphasis has been laid on the wastage of money on ceremonials and festivals. Normally marriages and other festive occasions come only at long intervals. These are the only times in which the cultivator can have some enjoyment. The peasant who is in most cases forced to lead a hand to mouth existence throughout his life, wants at least some diversions. He is even prepared to sacrifice his freedom for the sake of that enjoyment which breaks the dull monotony of his existence. Though there are some cases in which much of extravagance is present, it would not be correct to say that the cultivators in general are extravagant. The burden of this portion of the debt is not much when compared with others. The reduction of expenses on marriage

and other festive items by the cultivators during the period of depression goes to prove that they are not indifferent to the realities. They try all available means to minimise their expenses. Thus we see that much emphasis need not be laid on this cause alone.

6. Another important factor which contributes to the volume of indebtedness is the want of cheap credit facilities. "If the genesis of debt is in insufficient income and unexpected happenings its rapid growth is largely due to the accumulation of interest." Mortgage debts, in our presidency, carry on an average not more than 12% interest. But interest rates on unsecured loans vary between 6% and 24%, though there may be stray cases of higher interest rates. The average interest rate comes to about 18%. The Chettiar Bankers and Marwaris in some places, demand a nominally low rate; but when calculated the rates will come to 36 to 40%. In brief the interest charges cover more than 20% of the total gross production of the presidency. The frequent renewals of notes with interest added to them lead to the quick increase of the volume of indebtedness. The demand of compound interest in many cases still further aggravates the situation. To point out an example, there was a case where the amount borrowed was Rs. 40. In a period of 20 years the debtor was made to pay Rs. 360 for which he had to dispose of his only house. Thus the evil effects of the higher rates of interest and the exaction of compound interest should attract, first, the attention of any one who studies the condition of rural India.

7. The inadequacy of easy credit is also a very important factor which has gone to swell up the volume of rural indebtedness in this country. It has long been recognised that the short term and long term credit needs of the agriculturist are not sufficiently met by existing agencies. In spite of the development of Co-operative Societies and in spite of the opening of a hundred new branches of the Imperial Bank of India the modern banking system has made little headway in India. The commercial Banks and the Imperial Bank have only touched the fringe of the problem of Indian credit. The Central Land Mortgage Bank of our Presidency had on 30-6-1934, 190 individual members and 63 primary banks affiliated to it. In 1925 there were only two registered Land Mortgage Banks while in June 1927 there were ten. In spite of the rapid strides which this movement has taken in recent years, they are not able to solve the problem of long term credit fully. The Central Land Mortgage Bank has till 30-6-1934 disbursed loans to the extent of Rs. 35 lakhs only, or, in other words the Land Mortgage Banks have taken over only 0.175% of the total rural debt which is estimated at Rs. 200 crores. This is no more than a mere drop in the ocean. Hence more than 90% of rural credit is in the hands of the indigenous banker and the ryot money-lender. The very high rates of interest charged by

these agencies, the very insignificant part that is played by the commercial banks and the Imperial Bank and the negligibly inferior position taken by the Land Mortgage Banks in supplying the long term credit needs of the agriculturists have all tended to a restriction of credit for the Indian cultivator.

8. The great volume of indebtedness whose evil effects have been intensified by the above causes tells heavily on the agriculturist. The menace of indebtedness brings in much economic, social and moral consequences. Debts lead directly to agricultural inefficiency. A cultivator who is deeply immersed in debt is indifferent to and impotent for using improved methods of cultivation. The incentive to work intensively is withdrawn. Moreover, as already pointed out, debt prevents the cultivator from securing proper prices for his produce. Pressed by the creditors who more often have got a share in the marketing of the produce, the debtors are forced to sell their crops without waiting for suitable prices. Thus debt forces the cultivator to receive a lower rate of income than his due. This reduced income which is still further diminished by the payment of interest or repayment of principal, leads to the inefficiency of the cultivator.

9. Another effect of indebtedness is loss of property. Unless exceptional circumstances intervene, mortgages generally end in sale. In this way land is frequently changing hands. The view that the frequent change of land-ownership is beneficial cannot be endorsed, at least as regards our Presidency. Whenever land changes hands it generally goes into the hands of a rich mirasdar or an absentee landlord or a money-lender. This leads to the evils of absentee landlordism and loss to the ranks of peasant proprietors. As Arthur Young puts it, "the magic of private property turns sand into gold." So the loss of peasant proprietors is a serious menace to be tackled with immediately. In 1921, for every thousand ordinary cultivators, there were only 291 farm servants and field labourers, whereas in 1931 the proportion of labourers was found to have increased to 407 for every thousand cultivators.

10. The worst evil of indebtedness is that it leads in many cases to servitude. The Pannaiyal system of the Madras Presidency, whatever may be its virtue has got its own defects. A labourer who borrows a small sum, say Rs. 50, to celebrate a marriage or a funeral, has in turn to work for the lender, receiving a bare pittance for his livelihood. He can never be expected to save up the amount needed and so the transaction becomes an indenture for life and in most cases for generations too. Thus on all sides the burden of indebtedness weighs heavily on the cultivators and produces many harmful results. It is a cancer which eats into the vitals of the agricultural population, nay the population of India as a whole.

## III

## A STUDY OF FIFTY FAMILY BUDGETS.

1. The correctness of the general statements made in the previous chapters is conclusively proved by the result of an investigation which the present writers undertook in January 1935. An intensive study was made of fifty family budgets belonging to the Sivapuri and Gavarpet villages of the Chidambaram Taluk.

2. The total strength of these families is 245. Of this only four families are completely free from debt. The total amount of debts of the remaining forty-six families is Rs. 44,129-8-0. This works out on an average to a debt of Rs. 882-6-0, per family of five and to a debt per capita of Rs. 180. The position of debt according to the number of years for which it has been due is as follows:—

|                   |            |         |        |              |
|-------------------|------------|---------|--------|--------------|
| One year old debt | Rs. 10,345 | forming | 23.44% | of the whole |
| Two               | 4,625      | ”       | 10.48% | ”            |
| Three             | 8,100      | ”       | 18.35% | ”            |
| Four              | 640        | ”       | 1.46%  | ”            |
| Five              | 800        | ”       | 1.81%  | ”            |
| Six               | 4,219      | ”       | 9.56%  | ”            |
| Seven             | 25         | ”       | .06%   | ”            |
| Eight             | 2,900      | ”       | 6.57%  | ”            |
| Ten               | 1,950      | ”       | 4.42%  | ”            |
| Eleven            | 300        | ”       | 0.68%  | ”            |
| Twelve            | 100        | ”       | 0.23%  | ”            |
| Fifteen           | 4,100      | ”       | 9.29%  | ”            |

The current interest due is Rs. 6,025.5—13.65%.

The amount of debt incurred according to each cause and the percentage which that bears to the whole is given below:—

| Causes.                   | Amount.<br>of Rs. | Percentage. |
|---------------------------|-------------------|-------------|
| Maintenance               | 4,925             | 11.16       |
| Purchase of lands         | 9,900             | 22.43       |
| Agricultural improvements | 2,960             | 6.71        |
| Purchases of cattle       | 460               | 1.04        |
| Land Revenue              | 690               | 1.56        |
| Liquidation of old debts  | 10,450            | 23.68       |
| Marriage and Funeral      | 3,705             | 8.04        |
| Education                 | 2,700             | 6.12        |
| Interest payments         | 850               | 1.93        |
| Medical                   | 169               | 0.39        |
| Current interest due      | 6,025             | 12.65       |
| Miscellaneous             | 1,295             | 2.93        |

3. Let us now try to analyse the nature of the debts as revealed by the above figures. Among the causes that lead to borrowing, agricultural activities naturally take the foremost place covering about 31.74%. Ancestral debt comes next in importance with 23.68%. The third rank is taken up by the exorbitant interest charges which come to 15.58%. They even outstrip in extent the debts that the cultivators are forced to contract for preserving even their present meagre standard of living. While thus the interest charges due to-day form not an unimportant portion of the debt burden, it has also to be borne in mind that a good portion of the interest must have been paid as they came due at least in the years before the depression. Thus it is clear that the burden of interest charges is pressing heavily on the cultivators. It is impossible to improve the condition of the agriculturist without a relaxation of this disproportionate interest burden. Next come marriage and funeral expenses a factor which has been over-emphasised for a long time, since it covers only 8.40% of the whole debt. It has long been the fashion to condemn the Indian agriculturists on the score that they have been incurring much debt on festive occasions. When one sees the real position it is easy to judge that the marriage and other ceremonial expenses entail only a less amount of debt than other causes. It is high time to change our opinion and to go into the real problem which affects the cultivators most. Insufficiency of income coupled with too dear a credit is steadily driving the cultivator to an impossible position. The amount represented as having been spent on education is that incurred by only one family. The statement made by the Central Banking Enquiry Committee that "to a very great extent the cultivator in India labours not for a profit nor for a net return but for subsistence" has been more than proved by the study of the above budgets. An analysis of the borrowing will make clear that the agriculturists' income is insufficient even for carrying on the work of cultivation not to speak of the liquidation of debts, interest payments and other charges.

4. The figures given above throw in addition an interesting sidelight on the effect of the recent economic depression on the agricultural classes. The sufferings of the agriculturists are clearly indicated by the steady growth of the debt burden during the period of depression (1930-34). Debts incurred during this period account for 64.54% of the total debts. If to these are added the current interest charges we see that the real debt burden of the depression period is 78.19% of the total debts.

5. Our investigation gave us also an inkling into the real nature of the rural credit system that now holds the field. Nominally the ratio of interest charged varies between 6% and 24%. But in reality the rate is



much higher since the notes and bonds are frequently renewed when the interest is added to the principal and thus a kind of compound interest is collected. We also found that the landless labourers were much more hard pressed by the alien banker than by the ryot money-lenders who follow the Pannaiyal system. In Sivapuri there is a banker who has come to own a large amount of land simply because of his money dealings. This banker has given on loan very small sums of money to the labourers at a nominal charge of 24%. The labourers are bound to work on the tobacco fields owned by the banker at a fixed rate of monthly wages for a period not exceeding six months. During the rest of the year they seek employment outside and return to the tobacco fields during the next season. From a monthly wage of Rs. 7 or 8 a certain percentage is deducted for interest charges. The remaining amount is given partly in cash and partly in kind of an inferior sort. As interest charges will be deducted only for six months the rest of them are added to the capital at the beginning of the next year and a fresh bond is got for the total amount. Thus the debt increases by leaps and bounds year after year while the labourer becomes a perpetual slave of the banker. When once a free labourer begins to borrow even a small sum of Rs. 50 from the banker his fate is sealed. This is merely an exploitation of the needy and ignorant agricultural labourer. On the other hand the labourers under ryot landlords are in a better position. Though here also there exists a sort of slavery yet the labourers do not feel their position so much. The landlord employs him throughout the year, though with a small remuneration. Constancy of employment is thus afforded. Further the landlord does not generally charge any interest on the amount which he has lent to his labourers so long as they serve under him. Besides, the gratuities which the poor labourer receives from his master are of a substantial amount. Thus the landless agricultural labourers feel the burden of a debt less in the case of ryot-masters than in the case of bankers. In short the change of ownership of land from peasant cultivators to the non-agricultural population serves only to aggravate the burden of indebtedness of the landless agricultural labourers.

#### IV.

#### LEGISLATION IN FOREIGN COUNTRIES AND IN INDIA.

1. A study of the attempts made to solve the problem of agricultural debts in other countries and in our own country in the past would be a guidance for the future. In this chapter a brief survey of the legislative measures undertaken in various countries with a view to bettering the conditions of the cultivator is attempted specially bearing in

mind the question of rural indebtedness. Before proceeding to individual countries we can generalise that in spite of its imposing heavy sacrifices on the state, considering the favourable influence which it would have on the national economy, in almost all countries legislation has been carried in one form or other, "aiming at the strengthening of the material condition of the farmer by extending credit, by fiscal facilities, by measures for the relief of indebtedness, by the artificial maintenance of the price of the principal agricultural products above the level of prices on the free market and by the encouragement of export."

2. In Bulgaria, by the Law of 1933 relief in regard to the payment of debts contracted upto 1931 is given. Relief is granted both by the credit institutions dependent on the State and the private banks and by the State itself, through the departments and through the communes in the case of debts of a fiscal nature. Broadly viewing, the relief consists in the postponement of payments for a period up to 10 years or, in exceptional cases up to 15 years, the reduction of interest rate to 6%, the postponement of payments for the amortisation of debts contracted not more than two years before, and most important of all the reduction of all the debts in proportion to their increase as the result of excessive rates of interest.

3. Czechoslovakia also adopts a similar method. By the Decree of 29th July 1933 the property of a person to whom agriculture is the sole means of livelihood cannot be placed in a state of bankruptcy on the application of a creditor except in certain special cases expressly determined by the Decree.

4. The Government of Denmark passed a law in 1933 which facilitates the conversion of loans granted by mortgage credit societies to a lower rate of interest. In order to make this conversion possible and to provide for increased fluidity as well as normal credit grants and a lower rate of interest, a fund amounting to 200 million crowns was credited in May 1933 by the Law establishing a Crisis Fund.

5. The Estonian Government undertook the following measures. By the Law of 10th November 1932 the rate of interest on loans granted by the Land Bank was reduced to 2½%. A Law of May 1933 made it possible to obtain private loans transferred compulsorily into long term loans, up to a total amount of 6 millions of Estonian Crowns, (i) when the farmer in question has up to then cultivated his lands rationally, (ii) when the indebtedness was incurred before 1932 and (iii) when the total amounts of the debts is neither less than 20% below nor more than 100% above the total amount of the land value of the farm as estimated by the

Land Bank. These private loans are paid to the private creditors in equal parts out of the Colonisation Fund in the course of ten years, while the farmers, on their part, have to repay their loans to the Land Banks in the course of thirty years.

6. Debt relief measures in French Indo China, have as their object the lightening of debts of agriculture and take the form of mortgage loans at a low rate of interest and of the creation of a colonisation office the mission of which is to buy up property sold by judicial process and to give to honest debtors hire-purchase agreements to enable them to recover by their labour the ownership of their holdings.

7. In Germany a comprehensive scheme is working. To prevent the heavily indebted farmers from throwing on the market crops at ruinous prices, financing of a suitable nature was aimed at. Under the auspices of the Reich Bank loans on the pledge of grains were facilitated and rendered possible, and also to a large extent, by the establishment of legal and commercial grades for cereals. Recently many measures have been passed including "the establishment of a procedure of mediation for the settlement of debts in agriculture, the development and unification of the protection against distraint and of the protection of the tenant farmers, the facilities given for the payment of interest on agricultural mortgage debts, and lastly the law of June 1933 on the settlement of agricultural indebtedness with a possibility of reducing the debts and lowering the rate of interest."

8. The temporary suspension of the forced sale of property of agricultural debtors was permitted by the Government of Greece. All agricultural debts were compulsorily listed. All of them due both to the State and to the private individuals were reduced by 30 to 50%. Easy repayment of debts was facilitated by the dues being spread over a longer period.

9. In Hungary in order that the result of the productive work of the farmers may not be destroyed by distraint and that the farmers may not easily be dispossessed of their lands as a result of forced sales by auction, the Government granted to the farmers a postponement of four months during which the measures for the recovery of their debts are subject to a certain limitation. Another Decree of 1932 provides for the prolongation by a year of the extension of time granted to farmers whose capacity has grown less, i.e., practically all the farmers. During this period provided the farmer pays the current interest the annual amortisation charges that have become due and the current taxes no further costs of proceedings, or of execution can be charged against him. No

application can be made for the sale by auction of his lands. Moreover the interest payable by farmers on mortgage loans, whatever may be the extent of their indebtedness, is reduced from  $7\frac{1}{2}\%$  or  $7\%$  to  $5\%$ . Measures have also been taken to lighten the charges on short term loans. At the request of the Minister of Finance the Financial Institutions have declared themselves to be disposed, on certain conditions to remit  $25\%$  of arrears of interest; for small land owners they would even remit as much as  $50\%$ . A general reduction of the rate of interest on all agricultural loans was made.

10. The land credit institutions in Italy are authorised to allow borrowers who are in arrears in the payment of not more than four half-yearly instalments in respect of loans exclusively or mainly guaranteed by rural properties an extension of the time not exceeding twenty half-yearly instalments. The agricultural consortia, whose credits are frozen are put on a sound basis.

11. In Lithuania the rate of interest on mortgage in 1933 was reduced from  $7\%$  to  $5\frac{1}{2}\%$ . The sale by auction of real property is forbidden if the price offered does not reach  $50\%$  of the value.

12. The most comprehensive scheme was adopted in Poland. Measures adopted by the Polish Government took three forms. The first took the form of a defence of the home agricultural market against a too sharp fall in prices of agricultural products, a fall which might have completely disorganised the market. To achieve this, resort was made to export bounties and import duties. Secondly reduction of the cost of agricultural production and organisation of agriculture in a better manner were aimed at. To this end the burden of the state and local taxes was lightened and railway freights for the transport of certain agricultural products were lowered. The Government is intervening actively in all branches of agricultural production and is endeavouring by legislative rules and timely financial aid to increase this production. Thirdly, the Government undertook some measures of a financial character. A substantial modification or provisional relaxation of the prescriptions in regard to distraint for the recovery of sums due by the farmer was allowed. By a law dated 20th December 1932 the conversion of long term loans was made compulsory. The rate of interest on agricultural loans and on the bonds issued in respect of such loans was lowered to  $4\frac{1}{2}\%$  and the period of repayment was fixed at 55 years, from the date of conversion no instalment of repayment being payable for a period of three years. To deal with the short term debts contracted by the farmers with private individuals Arbitration Offices were set up which were authorised to:—

(a) reduce the interest to which the creditor is entitled to  $4\frac{1}{2}\%$  annually;

(b) spread the payment of debts over a period of 7 to 12 years;

(c) suspend the repayment of the capital for a period not exceeding two years;

(d) carry the reduction of the credit to the sums exacted in excess by way of interest or in any form whatever;

(e) reduce rents;

(f) in certain cases, annul a lease before the expiry of the term. These officers are further authorised to pronounce their verdicts without taking into consideration whether the matter has previously been judged by a Court of Justice.

13. Coming to our country, the Government both Central and Local and some States, have tried to adopt some measures for agricultural relief. But they have not solved the problem to a large extent. The co-operative movement initiated by the Government has not yet taken deep roots. Debt Conciliation Boards have been appointed in some provinces and in the Bhavnagar State. In Bhavnagar, a majority of ryots and sowcars of the Mahal must apply jointly if a Conciliation Board is to be set up ; since most of the Mahals have asked for it, it is clear that the scheme is popular with the sowcars as well. In the Central Province, the recent Act authorises the Government to set up Conciliation Boards in every district but the concurrence of the creditors to whom 40% of the debts are due is necessary if the case of a debtor is to be considered by the Board. Nor is the award unconditionally binding on the parties. When settlement is obstructed by the obduracy of the debtor or the creditor, the Board may issue a certificate stating who in their opinion is the unreasonable party. The creditor may then resort to the ordinary courts, but he will not then get the costs of his suits, if he is an unreasonable party, and the rate of interest from the date of the certificate will only be 6% per annum.

14. In the same State a scheme of debt redemption has been put through. The liquidation committee is authorised to write off any debt which is more than three times the land revenue assessment. The Government would then advance the compounded amount from the State's share of the produce of each khedut, the lands being held on the Bhagbhatai system. The land revenue and the takkavi advances are first deducted from the State's share and the balance would go to repay the State's advances to the sowcar. Such a scheme of debt redemption has already been carried out in 2|3 of the State which involved the settle-

ment of a debt of about Rs. 60 lakhs. On the whole the liquidation Committee has reduced the burden of debt by nearly three-fourths.

15. Though a Central Land Mortgage Bank was formed in 1929 in the Madras Presidency it has not yet dealt with even 0.2% of the total indebtedness in spite of the increasing number of primary Land Mortgage Banks (63 in 1934). Recently the Central Government has turned to the vital problem of agricultural relief. Though a number of marketing officers have been appointed, the number is not equal to the task. The work done so far is not satisfactory. We have yet to see the full operation of the rural section of the Reserve Bank in accordance with the suggestions of Mr. Darling.

16. An analysis of the methods employed by other countries to meet the problem of rural debt reveals clearly that the chief directions in which action has been taken by the State are reduction of rates of interest, scaling down of debts, liberalising the conditions of repayment, provision of greater credit and even in cases of default minimising and circumscribing the losses due to judicial process by methods such as the institution of colonisation offices to buy up property sold by judicial process and to give it back to honest debtors on a hire purchase agreement, and the creation of Debt Conciliation Boards facilitating settlement without recourse to law courts as well as postponement of sales in order to give time to the debtor to secure the credit he needs. Some have even tried to maintain an artificial price level by the aid of bounties and tariffs. The State has also tried to diminish the cost of production by the organisation of agriculture, by the reduction of taxes and railway freights and sometimes even by the reduction of rents and the cancelling of leases. At the same time production was sought to be stimulated by financial aid at the right moment.

## V.

### RECOMMENDATIONS.

An effective solution of this problem must depend therefore, on the simultaneous adoption of both preventive and curative measures, the one being the complement of the other. One without the other would be of no use. So a comprehensive scheme of debt relief must include both measures for the removal of the present debt burden and measures for preventing agriculturists from falling victims to indebtedness in the future. Unless there is a co-ordinated scheme of both curative and preventive measures it is beyond any doubt, that no good is going to accrue. Money spent in stray and haphazard measures is a mere waste. Though

it may seem to give relief for the time being yet the position will become worse in a short time.

The crux of the problem is the insufficiency of income of the agriculturists. So every attempt should be made to increase the income of the agriculturists. Besides, early measures should be adopted to lighten the present debt burden. When we discuss the curative measures it would be possible to see the various ways and means of lightening the debt burden. Now let us confine our attention to the other side of the question. Every effort is to be made to provide cheap credit facilities, to reduce the cost of cultivation and to enable the cultivator to receive a remunerative price for his produce.

Under the first item of providing cheap credit facilities the first thing that attracts one's attention is the question of fair interest. Although it is possible to get loans at cheaper rates in our province than in many others yet the real interest rates become high when one takes into consideration the malpractices resorted to by the creditors and the exaction of compound interest. A high premium has been put on the state of illiteracy of the rural population. An analysis of the present debt position will lead us to conclude that not less than 20% of the present debt burden can be attributed to interest charges. There are cases in the villages, though stray ones, of demanding two annas per rupee per mensem i.e., 150% per annum. So what is wanted is a legislative or administrative measure enforcing a general reduction in the rates to be charged, fixing the maximum for bonds, notes and other unsecured debts at 12% and that for mortgages and other secured debts at 9%. In abnormal years the rates may be allowed to go even lower. At the same time compound interest should not be allowed. The total interest charges must not be allowed to go above a certain percentage of the principal.

The effective lowering of interest rates and checking of malpractices can be done as follows. No legal action on any debt shall be allowed unless the debt claims have been registered in either of the following ways. In the case of secured debts there is a registration taking place in the Sub-Registrar's Office. Registration shall be allowed only after the Registrar satisfies himself that the rate of interest charged and other conditions do not contravene the legal limit and conditions. In the case of unsecured loans which generally bear an anna stamp and take the form of promissory notes something can be done to ascertain the magnitude of the debt position and for checking the interest rates and malpractices. Provision should be made for all money transactions to be registered before the Village Munsiff. The Village Munsiff should have

a registration account in which he may keep a detailed account of the money transactions. The interest rate and other conditions of borrowing must be thoroughly scrutinised before the officer registers the debt. No legal action on any debt which is unregistered shall be allowed. The registration charges may be two annas per hundred or two annas for all amounts. Before registering, just as all the promissory notes bear an anna revenue stamp so the registration fees also can be paid in the form of revenue stamps attached to the note. The reason why the Village Munsiff is chosen, is that generally Village Munsiffs are influential and responsible persons of the village. They are already remunerated by the Government. On the other hand, they have got heavy work only during the kist collection season. So they have got the necessary leisure and dignity which every such officer should have. The result of such a registration will be the correct checking of the interest rates, prevention of the demand for compound interest and the illegal activities of the money lender. Moreover it will be possible for us to ascertain still more definitely the magnitude of indebtedness year after year.

In this connection the possibility of licensing money lenders can be studied. First of all, it is very difficult to define who a professional money lender is. It is not uncommon that an influential and rich land lord is at the same time a big money lender. So the best method, if we want to license money lenders, will be the fixing of a maximum number of transactions during the year say fifty or twenty five. The idea of fixing the maximum amount limit, though sound, will lead to some difficulties.

After the question of interest comes the problem of the provision of easy credit. The Land Mortgage Banks are supposed to provide the necessary long term credit. The work of these banks, so far, shows no cause for satisfaction. The Government must enable these banks to lend to a larger number of clients. The percentage of indebtedness taken over by these banks comes to only 0.175%. So they must be made to follow a liberal policy. The loans must be disbursed within a short time after the application is made. The time taken at present, about six months, is too long. A wider publicity to the existence of the Takkavi Loans Act and Land Improvement Loan Act is essential. Throughout the area in which an extensive survey was made, there were only one or two aware of the existence of such Acts. In addition to publicity being given, the Government must disburse large sums of money through this channel on easy conditions.

The Co-operative Societies complain of large overdues. This can be solved to a large extent if they advance further in their operations on



sound lines. Loans on the pledge of crops must be allowed. This, combined with the marketing facilities to be supplied by the same movement in conjunction with the Government would make it possible for the easier recovery of the loans. What is wanted is the pursuit of a progressive and liberal policy on the part of the Co-operative Societies.<sup>1</sup>

Next comes the problem of increased income. The Indian Cultivators are not getting even the fair prices for their produce. Leaving apart the questions of increased yield and diminished cost, if the ryots are enabled to get their due share of the prices their conditions will improve much. The observations made by the writers of the "Agriculture situation in 1932-'33" regarding the important aspect of the difficulties of the Indian Agriculturist has been already referred to when we discussed the causes of rural indebtedness. As Mr. Audinarayana Chettiar says "It would be nothing short of mockery to ask the farmer to cultivate his land scientifically, to use chemical manure and to grow economic crops on a large scale when we do not provide him with timely or adequate finance and do not enable him to receive even the ruling market rate for the produce of the sweat of his brow. That the average farmer is unfitted by education, upbringing and by his isolation—not to speak of his want of belief in his own destiny to fight against the organised, clever, and resourceful buyer—is only a truism." The importance of marketing facilities needs no further elucidation.<sup>2</sup>

Foremost among the measures for the improvement of marketing is the construction of a better system of roads; the condition of road communication in the rural parts is abominable. The conditions are still worse during the rainy season. So Government must direct the local boards to attend to this question first with the promise of their help and backing whenever necessary. Direct action by the Government must also be taken. The establishment of a warehouse or godown for a group of at least five or six villages is essential. Cheap credit must be given at 6% on the security of the produce stored in the godowns either by the Co-operative Societies or by the Banks. The warehouse receipt must be classed among Negotiable Instruments. An Agricultural Information Bureau and Central Marketing Board for the Presidency as a whole are needed to disseminate information regarding markets and trade conditions.

Coming to the question of curative measures, it is beyond doubt that the present burden must be first of all lightened so that the farmer may

1. See *The Co-operative Movement in the Madras Presidency*. By Dr. B. V. Narayanaswamy.

2. See *Agricultural Marketing in India*. By Dr. B. V. Narayanaswamy.

improve his condition. In conjunction with the measures suggested before the following measures will go a long way in achieving our object. The establishment of Conciliation or Arbitration Boards as in Bhavnagar State or in the Punjab must be aimed at. Though Conciliation Boards may not succeed so well in our Province as in that State where the Land Revenue system and Land Tenure are different and population smaller than our own, yet the Boards, if worked on those lines would at least relieve the burden in many cases. The Board must be authorised to reduce the rate of interest charge, to disallow compound interest and heavy interest demands. Above all it must spread the period of repayment over a period of about twenty years or less as the case may be. In deserving cases these private loans settled by the Board may be paid, in about ten years, to private creditors in equal parts out of a certain fund allocated by the Government for that purpose. The farmers on their part, have to repay their loans to the Government or its authorised institution in the course of fifteen years.

The property of a person to whom agriculture is the sole means of livelihood should not be placed in a state of bankruptcy on the application of the creditor except in certain special cases. The property sold by judicial process can be taken by the Government and given on hire-purchase agreement to the honest debtors to enable them to recover by their labour the ownership of their holdings. In the case of sale of lands for Revenue arrears the property must not be disposed of below 50% of its market value.

At the root of all solutions lies the question of educating the masses. Without a proper background of education, whatever legislative measures are attempted would prove futile. Compulsory free elementary education up to the sixth standard must be introduced. The lessons taught must introduce the pupils to various topics pertaining to rural development.

The activities of the Agricultural Department must be increased. A larger number of demonstrators should tour the village areas and give practical demonstrations and advice. Last but not least, the burden of Land Revenue must be lightened. Resort to coercive measures for the recovery of land arrears should be minimised. Every effort must be made to give the agriculturist all the fiscal aid he needs.

Thus the scope for State action towards ameliorating the condition of the agriculturists is wide. All the above measures, if attempted simultaneously, will go a long way to solve the problem of India's Agricultural poverty.



**APPENDIX.**



# Economic Survey of a few Villages near Annamalainagar

(Adapted from the Tiruvellore Scheme)

## STANDARD OF LIVING

1. Village.
2. Serial No. of the family.
3. Caste.
4. Name of the head of the family.
5. Occupation.

### I. MEMBERS AND INCOME

| No. | Members:<br>(Earners<br>underlined.) | Sex<br>M. or F. | Age | Occupation | Rate of wages<br>or income | Days in the<br>year<br>employed | Annual<br>income | REMARKS |
|-----|--------------------------------------|-----------------|-----|------------|----------------------------|---------------------------------|------------------|---------|
|     |                                      |                 |     |            |                            |                                 | Rs.              |         |

1. Regularity of employment.
2. Seasons of unemployment.
3. Lands owned by the Family:—

|        | IN THE VILLAGE |            |       | OUTSIDE |            |       |
|--------|----------------|------------|-------|---------|------------|-------|
|        | Extent         | Assessment | Value | Extent  | Assessment | Value |
| Dry    |                |            |       |         |            |       |
| Wet    |                |            |       |         |            |       |
| Others |                |            |       |         |            |       |
| Total  |                |            |       |         |            |       |

4. Income from Lands and Houses:—

|                              | Extent | Yield | Value |
|------------------------------|--------|-------|-------|
| Lands Owned { Cultivated ... |        |       |       |
| { Leased out ...             |        |       |       |
| Lands taken on lease ...     |        |       |       |
| Others ...                   |        |       |       |
| Houses, etc. ...             |        |       |       |

5. Other occupations and income.
6. Total family income.
7. No. of months in the year the family is forced to subsist by borrowing grain or money: how much.
8. Other points of interest about income and wages.

## II. EXPENDITURE

| Commodities                      | QUANTITY CONSUMED* |         |          | COST PER* |    |    |       |    |    | REMARKS † |      |    |  |
|----------------------------------|--------------------|---------|----------|-----------|----|----|-------|----|----|-----------|------|----|--|
|                                  | Daily              | Monthly | Annually | Day       |    |    | Month |    |    |           | Year |    |  |
|                                  |                    |         |          | Rs.       | A. | P. | Rs.   | A. | P. | Rs.       | A.   | P. |  |
| <b>1. Food :</b>                 |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Rice ...                         |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Ragi ...                         |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Cumbu & Varagu                   |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Dholi ...                        |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Condiments and Spices ...        |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Salt ...                         |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Vegetables ...                   |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Sugar & Jaggery                  |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Oil ...                          |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Ghee ...                         |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Milk ...                         |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Eggs ...                         |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Fish & Mutton ...                |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| <b>2. Misc. :</b>                |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Coffee ...                       |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Betel & Nut ...                  |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Tobacco ...                      |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Cigarettes and Beedis ...        |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| <b>3. Drinks &amp; Drugs :</b>   |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Toddy ...                        |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Ganja ...                        |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Others ...                       |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| <b>4. Fuel &amp; Lighting...</b> |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Firewood or cow-dung cakes ...   |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Kerosene ...                     |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| <b>5. Clothing:</b>              |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Men ...                          |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Women ...                        |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| Children ...                     |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| <b>6. Shoes &amp; Sandals</b>    |                    |         |          |           |    |    |       |    |    |           |      |    |  |
| <b>7. Bedding</b> ...            |                    |         |          |           |    |    |       |    |    |           |      |    |  |

*N.B.*—\* Fill in whichever column is convenient, and seems to be accurate.

† State whether the article is purchased, got free or grown by the family. If it is not commonly used, state how often it is used.

‡ Mention kinds, and the total number in each kind in use, as well as the number required per year.

## EXPENDITURE

| Other items of Expenditure                            | Mention the several kinds in detail,<br>their Value and Cost | Annual<br>Expenditure |
|-------------------------------------------------------|--------------------------------------------------------------|-----------------------|
| 1. House Rent: Repairs                                | ...                                                          |                       |
| 2. Maintenance of Cattle                              | ...                                                          |                       |
| 3. Other Agricultural Stock                           | ...                                                          |                       |
| 4. Household requisites: utensils, etc.               |                                                              |                       |
| 5. Furniture used                                     | ...                                                          |                       |
| 6. Jewels: Describe and give value                    | ...                                                          |                       |
| 7. Services: Dhoby and Barber                         | ...                                                          |                       |
| Padiyals and other servants...                        |                                                              |                       |
| 8. Religious observances:                             |                                                              |                       |
| Pilgrimages                                           | ...                                                          |                       |
| Feasts and Festivals                                  | ...                                                          |                       |
| 9. Amusements and Recreation                          | ...                                                          |                       |
| 10. Medical Charges                                   | ...                                                          |                       |
| 11. Interest on debts. Regularly paid?...             |                                                              |                       |
| 12. Remittances abroad; to whom,<br>and how much      | ...                                                          |                       |
| 13. Education:                                        |                                                              |                       |
| (No. of literates in the family)                      | ...                                                          |                       |
| 14. Land Rev. Cesses and<br>other taxes paid annually | ...                                                          |                       |
| 15. Loans to others and Savings:<br>How invested?     | ...                                                          |                       |
| 16. Other expenses                                    | ...                                                          |                       |

Total Annual Expenditure Rs.

### III. GENERAL CONDITION

1. No. of meals taken each day:  
Meal time and Menu
2. Health condition:  
Mention sickness if any
3. State of Domestic Happiness
4. Extravagant or Thrifty
5. Use of spare time
6. Average amount spent upon: (a) Marriage, (b) Funeral, (c) Feasts, (d) Other Ceremonies.



**IV. INDEBTEDNESS**

| Kind of loan* | Property mortgaged | Principal outstanding | Interest due | Rate % p. a. | Duration in years | Creditor | Purpose of borrowi |
|---------------|--------------------|-----------------------|--------------|--------------|-------------------|----------|--------------------|
|               |                    |                       |              |              |                   |          |                    |

(\*Mention Simple mortgage, Mortgage with possession, Pronotes and Bonds, Hand loans, Pledge of Crops, Jewels, or ha produce, Padiyal advance, Miscellaneous, etc.)

Total indebtedness

Total Assets

Chief Cause

How long in debt

**V. HOUSING AND SANITATION**

No. of families in the house.....

Total No. of persons.....

House: Value Rs.

Accommodation: No. of rooms, verandahs, pials, dimensions.

Construction: Roof: thatch, tile, terrace. Walls: mud, bricks, stone. Floor: mud, brick, cement, g

Condition: Good, fair, poor, dilapidated, unfit for human habitation.

Light and Ventilation:

Drainage facilities.

Water Supply: (drink and bathing).

Latrine.

Is the house used for other purposes than living



















Village.....

| Serial No. of the house | Serial No. of the family | Name of the head of the family | Caste | MEMBERS AND EA              |                |                     |
|-------------------------|--------------------------|--------------------------------|-------|-----------------------------|----------------|---------------------|
|                         |                          |                                |       | MALES                       |                | FE                  |
|                         |                          |                                |       | (Underline Earners)<br>Ages | No. of Members | (Under Earne<br>Age |
| 1                       | 2                        | 3                              | 4     | 5                           | 6              | 7                   |
|                         |                          |                                |       |                             |                |                     |





