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From

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To

THE SECRETARY TO GOVERNMENT,

LAW (GENERAL) DEPARTMENT

[Through the Secretary, Board of Revenue (Land Revenue and Settlement):]

Dated Fort St. George, the 31st July 1935.

SIR,

Under G.O. No. 3295, Law (General), dated 20th November 1934, I have the honour to submit my report on the indebtedness of agriculturists in the Presidency of Madras.

PART I.

AGRICULTURAL DEBT—ITS CAUSES AND EFFECTS.

CHAPTER I—INTRODUCTORY.

2. *Terms of reference and scope of enquiry.*—A period of six months was allowed me for this investigation. I was asked to tour throughout the Presidency. My staff consisted of one clerk and one stenographer. The immense amount of written evidence to be examined, of literature to be studied and of statistics and oral evidence to be collected necessitated more time than was left at my disposal. I therefore had to apply for an extension of 29 days which was granted in G.O. Ms. No. 1997, Law (General), dated 12th June 1935. I took charge on the 3rd January 1935 and submitted my report on the 31st July 1935.

In G.O. No. 3295, Law (General), it is stated that M.R.Ry. Diwan Bahadur T. A. Ramalingam Chettiyar Avargal, M.L.C., introduced in the Madras Legislative Council a Debt Conciliation Bill. It was in connexion with this Bill that I was asked to investigate the problem of rural indebtedness. My terms of reference were as follows:—

(1) To what extent indebtedness prevails among agriculturists;

(2) how the present depression in value of land and the fall in prices have affected the position of the agriculturists;

(3) how far compulsory recovery of debts through courts has affected the position of agriculturists who have incurred debts;

(4) what facilities are now afforded by land mortgage banks and co-operative societies to agriculturists;

(5) whether conciliation in the matter of discharge of debts is now being resorted to and, if so, to what extent;

(6) to what extent property has been mortgaged by agriculturists as security for debts and how much land has changed hands during the last four years; and how much thereof went to non-cultivating classes;

(7) whether legislation on the lines of the Debt Conciliation Bill for the establishment of conciliation boards is really necessary for the relief of agriculturists and whether there is any demand for such legislation by them; and, if so, whether the scope of legislation should be limited only to debts on land or should include all debts of agriculturists;

(8) whether such legislation is likely to curtail the facilities that now exist for borrowing; and

(9) whether in case legislation is considered unnecessary, there is any other possibility of affording relief to agriculturist debtors.

The Government in this Government Order further states as follows: "At the same time, they (the Government) realize that the problem of agricultural indebtedness is one that calls for a remedy and are prepared to devise or support practical measures which are calculated to solve it satisfactorily." The nature of my work therefore seems clear. The problem of rural indebtedness has of late forced itself much into public notice, chiefly because of the acute economic depression which swept over the world five or six years ago and still continues. In almost all countries, there are attempts being made

towards some sort of a quick solution; in India, nearly all the provinces, notably the Punjab and the United Provinces, and most of the progressive states, particularly the Bhavanagar State, have been and are still devising ameliorative measures, legislative and otherwise. Everywhere economic experts are busy with the problem.

The problem is a vast one affecting, as it does, the Government, as well as the people of India, to an equal extent. No single prescription can cure the chronic and alarming state into which the ryot has been plunged of late. As Mr. Pillai in his *Economic Condition of India* states; "In treating the poverty and indebtedness of the people, it is essential to find out the root cause; else the treatment will be of the symptoms merely, and not of the disease. The eradication of the evil of indebtedness cannot be effected by any single remedy but will require the persistent and simultaneous action of a diversity of remedies, the most important of which is the education of the peasant himself." The Royal Commission on Agriculture also have struck the right note when they say: "It must be clearly recognized that the worst policy toward debt is to ignore it and do nothing."

3. *Method of enquiry.*—I am grateful for the cordial co-operation of Collectors, District Judges, the Registrar of Co-operative Societies, the Director of Agriculture and the Inspector-General of Registration. All Assistant Collectors and selected Revenue Divisional Officers and Tahsildars conducted detailed investigations into one village each in accordance with a plan outlined by me. A questionnaire was issued to the general public and the response was most generous. I toured throughout the presidency, devoting on an average about three to four days to each district. I conducted detailed investigations into the condition of about five hundred families of ryots and labourers. I also held conversations with all those interested in the subject, who cared to discuss the problem with me. My tour programme was given wide publicity well in advance. Officials, especially those of the Co-operative department, gave me valuable information. Wherever possible, I visited co-operative institutions, agricultural farms and private enterprises of advanced ryots in connexion with farming, cottage industries and the like. The time allowed me was naturally inadequate for such an important and involved enquiry, embracing, as it does, the whole presidency. My report, therefore, cannot be complete in every detail. Yet it may serve at least to reveal broadly the position at present and indicate the main lines on which concerted and well-planned action should be taken. Such action is very necessary and that as soon as possible. My report is divided into two parts. In Part I, I have tried to set out the present position of the agriculturist as regards his debts and to

analyse the causes and effects of such indebtedness. In Part II, I have suggested remedies for indebtedness.

4. *Diversity of conditions.*—The report of the Madras Provincial Banking Enquiry Committee, published in 1930, contains a resume of the special features of the province. The diversity of conditions in different parts of the presidency is bewildering. There are marked differences in soils, tenures, and climate as well as well-defined variations in races, castes and customs.

5. *Physical features of the province.*—The Madras Presidency occupies the southern portion of the peninsula. Its extreme length from north-east to south-west is about 950 miles and its extreme breadth about 450 miles. The presidency may be divided into three distinct portions, the eastern coast, the western coast and the table-land in the interior. These divisions are determined by two great mountain ranges, the Eastern and Western ghats, which extend along the two coasts, diverging from each other and leaving between them and the sea narrow strips of plain country. These mountain chains are pierced by three famous rivers, the Godavari, the Kistna and the Cauvery, as well as by other minor rivers and streams. The interior, between these two mountain ranges, consists of successive table-lands and chains of hills crossing from one ghaut to the other.

6. *Climate.*—The climate varies considerably in different parts. Except for a few isolated spots like the Nilgiris and Palnis, where the climate is cool and temperate, South India as a whole is a hot country with intense heat in the summer, and a short and unsatisfactory cold weather, in which the temperature does not fall sufficiently to compensate for the rigour of the really hot months. At Masulipatam and Guntur the thermometer rises frequently to 115° in the shade and occasionally to 120°. The tracts below 4,000 feet above sea level are dangerously malarious. Cholera and smallpox take their regular yearly toll almost throughout the presidency, and plague is found in many places. The climate, therefore, being enervating and depressing, induces lethargy and slackness while promoting epidemics. Hence it is not conducive to heavy manual labour or sustained mental effort.

7. *Rainfall.*—The western hills arrest the lower strata of rain clouds brought up from the Indian ocean by the periodical winds of the south-west monsoon, causing fairly regular and excessive rainfall on the western coast in the districts of Malabar and South Kanara. But the south-west monsoon is weak on the eastern side of the western ghats. The heaviest rainfall of the rest of the presidency occurs during the lighter north-east monsoon. The northern districts, however, have a better rainy season, approximating to that in Bengal. The following statement exhibits the average rainfall in the twenty-five districts of the presidency.

STATEMENT No. 1.—Rainfall in inches in 1933-34 as compared with the average of the 51 years ending with 1930.

District.	South-west monsoon, 7th June to 26th September.		North-east monsoon, 27th September to 31st January.		Hot weather, 1st February to 6th June.		Grand total.	
	Average	1933-34	Average	1933-34	Average	1933-34	Average	1933-34
	(inches).	(inches).	(inches).	(inches).	(inches).	(inches).	(inches).	(inches).
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Ganjam—								
Agency	43.1	54.0	7.8	13.1	8.1	3.6	59.0	70.7
Plains	28.8	39.4	11.3	12.7	5.0	1.0	45.1	53.1
Vizagapatam—								
Agency	47.3	47.7	5.9	8.9	6.3	3.8	59.5	60.4
Plains	24.4	23.0	10.7	13.7	4.9	2.3	49.0	39.0
East Godavari—								
Agency	36.1	33.7	7.7	14.2	5.2	3.3	40.0	51.2
Plains	24.6	23.9	12.4	13.0	3.3	0.9	40.3	37.8
West Godavari ..	26.4	28.8	10.0	13.0	2.8	1.8	39.2	43.6
Kistna	24.1	24.9	10.0	12.9	2.9	1.1	37.0	38.9
Guntur	18.5	15.7	10.6	14.2	2.7	1.6	31.8	31.5
Kurnool	17.3	13.8	6.1	9.3	2.3	2.6	25.7	25.7
Bellary	14.6	20.5	5.7	8.7	2.9	2.4	23.2	31.6
Anantapur	13.4	14.1	6.4	6.8	2.9	2.7	22.7	23.6
Cuddapah	15.4	11.8	10.5	9.2	2.3	1.4	28.2	22.4
Nellore	11.3	7.5	21.5	29.0	2.2	1.7	35.0	38.2
Chingleput	15.8	7.6	28.2	29.3	2.5	0.4	46.5	37.3
South Arcot	16.6	9.6	25.9	28.7	3.5	1.1	46.0	39.4
Chittoor	14.9	12.0	14.7	16.6	3.7	3.3	33.3	31.9
North Arcot	18.1	12.4	15.9	16.8	4.1	2.1	38.1	31.3
Salem	14.8	12.9	11.6	15.1	6.3	6.1	32.7	34.1
Coimbatore	8.4	10.6	12.2	20.3	6.0	6.2	26.6	37.1
Trichinopoly	12.1	12.5	16.0	21.8	5.7	2.9	33.8	37.2
Tanjore	12.4	8.0	28.5	28.5	4.0	3.7	44.9	40.2
Madura	9.0	13.5	16.1	23.7	6.3	5.2	31.4	42.4
Ramnad	7.5	7.7	18.5	22.9	5.0	4.5	31.0	35.1
Tinnevely	3.3	5.0	20.5	23.9	5.2	4.6	29.0	33.5
Malabar	88.4	97.5	17.5	23.3	12.0	7.9	117.9	128.7
South Kanara	125.5	121.6	12.7	21.9	7.3	2.8	145.5	146.3
The Nilgiris	42.1	46.2	20.8	24.7	11.2	9.7	74.1	80.6

The rainfall naturally has a profound effect upon crops. While the vegetation in Malabar and South Kanara is luxuriant and prolific, that in the Ceded districts of Kurnool, Cuddapah and Anantapur is thin and hungry-looking, if I may say so, and as Mr. Moir puts it, "depressing even to the omnivorous goat." Unfortunately, the rains do not fall with regularity year by year. Years of drought are often followed by devastating floods; and less favoured tracts like the Ceded districts frequently descend to famine conditions, as at present, in Anantapur and Bellary.

8. *Tenures.*—The main forms are the ryotwari, zamindari and inam tenures.

The ryotwari system of holding is the principal tenure of this Presidency. The pattadar or registered holder of the land holds

it direct from Government, subject to the payment of land revenue. The ryot is not restricted in his powers of alienation. The land revenue proper ordinarily remains fixed for a period of 30 years, at the end of which it can be decreased without limit or increased up to 18½ per cent where enhancements are proposed on the basis of rise in prices only, after an economic enquiry by a Special Settlement Officer. The ryot is bound to pay the assessment fixed on his holding, whether cultivated or waste, though remissions of land revenue are usually granted for drought or other causes beyond the ryots' control. Ryots can also relinquish their lands to Government and need not pay further land revenue, if they apply sufficiently early in a season to enable others to cultivate such lands. The following statement exhibits the area under ryotwari tenure in different provinces:—

STATEMENT No. 2.—Ryotwari.

Name of Province and the year of collection of statistics.	Total area less Indian States.	Fully assessed area that is cultivated.	Land revenue assessed on fully assessed area.	Incidence of land revenue on fully assessed area per acre.			
				For total area.		For cultivated area.	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACS.	ACS.	RS.	RS. A. P.	RS. A. P.	RS. A. P.	
Assam, 1931-32	29,795,971	(a) 2,220,449	91,44,321	2 4 2	Figures not available.	1 11 3	
Bombay, 1930-31	74,769,351	23,816,959	4,05,59,988	1 5 6		1 11 3	
Burma, 1931-32	155,849,528	17,470,599	(c) 3,39,87,610	(b) 1 10 4		(t) 2 1 2	
Central Provinces and Berar, 1931-32	11,180,815	7,125,736	1,02,03,886	1 0 16		1 6 11	
Coorg, 1927-28	1,012,260	Figures not available.	3,06,974	2 11 6		Figures not available.	
Madras, 1928-29	(d) 62,518,786	25,266,691	6,47,19,451	1 15 0		2 9 0	

(a) Incomplete.

(b) Defective owing to incomplete data.

(c) Excluding certain districts for which figures for revenue are not available.

(d) Excluding an extent of 150,993 acres (ryotwari, zamindari and inam being the area of the Mettur district).

[Extract from the Agricultural Statistics of India, 1931-32—Volume I, pages 10-11.]

Under the zamindari tenure, the zamindar holds his estate under a *sannad* by paying to the Government a fixed sum known as *peshkash*. The relations between the zamindar and his ryots are regulated by the provisions of the Estates Land Act. The following statement exhibits particulars relating to zamindari tenure:—

STATEMENT No. 3.—Showing the approximate area and revenue of the Zamindaris in the Presidency of Madras for fasli 1343 (1933-34).

Districts.	Name of zamindaris.	As per census of 1881.			Estimated revenue the Zamindaris in fasli 1343.	Peshkash payable to Government in fasli 1343.
		Cultivated and cultivable area.	Uncultivated area.	Total.		
		ACS.	ACS.	ACS.	RS.	RS.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Ganjam ..	Parlakimedi ..	227,200	40,800	268,000	4,98,400	79,787
Vizagapatam ..	Vizianagram ..	384,000	81,280	465,280	20,88,690	4,94,816
	Bobbili ..	65,280	12,160	77,440	626,895	83,453
	Jeypore ..	..	..	5,975,680	11,44,832	15,988
East Godavari ..	Pithapuram ..	157,120	49,280	206,400	9,43,023	2,62,782
Kistna ..	Devarakota ..	89,600	28,160	117,760	2,51,230	79,495
Nellore ..	Venkatagiri ..	769,960	401,280	1,171,340	11,62,240	3,68,734
Chittoor ..	Karvetnagar ..	218,880	222,720	441,600	3,98,598	1,73,842
	Kalahasti ..	368,000	411,520	779,520	4,32,717	1,72,982
Ramnad ..	Sivaganga ..	232,960	137,600	370,560	14,83,611	2,53,451
	Ramnad ..	586,880	158,720	745,600	10,47,800	2,92,627
Tinnevely ..	Ettaiyapuram ..	..	..	337,750	2,96,258	77,985
	All other estates ..	..	..	8,138,080	1,34,54,443	26,35,590
Total ..		3,099,880	1,543,520	19,094,901	2,38,28,737	49,91,532

[Extract from the Report on the Settlement of Land Revenue of the Districts in the Madras Presidency for fasli 1343 (1933-34).]

There are inam holdings of various kinds, the main feature of which is that the land is held on a reduced or nominal assessment, subject to certain conditions.

There are tenants under all these three systems. Some are long-term tenants with occupancy rights, holding land under registered documents for long periods extending to ten and twelve years. There are the occupancy ryots paying rent to zamindars. There are again tenants-at-will holding under simple leases oral or documentary for a year generally. The lease amounts are paid to the registered ryotwari or inam holders or to zamindars, either in money or in kind. The main forms of tenancy are the sharing system in kind and the fixed lease system in money or in kind.

The tenures in Malabar and South Kanara are different to those in the rest of the presidency. In Malabar, the *janmi* holds the land of Government on payment of assessment. Under him, the *kanamdar* holds on a twelve years' lease and he has a right to renew on payment of a fee. When he leaves, he is entitled to compensation from the *janmi* for all improvements he has effected. The *janmi* and *kanamdar* also lease their lands to tenants on short term leases. The *kanamdar* has almost similar rights to the zamindari occupancy tenant.

In South Kanara, the holding is held under the *mulu* tenure. The *mulawargadar* holds land under Government subject to payment of assessment. He has special claims to adjacent waste lands known as the *kumaki right*. The two main classes of tenants are *mulgenidars* with occupancy rights and tenants-at-will or *chalgenidars*.

9. *The people*.—One of my terms of reference is to what extent property has changed hands during the last four years and how much thereof has gone to non-cultivating classes. As far as I can make out, there is no such thing in this presidency as a "cultivating class," as distinct from a "non-cultivating class." Landholders and tenants belong to all castes and communities from Brahmans to the depressed classes and actual cultivators as well as absentee landlords are found in all of them. There are cultivating landlords and tenants among all communities and castes, who personally supervise the work on their lands and even do much, if not all, of the work themselves. It is encouraging indeed to find many Brahmans throwing off the shackles of pride and prejudice and doing all the items of agricultural operations themselves with the exception of ploughing. Others who are generally affected by caste prejudices and believe in the false dignity of "sitting at ease," will do well to follow this magnificent lead. Absentee landlordism is steadily on the increase. It is especially increasing among those who lend money to agriculturists, whether professional money-lenders or agriculturist and trader money-lenders. Land was a safe investment till a few years ago, though the return it yielded was meagre. So those, whose professions gave them a surplus for investment, invested in land. Hence, we have absentee landlords among Government servants, lawyers, and retired men. Professional money-lenders, and traders and agriculturists who lend money are gradually turning out to be big absentee landlords. When their loans are not returned, they eventually take the land of their debtors in full or part payment. It being

impossible for them to cultivate this growing volume of landed property themselves, the land is let out on lease to tenants. This tendency of land to pass into the hands of those who will not or cannot cultivate in person has been much aggravated by the economic depression.

I do not think there is any official definition of an *agriculturist* in this province. There are very many who derive some income from their lands and who also earn from other sources. For the purpose of this report, however, he can, I think, be defined as one who derives his income mainly from the land. I presume it is not the intention of the Government to deal with zamindars and rajas, who hold land under zamindari tenure. They may or may not be indebted; but their indebtedness, if any, will probably be of such dimensions as not to come within the purview of any remedial measures that may be contemplated. It will be well, therefore, in this report, to limit our attention to ryotwari and inam landholders, to tenants and subtenants under them, to zamindari ryots and to farm labourers.

The total population of British territory in the Madras Presidency (excluding the States of Pudukottai, Banganapalle and Sandur) was 46.74 millions in 1931, as compared with 42.32 millions in 1921. There was therefore an increase in population of 4.42 millions during the decade 1921-1931. Applying the same rate of increase to the years subsequent to 1931, we arrive roughly at a total population in 1935 of 48.64 millions.

In 1921, 71 per cent of the total population was declared to be supported by agriculture and the same percentage was surmised in 1931. So according to the census reports, we may roughly calculate that 34.53 millions of people in the Madras Presidency in 1935 are supported by agriculture. It should be realized that such calculations cannot possibly be exact. When estimating in millions and crores, errors must creep in. Especially so is this tendency when figures are calculated for anything dealing with agriculture. As already indicated, an agriculturist is an elusive person. Let us suppose a person is a clerk and earns Rs. 35 a month. He may also derive an income of about Rs. 40 from his lands. When questioned by census enumerators, he will almost certainly give his occupation as "clerk." Variations on this theme can be endless. There has been a marked tendency in the last few years for a man, to try and deny any relation to agriculture, if he earns even a negligible income from some other regular source. In 1921, however, the tendency to embrace agriculture was paramount and as Mr. Yeatts says, "comment was made then (in 1921) that some of it (the great rise in the number of agriculturists) probably represented the habit of classing one's occupation as agriculture in preference to other specific but less honourable pursuits."

According to the census report, agricultural labourers increased from 4.62 millions in 1921 to 5.09 millions in 1931. The following table is taken from the latest census report and exhibits the chief contributories to 1,000 persons engaged in cultivation:—

Agricultural labourers ...	429
Cultivating owners ...	390
Cultivating tenants ...	120
Non-cultivating owners ...	34
Non-cultivating tenants ...	16

To quote from the census report, "the predominance of agricultural labourers is at once apparent and these with the working owners constitute over 80 per cent of the total persons engaged in agriculture. The proportions have varied considerably from 1921, but considerations already adduced will account for much of the variations. Circumstances of pride frequently enter in these returns of occupations. The low proportion of non-cultivating tenants shows to what extent subinfeudation obtains in Madras and from another point of view indicates the extreme smallness of the average holding."

10. *Classification of land*.—All lands are divided into survey fields and then again into subdivisions. Cultivable lands are divided from the revenue point of view into *wet* and *dry*. Wet lands are those on which irrigated crops can normally be grown. In all districts, except Malabar and South Kanara, the Government generally supply water to wet fields by means of irrigation sources. In Malabar and South Kanara, as we have seen, the regular south-west monsoon affords a fairly regular water-supply. There are no "irrigation sources" in Malabar, South Kanara and the Nilgiris. Wet rates are very much higher than dry rates. Dry lands are generally on a higher level than wet lands and depend almost solely upon rainfall for water. If water from a recognized source of irrigation is supplied to dry lands, or for an additional crop to wet lands, an extra water rate is charged. In Malabar and South Kanara, we have an additional classification known as *garden*, in which the coconut, arecanut, pepper-vine and the like are grown.

11. *Holdings*.—A revenue holding may consist of a single field or subdivision or, what is far more common, a conglomeration of fields and subdivisions in a single village. The average ryots' holding is generally of the latter type. Many ryots hold lands on ryotwari pattas in several villages. A single patta is given to a ryot who holds land singly, while joint pattas are given to ryots who hold lands jointly. The joint patta is a common feature of South India, an unfortunate but inevitable result of the provisions of Hindu and Muhammadan Laws. The names of these joint holders constantly change as time passes. Some of these pattadars die, others become majors, a few give up their shares to others and so on. But seldom is trouble taken to intimate such changes to the Revenue Department. Yet, it is the duty of the unfortunate karnam to keep the revenue registry up to date. No wonder then that

such a registry is not all that it should be in spite of the ceaseless efforts at rectification of the Revenue Department, helped as it is by the Land Records staff. All joint holders are

jointly and severally responsible for the payment of land revenue on their holdings.

The following statement exhibits the size of holdings in the Madras Presidency:—

STATEMENT No. 4.—Showing the size of holdings in Madras Presidency and the number of pattas of various values held.

(1)	Number of pattas.		Extent of holdings in acres.	
	Fasli 1335.	Fasli 1340.	Fasli 1335.	Fasli 1340.
Pattas on which the payment is Re. 1 and less—				
Single pattas	615,262	702,706	364,658	415,652
Joint pattas	1,780,692	509,391	237,961	263,524
Total ..	2,395,954	1,212,097	602,619	679,176
Rs. 10 and less but over Re. 1—				
Single pattas	1,890,396	2,063,586	5,414,095	5,910,164
Joint pattas	3,382,964	1,105,726	3,584,034	7,004,451
Total ..	5,273,360	3,169,312	8,998,129	12,914,615
Rs. 50 and less but over Rs. 10—				
Single pattas	761,814	790,988	6,260,925	6,460,294
Joint pattas	447,991	444,695	4,303,014	4,978,495
Total ..	1,209,805	1,235,683	10,563,939	11,438,789
Rs. 100 and less but over Rs. 50—				
Single pattas	83,230	84,774	1,727,312	1,743,920
Joint pattas	39,339	32,285	896,557	848,590
Total ..	122,569	117,059	2,623,869	2,592,510
Rs. 250 and less but over Rs. 100—				
Single pattas	32,835	35,025	1,331,110	1,375,291
Joint pattas	13,460	11,944	631,487	555,084
Total ..	46,295	46,969	1,962,597	1,930,375
Rs. 500 and less but over Rs. 250—				
Single pattas	7,042	7,832	626,691	646,899
Joint pattas	2,402	1,928	216,850	202,841
Total ..	9,444	9,760	843,541	849,740
Rs. 1,000 and less but over Rs. 500—				
Single pattas	2,404	2,286	418,173	428,822
Joint pattas	588	529	107,697	122,248
Total ..	2,992	2,815	525,870	551,070
Over Rs. 1,000—				
Single pattas	862	921	459,750	521,062
Joint pattas	189	191	99,868	130,162
Total ..	1,051	1,112	559,618	651,224

[Extract from the Report of the Settlement of the Land Revenue of the Districts in the Madras Presidency.]

It will be seen that the bulk of the pattas are those which yield a land revenue of Rs. 50 and less, those which give Rs. 10 and less forming the vast majority.

Joint pattas are definitely on the decrease, a sign partly of the disintegration of the joint family and the growing urge for partition. What is alarming, however, is that, in spite of fresh assignments to small farmers and labouring classes, the small holder, who constitutes the bulk of the agricultural population of this presidency, is gradually making way for the large landholder, who, while absorbing the lands of the cultivating small farmer, seldom cultivates the land himself.

In the five years between faslis 1335 to 1340, registered holders paying between Rs. 250 and Rs. 500 have increased by 316, those paying between Rs. 500 and Rs. 1,000 have acquired nearly 25,000 acres more land and of those paying more than Rs. 1,000, there are 61 more. In this corresponding short period, the number of pattas paying Rs. 100 and less has fallen from 9,001,688 to

5,734,151 or by 3,267,537. Statement No. 3 above does not give a complete or accurate idea of the present position, because revenue registry is usually not up to date and also because the figures for years after fasli 1340 are not available for purposes of comparison.

12. *Irrigation.*—The great rivers, Godavari, Kistna and Cauvery supply water to the three main deltaic areas. The districts of East Godavari, West Godavari, Kistna, Guntur, Tanjore, Trichinopoly and South Arcot are benefited by channels from these irrigation sources. The Kurnool-Cuddapah canal irrigates small portions of the Cuddapah and Kurnool districts. There are small isolated deltaic areas in Tinnevely, Madura, Nellore, Ganjam and North Arcot districts. The Cauvery-Mettur project, which has recently been completed at a total cost of over seven crores, will open up for wet cultivation a vast dry area in the Tanjore district, besides supplying more water to the old Cauvery delta. The following statement shows the particulars regarding the areas irrigated in this presidency.

STATEMENT No. 5.—Area irrigated in each district from the various sources of irrigation (canals, tanks, etc.) (extract from season and crop reports).

District.	Area irrigated from					Total.	Percentage of irrigated area to net area sown.	Percentage of area irrigated by wells to the total area irrigated.	Percentage of irrigated area in net area sown in the previous year.
	Government canals.	Private channels.	Tanks.	Wells having independent ayacuts.	Wells supplying recognized sources of irrigation.				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Ganjam ..	167,889	42,322	418,979	67,385	2,956	84,655	713,845	49	47
Vizianagaram ..	51,893	68,455	385,018	67,385	88,473	162,390	718,111	28	26
East Godavari ..	975,217	103,377	103,377	6,049	146	65,502	544,326	56	56
West Godavari ..	429,183	408	73,549	6,049	11,776	518,467	518,467	64	83
Kistna ..	471,508	..	66,795	13,987	..	12,286	553,904	51	51
Guntur ..	334,569	..	21,979	16,011	238	4,258	374,793	18	18
Kurnool ..	33,138	..	42,202	2,907	249	8,586	95,535	5	4
Belary ..	16,181	..	17,484	9,669	82	3,661	52,219	19	2
Anantapur ..	40,465	914	98,697	35,919	23,774	27,054	179,656	20	8
Cuddapah ..	50,774	553	54,949	76,151	15,589	17,698	209,481	36	19
Nellore ..	139,814	420	233,501	103,395	3,827	68,791	494,828	21	34
Chingleput ..	10,901	1	411,568	9,482	15,665	68,791	500,743	2	67
South Arcot ..	160,550	1	261,431	22,093	56,438	22,164	466,150	5	37
Chittoor ..	22,723	1,435	162,204	64,596	31,103	25,526	285,817	23	35
North Arcot ..	21,550	1,482	245,434	74,535	40,306	16,029	359,003	30	36
Salem ..	26,501	1,482	72,717	140,701	30,515	20,582	262,043	54	67
Coimbatore ..	80,622	148	22,580	418,011	355	14,324	535,685	31	27
Trichinopoly ..	129,393	..	65,152	90,468	27,163	10,719	235,932	23	23
Tanjore ..	863,986	830	120,051	116,644	9,800	1,235	497,252	28	28
Madura ..	147,351	8,544	318,517	53,620	6,200	6,200	374,111	29	35
Ramanad ..	1,559	2,893	318,517	53,620	6,200	6,200	374,111	29	35
Tinnevely ..	51,441	2,893	106,259	81,206	27,658	2,177	253,891	12	22
Presidency—1933-34	3,627,218	139,134	3,491,793	1,354,339	379,035	589,787	9,202,221	27.2	27
1923-24	3,474,261	178,350	3,189,125	1,732,068	..	428,618	9,000,422	23.0	..

NOTE.—There are no sources of irrigation on the West Coast and the hills. Excluding the West Coast and the hills 29.0 per cent was irrigated during the year 1933-34.

* Revised figures.

Irrigation under Government canals has substantially increased in the last ten years and will certainly expand much further when the Cauvery-Mettur project is supplying the full area it has been intended for. Irrigation under private channels has diminished, while the total irrigated area under wells remains about the same.

13. *Crops.*—The appended statement furnishes particulars of crops raised in different parts of the presidency.

STATEMENT No. 6.—Extract from the season and crop report of the Madras Presidency, 1933-1934.

Name of districts.	Total area.	Forests.	Net area sown.	Area of paddy irrigated and unirrigated.	Area of cholam irrigated and unirrigated.	Area ofumbu irrigated and unirrigated.	Area of ragi irrigated and unirrigated.	Total cereals.	Total area of pulses sown.	Area of sugarcane.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Ganjam	5,364,818	588,754	1,454,626	1,057,714	17,327	11,272	140,065	1,274,356	280,902	6,757
Vizagapatam	10,363,200	1,100,694	2,596,697	1,112,586	71,702	207,471	501,846	2,133,733	258,890	34,531
East Godavari	9,980,608	907,811	980,200	632,586	98,870	44,704	18,904	819,538	179,707	9,221
West Godavari	1,511,021	48,864	814,932	573,032	60,902	12,207	7,426	759,407	76,763	1,595
Kistna	2,693,786	109,739	1,086,821	673,932	208,432	32,089	1,426	862,042	93,876	1,133
Guntur	3,688,824	469,312	2,126,148	395,718	435,617	168,609	1,463,775	1,463,775	110,223	1,248
Kurnool	3,668,190	1,647,270	2,106,148	70,958	522,362	58,778	25,329	1,301,478	133,562	8,540
Belary	3,654,539	362,238	2,106,671	41,053	611,855	96,408	22,329	1,226,314	163,532	2,689
Anantapur	4,307,049	456,662	2,561,941	138,157	229,860	116,684	84,954	1,125,333	238,532	299
Chidambaram	3,724,695	1,152,250	2,041,720	100,021	283,244	116,557	68,505	751,413	148,600	22
Cuddalore	5,087,200	466,369	422,264	422,264	420,582	10,903	82,839	1,235,249	148,961	333
Chingleput	1,966,897	126,841	725,408	65,535	6,535	10,903	78,075	844,869	15,054	333
Madras	18,685	163,294	1,289,965	609,650	63,690	90,461	87,168	1,016,938	18,271	9,835
South Arcot	2,693,098	595,232	1,259,498	204,697	63,310	158,378	166,599	879,698	44,245	9,988
Chittoor	3,778,866	756,433	1,118,184	488,086	173,733	89,138	112,023	879,698	82,580	7,883
North Arcot	2,962,307	1,000,553	1,563,458	201,753	451,433	326,388	173,194	1,188,583	281,345	6,700
Salem	4,537,938	1,438,703	1,922,081	1,207,932	227,188	271,417	67,938	1,116,200	325,006	8,675
Coimbatore	9,855,870	144,920	1,353,769	1,119,911	11,917	7,302	1,063	1,208,513	68,240	5,620
Tiruchinopoly	2,306,895	12,692	1,295,888	1,365,321	249,977	32,961	1,063	884,328	96,816	2,807
Tanjore	3,078,921	758,814	1,213,772	455,876	69,672	119,781	73,682	884,568	44,478	273
Madurai	3,140,268	46,352	1,256,947	455,876	69,672	119,781	73,682	884,568	44,478	273
Ramanathapuram	2,788,699	221,517	1,215,406	367,504	77,237	152,983	11,865	726,398	142,603	26
Tinnevely	3,645,573	357,888	1,467,702	891,332	77,237	152,983	11,865	919,000	25,562	3,743
Malabar	2,573,509	518,815	567,792	568,692	273	..	6,672	593,554	45,009	2
South Kanara	633,377	311,048	89,278	5,727	..	..	2,638	18,892	629	..
The Nilgiris	..	..	..	..	..	..	..	..	..	..
Total 1933-34	91,007,591	13,693,112	33,879,533	11,703,788	4,411,554	2,553,562	2,123,968	24,995,939	3,052,060	121,650
Totals for 1928-29	..	13,100,701	34,067,941	11,018,984	4,614,579	3,067,294	2,254,014	25,138,119	2,827,373	89,075
Totals for 1923-24	..	* 13,157,794	* 32,287,088	10,516,701	4,647,085	2,645,076	2,592,199	24,622,418	2,689,424	121,298

STATEMENT No. 6.—Extract from the season and crop report of the Madras Presidency, 1933-34—cont.

Name of districts.	Total fruits and vegetables including root crops.	Total food crops.	Coconut.	Tobacco.	Groundnut.	Gingelly.	Castor.	Total oil seeds.	Cotton total.
(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Ganjam	39,277	1,631,431	8,447	3,234	49,985	52,048	5,286	127,827	980
Vizagapatam	68,015	2,576,453	2,339	51,053	126,322	142,588	10,218	368,843	13,655
East Godavari	50,561	1,093,111	52,579	16,202	155	83,394	7,915	150,124	7,133
West Godavari	27,529	831,912	9,954	7,882	6,454	6,200	6,413	92,229	759
Kistna	15,555	986,275	1,207	6,091	109,324	7,776	8,703	127,072	17,601
Guntur	12,187	1,685,231	133	94,810	332,369	1,030	31,931	386,452	73,381
Kurnool	8,040	1,470,693	20	4,608	4,608	2,493	531,362	518,459	177,559
Belary	6,426	1,420,489	1,704	970	416,611	11,588	15,860	464,713	569,279
Anantapur	8,897	1,456,914	484	1,403	416,611	25,061	69,300	558,933	107,136
Chidambaram	22,966	839,400	117	1,403	229,478	3,075	8,635	245,081	38,724
Cuddalore	9,539	1,412,516	253	2,720	16,593	3,522	47,588	68,226	34,724
Chingleput	18,500	885,478	5,806	19	38,956	17,290	12	62,896	3
Madras	22,394	1,080,694	4,111	1,736	381,960	55,780	1,096	444,676	1,360
South Arcot	33,147	722,334	2,935	512	113,826	5,913	5,633	335,032	32
Chittoor	22,812	1,006,168	11,537	2,073	295,035	25,276	5,092	338,455	369
Salem	16,582	1,477,572	9,108	4,860	151,480	52,278	23,874	237,532	51,818
Coimbatore	16,462	1,362,435	10,528	29,575	200,049	36,253	9,934	257,532	351,675
Tiruchinopoly	24,806	1,332,246	6,510	4,312	95,968	73,578	8,127	183,600	45,545
Tanjore	27,573	1,035,646	32,344	1,459	65,061	23,119	4,551	123,805	91
Madurai	32,762	968,101	7,188	7,690	129,310	27,059	1,132	163,366	145,768
Ramanathapuram	27,943	982,048	6,340	2,068	58,854	27,235	1,782	83,744	222,274
Tinnevely	91,644	1,283,964	5,266	1,153	12,887	69,368	305	88,710	295,704
Malabar	165,262	683,592	335,351	1,42	1,596	8,422	227	346,570	189
South Kanara	13,570	33,781	47,216	1,647	5	2,361	50,101	50,101	180
The Nilgiris	..	..	..	21	5	27	122	122	3
Total for 1933-34	743,299	29,754,422	661,555	247,826	3,779,365	836,145	304,688	5,848,211	2,155,942
Totals for 1928-29	677,772	29,516,113	570,330	255,229	3,673,349	759,716	344,373	5,515,554	2,464,775
Totals for 1923-24	657,674	28,951,822	520,552	* 219,843	1,811,790	685,758	339,020	3,584,591	2,631,621

* Revised figures.

This statement deserves close study. During the eleven years from 1923 to 1934, forests have increased by 535,000 acres. The net area sown, though it has risen from 1923 to 1928, has definitely decreased thereafter. The difference, however, is not substantial. Nor are variations in the areas under paddy, total food crops, tobacco and coconut, particularly significant or noticeable. As regards sugarcane, the area under it has dropped steeply from 1923 to 1929 and again has risen as steeply from 1929 to 1934. Areas under cholam, ragi and cumbu have noticeably fallen off in the last five years while pulses have increased. The most remarkable increase is seen between 1923 and 1929 in the area under ground-nut which shot up from 18.12 lakhs of acres to 36.79 lakhs and again rose in 1934 to 37.79 lakhs.

Agriculture in the Madras Presidency at present is predominantly a food-producing agency. Of the net area sown of 33.880 millions, as much as 29.754 millions or 88 per cent consists of food crops. Of the area sown with food crops, paddy (mostly irrigated) easily takes the first place with 11.704 millions of acres. Cholam, cumbu and ragi, which are predominantly dry crops, account between them for 9.09 millions of acres. It is as well to recognize clearly that the economic system of the South Indian farmer must necessarily concern itself mainly with food crops, and paddy in particular. Paddy cultivation will take on an added significance when the new area under the Cauvery-Mettur project is opened up.

The following statement shows the acres under rice in different parts of India and in other parts of the world:—

STATEMENT No. 7.—Statement of area and production of rice.

Name of province	Area (1,000 acres)— Average for		Increase or decrease per cent.	Production (1,000 tons) — Average for		Increase or decrease per cent.	Average yield per acre in tons.	
	1922-26.	1927-30.		1922-26.	1927-30.		1922-26.	1927-30.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 Bengal	20,793	20,604	- 1.0	7,968	8,615	+ 8	.38	.42
2 Bihar and Orissa	14,446	14,015	- 3.0	4,636	5,466	+ 18	.32	.39
3 Burma	11,996	12,691	+ 6.0	4,739	4,818	+ 2	.40	.38
4 Central Provinces and Berar	5,193	5,486	+ 6.0	1,460	1,605	+ 10	.28	.29
5 Madras	10,968	11,285	+ 3.0	4,947	5,259	+ 6	.45	.47
6 United Provinces	7,178	6,902	- 4.0	2,168	1,709	- 21	.30	.25
7 Indo-China	12,084	13,843	+ 15	5,645	5,907	+ 4.6	.47	.43
8 Italy	415	346	- 17	569	651	+ 14.0	1.37	1.88
9 Japan	7,714	7,848	+ 2	10,257	11,045	+ 7.7	1.33	1.41
10 Java and Madura	8,082	8,680	+ 7	4,988	5,174	+ 4.0	.61	.60
11 Korea	3,849	3,828	- 2	2,610	2,828	+ 8.4	.68	.72
12 Siam	6,394	6,357	- 5	4,560	4,244	- 7.0	.71	.67

(Extract from the Report of the Rice Production and Trade in the Madras Presidency 1934, page 2.)

Madras takes the fourth place among the provinces as regards acreage under rice cultivation, with Burma topping her by a close margin.

The Indian provinces are conspicuous in their poor yields per acre, while Japan and Italy are distinguished by their splendid

outturns. Madras takes the rather dubiously distinguished position of leading the other provinces in the yield per acre. The following statement taken from the *Indian Trade Journal* perhaps gives a better idea of rice production in the different provinces than the previous one:—

Provinces and states.	Area (thousand acres)		Yield (thousand tons)		Yield (per acre—lbs.)	
	1933-34.	1932-33.	1933-34.	1932-33.	1933-34.	1932-33.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bengal—						
Autumn	5,775	5,795	2,254	2,208	874	853
Winter	15,499	15,590	6,226	6,958	900	1,000
Summer	393	394	166	198	946	1,126
Total, Bengal	21,667	21,779	8,646	9,364	894	963
Bihar and Orissa—						
Autumn	3,354	3,330	956	936	638	630
Winter	9,829	9,702	3,322	3,251	757	751
Summer	40	40	14	14	784	784
Total, Bihar and Orissa	13,223	13,072	4,292	4,201	727	720
Burma	12,851	12,702	5,185	4,913	904	866
Madras	11,576	11,534	5,090	5,406	985	1,050
United Provinces (a)	6,003	6,187	1,737	1,334	648	483
Central Provinces and Berar (b)	6,886	7,055	1,984	2,009	645	638
Assam—						
Autumn	817	875	196	232	537	594
Winter	3,345	3,588	1,017	1,335	681	833
Summer	187	188	81	85	970	1,013
Total, Assam	4,349	4,651	1,294	1,652	666	796
Bombay—						
Autumn (b)	3,199	3,567	1,470	1,549	1,029	973
Spring	18	18	5	8	622	996
Total, Bombay (b)	3,217	3,585	1,475	1,557	1,027	973
Coorg	84	84	54	55	1,440	1,467
Hyderabad	1,110	997	299	293	603	658
Mysore	763	769	225	242	661	705
Baroda	225	226	65	63	647	624
Bhopal (Central India)	23	20	7	(c) ..	682	..
Grand total	81,977	82,661	30,353	(d) 31,089	829	(d) 843

(a) Includes autumn, winter and summer rice and also figures for the Rampur state.

(b) Includes Indian States.

(c) Not available.

(d) Excluding Bhopal.

(Extract from the *Indian Trade Journal*, dated 1st March 1934, page 801.)

Centuries of experience have led the Indian peasant to choose the best crop to suit his environment. In Madras, paddy cultivation has taken the first place and will keep it, because economically paddy should take the lead. Professor Mukerjee wisely remarks as follows:—"Notwithstanding the copious and favourable rainfall of China, Japan and India, each nation has selected the one crop which permits it to reap the full advantage, not only of practically all the rain which falls directly upon its fields, but in addition enormous volumes of the run-off from adjacent uncultivable mountain country. These nations have adapted conditions to crops and crops to conditions, until in rice they have a cereal which permits the most intense fertilization and at the same time the insuring of maximum yields against both drought and flood for dense populations. With the practice of Western nations in all humid climates, no matter how completely and highly they fertilize, in more years than not yields are reduced by a deficiency or excess of water. Rice, which gives a maximum yield is a good staple crop for dense populations. Where the population is not dense, however, it cannot be grown; for the cultivation of rice demands a large number of unskilled hands and arduous hand labour over relatively brief agricultural seasons. With a cheap supply of agricultural labour, little manure and with imperfect tools and implements, rice feeds large masses of population. Social cohesiveness among rice-growing peoples naturally is encouraged when a large population is concentrated in small fertile areas, while the flooding of the rice-fields during transplantation develops communal habits of agriculture and communal control of irrigation. It is this social cohesiveness which has governed the characteristic distribution of fields in China, Japan and India."

CHAPTER II.

The causes of indebtedness.

14. Rural indebtedness is not peculiar to India. The agriculturist all the world over is indebted to some extent or another. Mr. Darling states that in Prussia in 1902, 628,000 peasant proprietors carried a debt of £377 millions, and the farmers of the United States in 1910 owed £475 millions. In India itself, agricultural indebtedness is not a phenomenon which has appeared only in recent years. Sir Frederick Nicholson, in 1895, estimated the total debt of the rural population of Madras at 45 crores. In 1930, the Madras Provincial Banking Enquiry Committee estimated the debt at 150 crores. It will be seen later in this report what the present indebtedness is.

Every historian assures us that the Indian agriculturist has always been indebted. But the extent of indebtedness varies, not only with landed security which the agriculturist can offer, but also with the personal credit

he commands. But personal security, however, trustworthy, can never induce a man to lend freely unless the borrower holds property to back his credit with. The more valuable the property, the more the borrowing power; and if, as in India, forethought and caution are thrown to the winds and there is dire necessity for money at any cost, the more the borrowing power of the ryot, the more does he borrow. "Debt follows credit" as Mr. Darling says.

Prior to the advent of the British into India, the position of the Indian cultivators was most precarious. Torn as the country was by political strife and the ceaseless clash of rival powers for supremacy, the fear of constant ejection and dispossession of the land and the fact that the right of private possession of land was not firmly established, discouraged the ever-present money-lender from throwing his money about among agriculturists with that freedom and abandon, which characterized him later. The internal security conferred by the British gave to the agriculturist a secure tenure in his land. He was free to do what he liked with it. He could sell or mortgage it and the law courts respected these transactions. So the security the agriculturist could offer was suddenly vastly increased. And with the increase of security indebtedness shot up. Mr. Darling's theory of debt following credit, however, will not be applicable if the agricultural industry is one yielding a steady and substantial profit every year to a people who, with wisdom and forethought, live carefully within their means and put by the extra profits for a rainy day.

15. *Poverty.*—Quite apart from the character of the people, agriculture in India, with the exception perhaps of the raising of a few commercial crops, is not a profit-making concern. Its main concern in India is to provide food for the teeming millions. "In India agriculture is, with most cultivators, with uneconomic holdings, more a mode of living than a business," says the Royal Commission on Agriculture. The following observations of the Simon Commission hold as good to-day as they did in the past. "The low standard of living to which the mass of India's population attains 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 countryman content with things as they are. But the depth of the poverty, the pervading presence of which cannot escape notice, is not so easily realized."

The gross value of the crops of the Madras Presidency in 1928-29 was estimated by the Madras Banking Enquiry Committee at Rs. 165 crores. The average prices of rice, cumbu, ragi and cholam taken together fell between 1928-29 and 1933-34 by above 50 per cent, so that the gross value of crops of the

Presidency in 1933-34 would roughly be Rs. 80 crores. Assuming that there was a rural population of 34 millions in the Presidency in 1933-34, we get a gross income from crops raised per head of population, of about Rs. 23-8-0. But the net income should be arrived at by subtracting from the gross value of the produce, the cost of cultivation, land revenue, interest payments and so on. The cultivation expenses may roughly be taken at 40 per cent of the yield, though I am perhaps estimating cultivation expenses at too low a figure. Hence, from a yield valued at Rs. 80 crores, we may deduct Rs. 32 crores for cultivation expenses. We should deduct 8 crores for land revenue assessment and rent paid to zamindars. This leaves a net agricultural income of 40 crores in 1933-34 to support 34 millions of people. Even assuming that no interest on debt is paid, we arrive at the figure of Rs. 11-12-0 as the income per head of rural population in 1933-34. Therefore, even in a year of normal rainfall, making no allowance whatever for a rise in the standard of living or for payment of interest on agricultural debt (no question of paying back the principal generally arises) a sum of about Rs. 15 per head (allowing Rs. 3 to Rs. 4 for income from other sources) has to suffice on an average for food, clothing and the numerous sundries which are required for a man, woman or child. Professor B. V. Narayanasami of the Annamalai University whose evidence will be found in Appendix I, calculates the present *per capita* income of the agriculturist at Rs. 7-8-0. I believe that this is rather too low a figure. My figure of Rs. 15 per head may perhaps be too optimistic, but it is safer to err on the right side and I am positive that my estimate cannot possibly be attacked as being too low.

The average ryot therefore is forced to live a squalid life, ill-fed, poorly clothed, wretchedly housed and with hardly any surplus for those extra amenities which make life worth living.

16. *Vicissitudes of season.*—There is general agreement that the return from investments on agriculture as regards the staple food crops, is low, averaging from 2 to 5 per cent in a normal year with average prices. Normal years are not very common in India. As Mr. Darling observes, "the monsoon may fail, or what is more likely near the hills, the rain may come at the wrong time; or a river may rise and sweep away harvest, hamlet and herd. In such circumstances, to support a family upon a few acres without getting into debt requires a level of skill, industry and thrift seldom attained in a hot country. Undoubtedly it can be done, just as a small sailing boat weathers the storms of the Atlantic; but, unless the boat is both well found and well manned, it will assuredly sink. In India, the farm is too often neither the one

nor the other, and nature can be almost as destructive on land as at sea." Mr. Darling rightly reckons that a cycle of five years will give one good year, one bad and three neither bad nor good which we may take as normal. In the good year, the ordinary small holder may just pay his way without a loan. In the bad year, he is forced to borrow for all his wants, including cultivation expenses, food and clothing. Even in the middling years, the cultivator, I maintain, is obliged to borrow to some extent, not only for special expenses like marriage or to buy a bullock, but also for his cultivation expenses. If payment of land revenue and of interest on standing debt do not absorb almost all his surplus, he may be able to pay off at least the recurring debt for cultivation expenses. Often as not, he is unable to do even this and so the borrowings for cultivation expenses go to swell the standing debt. I visited a famine work in the Anantapur district. Those working for famine wages included labourers and small landholders generally paying assessment up to ten rupees. On being questioned as to why landholders paying over ten rupees did not come and work, the village officers told me that it was beneath their dignity to do so. It was admitted that their lands also were lying waste, and land revenue assessment had been completely remitted. I wanted to know how the people came by the wherewithal to live with, since a remission of land revenue put no money into their pockets. The answer was that they had borrowed the money. "Did they borrow from co-operative societies?" I asked. "No" was the answer, "by the time the loan application goes through, the applicants will certainly die of starvation." The fact was that these small landholders, in preference to earning their living by honest work, chose to borrow from money-lenders (including agriculturists and traders who lend money) at most exorbitant rates of interest. The wonder was that the money was so readily available.

17. *Ravages by wild animals and pests.*—Crop pests cause considerable damage. The rice bug for instance is a menace to paddy near forests and will often devastate a whole promising crop in a few days. The officers of the Agricultural department, when appealed to for help by the ryots of South Kanara, offered the bright suggestion that an enormous net should be procured to cover the fields and net such insects! A cloud of locusts can lay bare a vast expanse of cultivation in a few hours. Some years ago, I was an eye-witness to such a visitation in the Anantapur district. The locusts suddenly appeared in millions. I thought we were caught in a great dust storm. Shortly afterwards, the ground was covered with a carpet of these insects 6 inches deep.

Wild animals like elephants, pig, bison, deer and monkeys are regular visitants from forests to neighbouring fields. In Coimbatore

or in South Kanara, for instance, a herd of wild elephants will tear down and completely devastate in a short time a fine plantation reared with infinite care and immense expense. Again, the rat is a greedy rodent which is reputed to consume 6 lb. of grain a year. Professor Mukerjee estimates the loss caused by rats in India per year at Rs. 22 crores.

18. *The character of the people.*—In order to estimate correctly the character of the Indian farmer, one has to trace his history from the earliest times. The Indian farmer has been and will always be the foundation of the economic structure of India. His welfare is a national concern, which should not and indeed cannot be ignored by the State, without eventually leading to catastrophe. This responsibility of the State for the welfare of the farmer has been stressed strongly by every investigator into rural economics. For instance, according to the Central Banking Enquiry Committee, the Businessmen's Commission on Agriculture in America say in their report: "Agriculture is not merely a way of making money by raising crops; it is not merely an industry or a business; it is essentially a public function or service performed by private individuals for the care and use of the land in the national interest; and farmers in the course of a living and a private profit are the custodians of the basis of the national life. Agriculture is therefore affected with a clear and unquestionable public interest and its status is a matter of national concern calling for deliberate and far-sighted national policies, not only to conserve the natural and human resources involved in it, but to provide the national security, promote a well-rounded prosperity and secure social and political stability."

During the series of administrations prior to the advent of the British, "the environments created by the State were such as to depress and discourage productive efforts of all kinds. However benevolent might have been the intentions of the autocrat at Delhi, they were often frustrated by the cumbrous machinery of his administration and the general corruption of his officers. Internal order and security were still unknown, especially in the outlying parts of the Empire; and it was the rule rather than the exception for the strong to prey on the weak. . . . The net result was to weaken the will to produce and encourage the investment of any surplus wealth in such unproductive forms as hoarding. A rise in the standard of living was an impossibility under these conditions." The farmer was the most oppressed of all. He dared not show signs of prosperity for fear he should be ejected from his land. No one bothered about his welfare. He remained uneducated and his ignorance and simplicity were taken advantage of by his oppressors, who squeezed him at every turn.

The earlier years of the East India Company's advent brought little improvement into the condition of the farmer. At first, the Company was but little interested in the agricultural production of the country. The abolition of the East India Company's monopoly in the Eastern trade marks the beginning of a new era in English commercial activity. The Royal Proclamation of 1858, by which Queen Victoria assumed the direct sovereignty of India, ushered in a period of progress in all directions,—communications, trade, agriculture and so on. The entry of India into the markets of the world was followed by a rise in agricultural prices. Agriculture became more commercialized. But such favourable results were inevitably attended by undesirable features. With an increase in agricultural prosperity, the moneylender came more to the fore. More tragic was the gradual growth of an army of unscrupulous middlemen. The poor ryot in his simplicity borrowed freely and without scruple, because the money was more or less thrown at him by a horde of creditors and prompt repayment was not insisted upon. The middleman with his wily ways absorbed almost all the surplus profits of agriculture. Land was mortgaged up to the hilt. Lack of education and co-operation, poor village communications and above all want of marketing facilities, made and still make the ryot an easy prey for profiteers. He does not save enough from a good harvest, to serve him as an insurance in case of a failure of crops. For one thing, there are no sound institutions within easy reach of him to put his savings into. Insurance facilities have not been extended to the small farmer. He has not been taught to save or balance his budget. His everyday wants are few, but now and then he "goes on the burst" and indulges in an orgy of expenditure for a marriage or a funeral.

Centuries of oppression might be expected to have turned the Indian farmer into a callous brute, whose finer feelings have all been soured. This is not so. The Indian agriculturist is still a fine fellow, surprisingly clean considering his environment and poverty, deeply experienced in the cultivation of the crops he has specialized in for ages, and with a really well-developed standard of honour. His sense of humour has not been scorched out of him. A friend of mine driving a car was held up by the inevitable cart in the middle of the road, with the old cartman lolling at ease in it with a cigar in his mouth. No amount of hooting or angry shouts could stir the old man into action. He appeared to be in a deep trance and not a sign of intelligence was visible in his vacant countenance. My friend got off his car and proceeded to exhaust himself by a stream of indignant words. Finally, he demanded in lurid language what the cartman meant by appropriating the whole road to himself when he paid no tax for it. The

old rustic heard the speech through quietly and at its finish replied with the laconic question "which came first into India, the cart or the car?"

It is not an impossible task, as so many people imagine, to educate in rural economics the ryot and labourer and to instil into him wisdom and thrift in managing his affairs as well as self-respect and a realization of the benefits of co-operation. He should be approached, however, with sympathy and understanding. He is naturally deeply suspicious of those who try to reform him, because of his bitter experience in the past; but patience and perseverance are bound to succeed with such pliable and essentially sound material. The Indian Statutory Commission have, like all other Commissions sent out to India, recognized the position of the agriculturist and state as follows:—

"In spite of the progress that undoubtedly has been made and of the great increase in the gross wealth of the country, the ordinary cultivator on his tiny plot is still a man of few resources with small means of meeting his limited needs—usually illiterate, though not on that account necessarily wanting in shrewdness with an outlook confined by tradition and environment and needing above all things that those who consider his future as a citizen should understand something of his life as a man."

19. *The rise in the standard of living.*—Mr. Pillai observes as follows: "The English labourers of to-day command many conveniences, comforts and luxuries denied to the nobles of Elizabeth's days. But the Indian labourer of Akbar's days, there is reason to believe, led pretty much the same life as his rural confrere of the present time. The great bulk of the population lived on the same economic plane as now. We cannot be sure whether they had a little more or a little less to eat, but they probably had fewer clothes and they were certainly worse off in regard to household utensils and to some of the minor conveniences and gratifications of life. One curious result of this unchanging standard of living is that, even when opportunities are afforded to the Indian labourer to earn higher wages, he uses his greater earning power to do less work, and enjoy greater leisure, rather than to earn more by working more regularly or by improving his efficiency." The explanation for this almost stationary standard of living and for physical and mental inertia can be sought partly in the poverty of the people, which prevents them from raising their standard of living, and partly in the lack of a desire to progress born of years of suffering and oppression.

The success of a wise, progressive and sympathetic administration can be gauged by the standards of living adopted by the people. Given proper education, a spirit of hope and

enterprise, freedom to expand in and a reasonable surplus over and above the bare necessities of life, the standard of living must increase. It cannot remain stationary. Through bitter experience, the Indian peasant's outlook on life is pessimistic in the extreme. It is only of late that there have been signs of a new attitude and a fresh vigour. A rising standard of living cannot lead to increased national prosperity, unless such a rise is accompanied by a stronger urge to grapple with difficulties, improve efficiency, and thereby earn more wages and wrest more from the land.

The series of years of high prices, before the economic depression, certainly have helped to raise the standard of living of the agriculturist. He wears better and more clothes, his food is more elaborate and tasteful, and he is inclined to spend more on sundries. Coffee and tea shops have sprung up like mushrooms all over the country. Where a yokel in the past would have cheerfully walked ten miles to get to his destination, he pays now for a bus ride. The increasing volume of unemployment among graduates, intermediates and S.S.L.Cs., has brought to the villages a band of discontented youths, with expensive and often vicious tastes and a contempt for manual labour and drab village life.

The increase in the standard of living has naturally added its quota to the volume of debt, especially so after the onset of the depression, when, in spite of the sensational fall in prices and rise in the value of money, the standard of living has failed noticeably to come down. A set of new wants satisfied by years of prosperity cannot easily be ignored when adversity sets in. The agriculturist, accustomed to his new standard of living, naturally clings to it, even by borrowing in times of adversity.

20. *The money-lender.*—Much has been written about money-lenders and their ways. The Madras Banking Enquiry Committee has given a very detailed and good account of them. In several provinces, there are regular classes of money-lenders. In Madras, professional money-lenders, like Marwaris and the Chetti banking community of the Ramnad district, are not plentiful. Yet professional lenders of money are not as scarce in Madras as sometimes represented. Those, whose sole occupation is that of money-lending, drive a harsh bargain with the agriculturist and give little concession to him when he is in difficulties. The Marwaris in particular charge from 18 to 50 per cent simple or compound interest and often more. Their operations are distinguished by the most hard-hearted ruthlessness.

The lenders of money to agriculturists in this province are mostly agriculturists or traders. The ryot money-lenders own land themselves and belong to the same communities

as the ordinary agriculturists. The ordinary interest they charge varies from 9 to 18 per cent. Loans are given mainly on pro-notes, on personal security or on joint security; but they are granted also on the mortgage of landed property. A short period is fixed for repayment of pro-note debts, generally a year or ten months, and interest has to be repaid in regular instalments. Creditors know very well that borrowers can seldom keep to the terms of repayment. If the interest is not paid on the due dates, penal interest from 18 per cent upwards is charged. The law of limitation of three years on pro-note debts leads to frequent renewals of pro-notes. At every renewal, the principal is entered with its unpaid interest (commonly penal rates) as the fresh principal. Hence, pro-note debt increases rapidly and heavily by the accumulation of heavy penal rates of simple interest, as well as by compound interest with three-year or shorter rests. When several renewals of pro-notes have been made, the debt has multiplied itself many times over and generally ends by being converted into a mortgage debt. Finally, the creditor forecloses and takes the poor ryot to court. Here the creditor secures his decree, generally *ex parte*, and eventually takes possession of most of the ryot's land. The ryot loses his land and becomes a tenant or a labourer. The creditor, whose landed property is thus gradually augmented, is little interested in cultivation. He lets out his lands on the best terms he can secure.

No receipts are given to ryots for repayments; but such are generally noted in pro-notes or other documentary evidence of loans. This is left to the will and pleasure of the creditors. There is nothing to prevent them from not noting them. Certainly, the repayments are not entered separately against principal and interest. The agriculturist borrower, who is often guileless, thriftless and an irresponsible simpleton, accepts as true all that the creditor says to him. Generally he does not exactly know what he owes at any particular time. He can tell you how much he first borrowed. He can also tell you the rate of interest. But he seldom calculates the total interest he has to pay every year and generally loses track of the repayments he has made. I was permitted by a kind agriculturist money-lender to examine his pro-notes and accounts. The accounts are simple day books. No separate accounts of interest and principal due are maintained. The backs of pro-notes contain entries of repayments. I am not able to say, however, if these are entered regularly and correctly. The balance due seldom seems to be struck except in the last stages, when the debtor is taken to court. The dictum 'once in debt, always in debt' is often too true.

Interest is frequently deducted in advance, so that the borrower is only paid his recorded loan minus the interest; but such deductions,

I fear, are not taken into account when the interest due is calculated subsequently. The recorded loan is treated by court as the sum actually paid to the borrower. These practices are in use among agriculturist as well as professional money-lenders. I give below a short resume of the results of conversations I had in the last six months with some typical money-lenders.

(a) *Conversation with a leading agriculturist money-lender of Chingleput district.*—(I have verified the facts from the documents themselves.) This gentleman is a Mudaliar. He pays a land revenue assessment of about Rs. 1,000 and, as the owner of a shrotriyam village, pays quit rent of Rs. 300. His money transactions now cover over a lakh of rupees. A large amount of his land was acquired by foreclosing on his clients when they were unable to repay their debts to him. He got the major portion of his land by court-sale but also came by some of it by private negotiations.

He keeps a set of accounts but does not render statements to his debtors, nor does he give them receipts. About two-thirds of the loans due to him are on pro-notes (mostly joint) on personal security. About a third of the loans are on mortgages of immovable property. Very little has been lent on jewels (he states that generally Marwaris and Nattukottai Chetties lend on the security of jewels), though many money-lenders are now anxious to lend on the pledge of jewels, seeing that land value has fallen so much.

He is strongly in favour of legislation for keeping and rendering accounts on the lines of the Punjab Acts. He is doubtful if registration of money-lenders will be practicable, but thinks it will be a good move.

He generally lends at 12 per cent simple interest; but writes down 24 per cent in pro-notes to put fear into his clients. He says he always charges simple interest, yet seems to have experienced great difficulty in collecting his dues in the last three or four years owing to the depression.

He is not at all in favour of debt conciliation, if such legislation will burden him with more land which he does not want. He wants cash and is quite prepared to compound for a reasonable proportion in cash. He declares that the period recorded in mortgage deeds is never adhered to and that, even though two and three years are mentioned, the average duration of a mortgage is over six years. The following pro-notes in his custody were examined:—

(1) Loan of Rs. 3,500 on 5-3-1931. Interest Rs. 1-8-0 or 18 per cent. (He says he actually collects at 14 annas.)

Repayments:—

Rs. 492 on 11-6-1932.

Rs. 600 on 12-4-1933.

Rs. 700 on 12-1-1935.

These repayments though entered on pro-notes, do not show separate accounts for principal and interest. According to him, the repaid amount of Rs. 1,470 represents interest for four years at 10½ per cent and the balance represents repayment of principal. (Unfortunately, it has not struck the creditor or the borrower to reduce the principal by the amount repaid, for calculation of future interest.) The creditor states that if debt is repaid out of court, 10½ per cent interest will be charged, but if the matter is taken to court, 18 per cent will be charged. (This condition presumably applies to the interest already repaid.)

(2) Loan of Rs. 1,882 on 15th February 1931, for discharge of previous debts. Interest at 12 per cent. No repayments of principal or interest subsequently.

(3) Loan of Rs. 3,000 on 22nd April 1931 at 12 per cent. Repayments recorded on pro-notes; Rs. 300 on 5th January 1932 and Rs. 500 on 31st August 1933. These repayments are said to represent interest, though not recorded as such. The creditor also declares that a sum of Rs. 200 was subsequently repaid. This sum is entered in the general account, but not on the pro-note.

There are several pro-note loans to agriculturists at 9 per cent and many renewal pro-notes in discharge of prior loans. These pro-notes are mostly on joint personal security.

The following are a few loans on the mortgage of immovable property, the documents of which were examined.—(1) Loan of Rs. 400 at 12 per cent interest on 27th January 1924, on mortgage of one house and one acre and 45 cents of land (mostly wet land), Rs. 250 repaid on 9th August 1930 and Rs. 50 on 31st March 1934. All this said to be for interest due. No principal repaid.

(2) Loan of Rs. 400 on 5th December 1929 at 12 per cent on the security of a house and one acre and 36 cents of wet land. No repayments.

(3) Loan of Rs. 2,000 at 12 per cent on 29th July 1925, on the security of 7 acres and 50 cents of wet lands. The following repayments have been recorded on the document and are said to represent interest:—

Rs. 240 on 4th September 1926.
 .. 250 on 29th September 1929.
 .. 240 on 5th December 1930.
 .. 240 on 17th September 1932.

(b) *Conversation with another agriculturist money-lender of Chingleput district.*—A Nayudu by caste. He was a cultivator pure and simple about five years ago. He started money-lending then in partnership with two others. They have lent out about Rs. 40,000 to Rs. 45,000 in cash and are repaid in cash. Only short term loans are dealt with, and money is lent only on joint pro-notes and not on the security of movables or immovables. Suppose A borrows Rs. 100; he is given Rs. 90 in cash, Rs. 10 being deducted for interest for ten months. The repayment should be made

in ten months in monthly instalments of Rs. 10. If instalments are not paid regularly a penal interest of 18 to 24 per cent is charged. The pro-notes all recite an interest of 24 per cent to be on the safe side, but the actual collection is only said to be 10 per cent for ten months. The money-lender declares he is compelled to take his clients to court now-a-days as times are hard (which means that the penal rate of interest of 24 per cent comes into operation). The demand for loans is increasing, but less is being lent out. Interest is not rising, though credit is being shortened. Most of the present loans are for family expenses, as land is yielding very little in terms of money. The majority of the clients are small landholders with 1 and 2 acres of land each. Farm-servants and coolies are lent not more than Rs. 25 each. Tenants borrow as much as they can. Most of the land is pledged up to the hilt and often over and over again. The money-lender is agreeable to the scaling down of debts by debt conciliation boards, if the scaled down amount is discharged in cash.

(c) *Conversation with an agriculturist money-lender of Kistna district.*—He started with four lakhs capital and now has sixty lakhs. He charges interest at Re. 1-4-0 per hundred. He is not at all keen on getting back his capital, but wants only interest. He came by 1,500 acres of land at very low prices from his debtors. He always has hundreds of suppliant-debtors in his compound, crying out "save me!". He says the Government must come to the rescue. When Rs. 30,000 has been lent out, he tells me that lenders will not accept land at once in payment, but will wait till the debt swells to Rs. 50,000 and then take all the land. He lets his land out on lease. Now no one borrows from him. Land has fallen remarkably in value during the last few years. The ryot is plunged into hopeless despair. There was a regular house to house visit by money-lenders in 1928-29, who forced money on ryots, even when they were unwilling to take loans. All lands are now either attached by or mortgaged to money-lender. The Kistna and Godavari ryots are bound hand and foot. There is a network of cross-sureties taken for pro-notes. The money-lender wants a stay of all proceedings against land for a definite period for recovery. He is eager for a settlement of debts, for he has learnt a bitter lesson. Money-lenders are putting much pressure on their clients in the last few months through fear of Government interference.

(d) *Conversation with an agriculturist money-lender of Ramnad district.*—He is a Nadar by caste. He has lent out over two lakhs. He now finds great difficulty in getting back even interest. He lends at 9 to 12 per cent and tries his best to avoid civil courts. He negotiates privately with debtors and tries to buy their lands in discharge of debts. He leaves a bit of land over for debtors. When he gets lands, he leases them out, or leaves them waste. He does not

generally lease out to the ex-debtor. He buys land at the present market rate. He prefers cash to land. He will forego interest, if he can get back the principal in cash. He finds that farm-labourers are generally not much indebted.

Court-fees and court costs are extravagant and the law's delays are tremendous. He has to incur as much as Rs. 50 to Rs. 100, in costs for a suit for Rs. 100. He proposes disposal of civil cases by lots, as the "decision in civil courts are often so frivolous and arbitrary." He says that he is compelled to bribe all court officials except the Judge! He wants quick decision and not this dragging on.

(e) *Conversation with two prominent Nattukottai Chetti, bankers of Karaikudi in the Ramnad district.*—These are large landholders under the Sivaganga zamindari. They lend out in India only to cultivating tenants. They find no difficulty in collecting payments. They take principal and interest from the thrashing-floor. They go to court only in about two out of ten cases. They lend ordinarily at 9 to 12 per cent compound interest with one yearly and six monthly rests.

When they go to court, they say they have to pay *mamuls* to process-servers even for summonses and very much more for executions. If they do not give these bribes, the process-servers will go to the defendant for money. These practices are absolutely common and general according to them. There is much delay in civil courts. The difference in production and price of paddy in Burma and India is not due to the difference in the incidence of land revenue. They are due, because, in Burma, the people work harder, the land is better, the rain is more regular, land value is less and cultivation is more scientific than in Madras. Much land in Burma, the Federated Malay States and India is passing into the hands of Nattukottai Chettis, who want to sell but cannot find buyers even at 25 per cent below the present market value. In the Federated Malay States, disposals in civil courts are much quicker than in India, and court-fees are less. A civil suit in the Federated Malay States is on the average disposed of in one or two hearings and not civil courts are much quicker than in India. The registration of documents in the Federated Malay States is better. The original documents—sale records, etc.—are invariably consulted and used for recording all subsequent transactions. Official receivers are much quicker at their work and there is less bribing of *amins* and other court officials.

Many high placed officials and experienced non-officials have declared that the problem of agricultural indebtedness is not acute in this Presidency, because most of the credit comes from the agriculturists themselves, who are accommodating and sympathetic and not addicted to the malpractices, which have made the professional money-lender a by-word. The examples I have given of typical agriculturist money-lenders will show, that even if deliberate malpractices are few, the system

of accounts maintained and the methods of lending adopted are loose, unsystematic and capable of gross abuse by the unscrupulous. The borrower is such an ignoramus that he is entirely at the mercy of his creditor, once he has borrowed. One of the District Judges whom I have consulted remarks as follows: "I have little doubt that in many instances agriculturists are deliberately cheated by money-lenders, who secure from illiterate victims more than what is intended; and when the security is eventually sued upon there is nothing but the word of the ignorant victim against the evidence of the written evidence, that the consideration was much less than what is set out therein. A common practice is for the money-lender to deduct from the principal amount anything from 10 to 20 per cent as 'advance payment of interest'. This is of course failure of consideration from the outset to the extent deducted, but future interest continues to be calculated on the principal amount shown in the documents." One cannot but agree with Mr. Darling when he says, "There is little to choose between him (the agriculturist money-lender) and his professional rival. The one is as harsh as the other is astute, and both are demoralized by the system under which they work. Under this system, the creditor is in danger of being turned into a tyrant and the debtor into a serf. The cultivator sows that another may reap, and toils that the creditor may gain. Of what use to him, then are all the devices for improving the quantity or the quality of his harvest? As well teach him to convert his bullock-cart into a lorry, for all the good that it is likely to do him. Economic freedom is a condition precedent to progress, and to the Indian cultivator no progress is possible till the power of the money-lender, agriculturist or *bania*, is broken. As a German writer says, 'usury must be fought to protect not only the weak but the whole industry of agriculture against a parasite which threatens its foundations'."

Though, considering the risks involved, fairly moderate rates of simple interest are ostensibly charged, these rates of interest from 9 to 18 per cent are really seldom, if ever, applied. In reality the heavy penal rates of 18 per cent and upwards are in force. These are the rates which are entered in documents for the edification of courts. The law of limitation helps the lender to charge compound interest with frequent rests. Often enough, compound interest is charged with yearly rests. Agriculture as an industry gives a return of from 2 to 5 per cent in a normal year. To borrow for such an industry at even 9 per cent is therefore unsound, and obviously such loans cannot be repaid without encroaching upon capital, which is the land itself. In order to repay loans, agriculturists borrow again and again. So the standing debt gradually increase till it overwhelms the small and medium landholder and deprives him of his land, leaving him helpless and destitute. One poor ryot, whom I examined, borrowed Rs. 40 on pro-note a few

years ago. He was forced to renew the loan several times and finally renewed for Rs. 400, to which the loan had swelled in a few years by the accumulation of unpaid compound interest. The moment this renewal was made, the creditor took the ryot to court and got his decree for Rs. 400 with ease. He took possession of all the ryot's land, which stood at about this value then, but which was worth about Rs. 1,000 before the depression. The ryot is now landless, having had to part with land worth at one time Rs. 1,000 in discharge of a paltry loan of Rs. 40.

Traders and middlemen also lend money to agriculturists. They lend generally for cultivation expenses at very high rates of interest. Loans in kind, like the grain loans in Cuddapah known as "Nagu," bring in interest from 50 to 100 per cent per annum. These are generally short-term loans repayable in 3 to 12 months and are collected at the thrashing-floor at harvest time, or at the houses of the landholders. The emissaries of these money-lenders squat upon the land or in the *payals* of the houses and refuse to budge till the loan is paid. They employ threats, and, I fear, often resort to force. They charge a daily *batta* for the days of waiting. The desperate agriculturist has to part with most of his grain. If this is not enough, he rushes about borrowing from others. The need is so great that money or grain is borrowed on any condition and at any price.

Traders, especially in isolated localities with difficult means of communication, as in the Palni Hills of the Madura district, hold a monopoly in general stores. The ryots must get their supplies like provisions and clothing, from them. Advantage is taken of this monopoly to drive iniquitous bargains. As the ryot usually has no money to offer, he has to borrow his stores. The interest charged is often over 100 per cent. The quality of the articles is unsatisfactory—bad grain, poor clothes, etc. The prices are exorbitant and the interest charged startlingly high. But worse still, these traders usually stipulate, when lending, that the ryot must sell his produce to them. The prices given them are absurdly low. False measures and weights are freely used and in every way the ryot is held in a relentless grip from which he cannot extricate himself. These malpractices have gone to such lengths in the Upper Palnis that potato cultivation has practically been abandoned.

The agricultural labourer generally has no land to offer as security for his loans. He can only offer himself. So, as in the *gothi* system of the Vizagapatam Agency, a labourer who wants a loan gets it on binding himself and often his family to service under his creditor for periods which extend to many years. This type of borrowing is found in some form or other scattered all over the Presidency. Once bound to slavish service in this way, the labourer finds it difficult to

extricate himself. The creditor seldom keeps to his contract, and rarely releases his virtual slaves after the period stipulated has been served. By fraud or subterfuge, he tries and often succeeds in binding the labourer for life to his service. When I was serving as Special Assistant Agent at Koraput, desperate labourers came to me in hundreds, praying for succour from their relentless masters. Such forms of virtual slavery are relics of the predial slavery that was a normal feature of pre-British India. They are abominable customs, which should be rooted out by legislation. "The evidence set forth in the Report on Slavery of 1841 shows clearly enough that serfs were a normal element in the rural population of pre-British India. It says that something like slavery existed in the North Indian provinces up to the period at which they were under British rule. Even at the present day, the Pulayas of the Malayalam countries, the Padials of the Madras Presidency and the lowest classes of agricultural labourers in the Bombay Presidency and the Central Provinces occupy pretty much the same position."

The money-lender has no doubt served a useful purpose in supplying credit to agriculturists. But the almost fatal ease, with which such credit can be obtained, and the high rates of interest charged, have led to the present overwhelming burden of standing debt. These creditors do not trouble to find out whether the money they lend out is for a productive or an unproductive purpose. It is, therefore, necessary to substitute for such credit a much cheaper and regularized form.

21. *The middleman and the lack of marketing facilities.*—By middlemen I mean all the classes of speculators and traders, who act as intermediaries between the agriculturist producer and the consumer. More specially do I refer to those who connect the producer with the retail seller, the exporting merchants and firms and the factories and firms which buy raw material and convert it into finished products or products fit for export. In the past, when lack of communications limited the Indian market to localities in the vicinity of the producer, and when the Indian market had little or no connexion with world markets, the agriculturist was often able to sell to the consumer direct in fairs and shandies and the problem of the middleman hardly arose. Now, with a network of quick railway communications and fast shipping connecting all parts of the world together, the middleman has stepped in and firmly established himself.

While the money-lender serves a useful purpose in supplying money to the ryot, the middleman serves an equally useful purpose in acting as a channel for the distribution of produce from the remote village to the markets of the world. But the money-lender, as we have seen, has become a danger to the peasant. In the same way, the middleman has abused his position by wresting nearly all the surplus profits from the ryot. Especially burdensome

are the operations of the middleman or trader; when he also lends to the ryot for cultivation expenses, at interest which may be anything up to 100 per cent, on the condition that the crop is sold to him. This type of middleman makes a double profit. He profits by lending as well as by buying, if such a term as buying can be used for the coercive methods adopted by this wily class in forcing the needy and ignorant ryot into parting with his produce.

There is a certain season in the year, generally from January to March, when the principal crops are harvested and when the agriculturist is compelled to get ready money to pay his land revenue and other commitments. The prices of grains and other agricultural produce are the lowest at this period. Yet the ryot is compelled to part with the major portion of his produce in order to find money to pay his dues. It is at this critical time that the middleman is on the prowl. He is helped by lack of facilities for storing crops in villages and towns. The want of godowns and of a reliable and cheap credit agency to advance on the security of crops, compels the ryot to part with his produce at this critical period to the middleman and trader. If he could only obtain an advance for his immediate needs and hold over selling for a few months longer, he would obtain much higher prices.

An officer of the Agricultural department with some others went *incognito* to a road, along which the ryots were in the habit of taking their produce from a group of villages to town. They watched near a *mandi*, as the shop of a certain class of middlemen is known. A cart containing bags of groundnut came by. The middleman and his minions came out of the shop with sticks in their hands. While two or three engaged the driver and his companions in conversation, the others commenced removing the bags of groundnut from the back of the cart. The cartman and his fellows soon spotted this and protested, saying they wished to sell their groundnut in the town. Their protests were in vain. By persuasion and by threats and even by the use of force, this middleman and his men, who might as well be called dacoits, forced the poor ryots to sell their produce to them. The price they paid was fixed by them. No protest by the ryots was of avail. So the ryots with a little money in their pockets turned their empty cart and went back to their village.

Quite apart from the often arbitrary and ridiculously low prices paid by middlemen, the commissions they take and the deductions they make for various alleged purposes like charity are legion. But, above all, the ignorant ryot is duped by false weighment and measurement. One way is to use false weights and measures, not stamped by the Government stamping party. The middlemen keep one set of proper weights and measures for inspection and another for weighing and measuring. They are helped in the use of such false standards by the

bewildering variety of weights and measures in vogue in the country, which vary not only from district to district, but often even from taluk to taluk. The stamping party often prints its stamp near the tops of the measures. So, these can be, and I believe are, cunningly altered at the bottom without interfering with the stamps. Even with genuine weights and measures, an experienced measurer can without detection make a false weighment or measurement in spite of the closest watch. So clever are these men. I would estimate the loss to the agriculturist by false weighment and measurement at from 5 per cent to 30 per cent. There are other means of cheating, like sprinkling water on the grain before measuring.

I interviewed a deputation of ryots at Coonoor, who represented their grievances about potato cultivation and marketing. I verified from officers of the Co-operative and Agricultural departments that these grievances were substantially genuine. They are as follows:—

Ryots on the Nilgiris, as in other similar places, are unable to cultivate their lands or buy provisions without borrowing. They borrow from traders and merchants generally at Mettupalaiyam at the foot of the hills. If artificial manure is bought, interest at Rs. 2 per bag of manure, which is worth Rs. 12 is charged for a period of three months. This amounts to 67 per cent per annum. Provision dealers supply provisions on credit and bind the ryots to sell their potato crop to them. If rice is lent, a measure per rupee is taken as interest at the outset and further interest of 24 per cent charged. Repayment should be made in a year. These lenders bind the ryots to sell their potato crops to them. The latter have to cart the potatoes to Mettupalaiyam at their own cost, a distance down the *ghat* of from 15 to 30 miles. They are paid a price of from Rs. 3-8-0 to Rs. 4 per bag of about 200 lb. These merchants and dealers eventually sell potatoes at Madras for Rs. 8 a bag, after meeting all costs of transport, etc., and make a net profit of about Rs. 4 a bag. If ryots want seed potatoes, they are obliged to buy them at Rs. 7 to Rs. 8 a bag while they themselves sell at Rs. 3-8-0 to Rs. 4 a bag. They are compelled to sell at Mettupalaiyam at any price offered; often they are not paid immediately, but are told to go back to the hills and return later for payment. When they return to Mettupalaiyam, the dealers pay them, after deducting for what they allege is for damaged potatoes and so on. False weights and measures are freely used. The prohibition rules on the hills for Badagas induce them to go to Mettupalaiyam frequently to drink. They spend much of what they get for potatoes at Mettupalaiyam on drink and return almost empty-handed.

I submit that the retail prices in ryot's selling months, published by the Board of Revenue and adopted for revenue and settlement purposes often may not represent the

actual prices which the ryot gets. Especially is this so for special crops, expensive to raise, like sugarcane, tobacco and cotton. The coast land in South Kanara, south of Kasargod, is cultivated with excellent tobacco. The Mappilla who specialises in this form of cultivation is compelled to borrow at exorbitant rates of interest from middlemen, who stipulate that the tobacco must be sold to them. The ryot is compelled to sell at about Rs. 6 a unit of tobacco. The tobacco is eventually sold at Rs. 20 a unit in the open market. It is a fallacy to assume that special crops bring in heavy profits to the cultivator. They will certainly do so, if chief credit is available for cultivation expenses and the middlemen do not swallow almost all the surplus profits. But, as things are at present, the cultivator of special crops is even more hard hit than the agriculturist who sticks to paddy cultivation. Like vultures, these traders and dealers hover over the areas under special crops, ready to devour the helpless ryot.

Mr. T. Adinarayana Chettiar has written an excellent report on *Marketing of agricultural produce in South India*. The following are extracts from his report, which are only too true:—

“That the average farmer is unfitted by education and upbringing, not to speak of his want of belief in his own destiny, to fight against the organized, clever and resourceful buyer is only a truism. One can see in any weekly market a bag of onions being sold for four annas or even less and a bunch of about 150 bananas for 2½ or three annas, not as a rare occurrence but as a daily fact. Want of marketing intelligence, which, in the case of industrial products, is hourly shifting, the smallness of the farmer's output, the absence of access to the markets, the perishable nature of his produce and above all his want of financial position to hold out against better prices—all these combine to produce this unfortunate result. The remedy lies in organization and finance. . . . The practices of the wily middleman in groundnut trade would stagger imagination, not to speak of the plight of the ryot who had taken advances from the Sowcar-trader on the express understanding that he is to sell his produce to none else. The false market prices quoted by the buyer, the false weights he uses and the innumerable deductions and above all the deduction for charity are common knowledge. The Bombay dealer has invented another deduction, viz., the *pinjrapole*. . . . In South Arcot, in addition to the illegal deductions, there is the practice of *thallupadi*, i.e., knocking off two pounds for each lot handled, besides the liability to personal motive and forcible bringing in of the crop-laden carts to the middleman's *mandies* (depots). Although in the case of goods, the trade of which is no longer local, e.g., cotton and groundnut, it is easy to know the current rates telegraphically; when the middleman goes with money to the ryot's door and forces an advance on him, this knowledge is not

available to the ryot. . . . As regards perishables, the profits made by middlemen are even more. Green plantains and betel leaves travel up to Kanouj and up to the very foot of the Himalayas. There are no ready means of ascertaining the current prices in the purchasing provinces. That this trade is not negligible would be evident from the fact that in three railway stations in Trichinopoly district green bananas are booked to the value of Rs. 5 lakhs. Mangoes lend themselves to similar handling. . . . The middlemen and the indigenous bankers now undertake the financing of the ryot with the unavoidable result that the ryot's margin of profit is next to nil. Lack of funds handicaps the ryot not only as a purchaser but as a seller as well. For, if he is in debt to the middleman, he is compelled to sell his produce immediately after harvest when prices are low. Often he is in want of money even to cart his produce to a central market. Financial help will render the ryot a more competent seller, i.e., increase his bargaining power.”

22. *Litigation, local politics and faction.*—These three causes are more closely interwoven with each other than may be imagined. The increasing interest in local politics compels the villager to take sides with rival parties contending for office in the various elective bodies—panchayat boards, municipal councils, taluk boards (since abolished), district boards, the Legislative Council and even the Assembly. Election time is a period of extravagant moneyspending, upheaval and turmoil. Much bitter feeling is both engendered and augmented. There is a growing tendency for leading lights in villages to plunge into local politics. The inevitable law tout is always ready to do his bit of propaganda for litigation, and no doubt one of his main causes of success is the existence of party feeling and faction.

There are certain districts famous for their factious villages. Guntur and Tinnevely may be cited as examples. Members of rival castes and communities spend all their spare time in consolidating their own position and in trying to do the other side down by fair or foul means. False cases are concocted by hundreds, riots and even murders are common occurrences, and much money is wasted. A lawyer frankly told me that he would put litigation and the presence of the law tout in the village as the main causes of indebtedness. Members of factious villages are always going to civil and criminal courts miles away from their homes. The frequent adjournments drag these cases on for months and even years. The moment these cases are decided, appeals are launched as a matter of course till the highest tribunal is reached. Experienced lawyers are engaged and money is spent like water on lawyer's fees, court fees, mamools to court subordinates as I am told, *batta* to witnesses, fees to petition writers and touts, the manufacture of false documents, bribes to false witnesses, food for the gaping crowd, which invariably follows the contending parties to court and so on. When all

appeals have been exhausted, fresh cases arise out of the ashes of the old like the mythical *phoenix*. The intricacies of Hindu and Muhammadan Law and the complicated forms of land tenure help to swell litigation. Faction, politics and litigation therefore are together responsible for much of the unproductive debt. This is the view of a District Judge whom I consulted: “I consider that one of the principal causes of indebtedness in this Presidency is the passion of the Indian villager for litigation; a passion which is undoubtedly encouraged by the system of touting which is all too prevalent. Unfortunately, the Indian villager can never appreciate when his cause is lost. He refuses to recognize the fact and to accept the decision as final. Instead he continues to throw good money after bad and goes on hypothecating his family property and pledging his all in a vain attempt to win at the last fence. In this he is encouraged by the village law touts who encourage false hopes from a purely selfish motive of getting a little commission for themselves out of the business. One constantly comes across appeals and suits and other matters which never had a chance of success from the outset. They should never have been brought and in some cases this is so obvious that one is inclined to suspect that some vakils encourage their clients to persist in foolish litigation instead of being honest and advising them to cut their losses and save their money.”

Villagers have too much idle time on their hands. They have all their evenings free and have no cultivation to do for about six months in the year. No wholesome recreations are available, such as wireless sets, cinemas, theatres, playgrounds or other places of corporate amusement and exercise, where they can while away the idle hour in mutual enjoyment. This leads not only to lack of corporate life, but tempts the villager into mischief. Faction and litigation are the chief forms of amusement the villager has. The game of local politics is also absorbing to him. “Satan finds some mischief still for idle hands to do.” In case the factious spirit is showing signs of waning and members of rival parties are found shaking hands, the leaders are always there to whip fresh life into villagers. The village munsif often takes the lead of one party against his old rival, the karnam. One or the other is a member of the local panchayat court or forest panchayat. It is considered fair play to down the enemy even in these courts of justice and communal grazing grounds. In this way, every incident in village life is magnified by interested persons into an affront to some one or other, and ill-feeling, spite and all the other ingredients which go to prevent real co-operation among villagers, are kept alive and periodically fanned into flame.

23. *Ceremonies.*—The landless Indian labourer who earns from four to eight annas a day during the cultivation season, actually spends about Rs. 100 on a single marriage.

The small landholder with 2 to 20 acres of wet land will spend anything from Rs. 200 to Rs. 500 on a marriage and the big landholders with 20 to 100 acres of wet land incur debts up to several thousand rupees on each marriage. None of these classes can, therefore, celebrate marriages and many other ceremonies without generally having to borrow; and, as cheap credit is not readily available, the money-lenders are generally the creditors and they, as we have seen, charge very heavy rates of interest. Thus, the cost of a marriage frequently binds an agriculturist in debt for life. Yet, he is compelled by custom and religion to spend such exorbitant sums. If he does not do so, he runs the risk of public ridicule and often of social ostracism.

The general impression is that most of the expenses incurred in marriages are sheer waste. This is not quite true. Much of the expenditure is incurred in purchasing jewellery and vessels. Much goes in the form of dowries paid to young men, who use this money for education and other useful purposes. Dowries are paid for women in some parts, and often a woman is economically worth all that is paid for her. The Kapu woman is a splendid specimen, stalwart and hardworking. She earns almost as much as her husband does. She works as hard as he does, if not harder in field and at home.

Among certain classes in the Coimbatore district, however, a marriage is not the occasion of pecuniary loss, but rather a means of replenishing the family coffer. All guests are expected to give the host presents in money; so much so indeed, that when a creditor presses a man for his dues, the man replies, “wait a short while when there is to be marriage in my house. I shall then be able to pay all I owe.”

All said and done, however, expenses on ceremonies are far too heavy a burden. The agriculturist should be taught to cut them down to suit his means. This is the view of an experienced District Judge whom I consulted: “The root cause of the indebtedness of the agriculturist is, I am convinced, not the increase of facilities for borrowing owing to the improvement of the machinery for recovery of debts, but the growth of bad social habits resulting in reckless extravagance on marriages, funerals, and ceremonies generally. . . . The real way to tackle this question is, in my opinion, not to impair commercial morality and weaken the sanctity of contracts, but to educate the ryot into some small measure of financial prudence. If only agriculturists could be persuaded to control their expenditure on special functions with reference to their power to meet this expenditure, the trouble of agricultural indebtedness would largely disappear.”

The recent economic depression I am told has had a splendid effect in bringing down marriage expenses to almost half of what they were in pre-depression days. The gold vessel has in many cases made way for the silver,

which in its turn has been superseded by brass. One-day marriages are becoming increasingly popular. It is to be hoped that this hard-earned lesson will not be forgotten in the future. I understand that in certain parts of Malabar a number of families arrange for a simultaneous celebration of their marriages, so that a single celebration will suffice. The expenses are clubbed and are therefore

most moderate per family. The Sarda Act has had a good effect in driving underground marriage of under-age girls. These secret marriages finished overnight cost very little compared with those spread over days of celebration, feasting and music.

24. *Over-population.*—I append below a statement showing figures relating to population, etc., in 1921 and 1931.

STATEMENT No. 9.—Statement showing figures relating to population, etc., in the Madras Province in 1921 and 1931.

Year.	Total population in millions.	Area in square miles.	Density per square mile.	Area not available for cultivation.	Cultivable waste other than fallow.	Current fallows.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1921	42.32	142,300	298	21,411,397	12,178,856	10,032,332
1931	46.74	142,300	329	20,515,113	13,099,483	10,704,152
		Net area sown during the year.		Holding (9)		Average holding per head of population.
				Wet.	Dry.	Total.
				(9-a)	(9-b)	(9-c)
				ACS.	ACS.	ACS.
1921		33,012,244	5,163,821	20,963,663	26,127,484	62
1931		33,495,798	5,361,041	22,250,290	27,611,331	59
						CENTS.

(Figures in columns (5) to (8) are for the years 1921-22 and 1931-32 respectively and those in column (9) are for faslis 1330 and 1340 respectively.)

While the population increased between 1921 and 1931 by 10.4 per cent, the net area sown rose by only 1.5 per cent and the total

holdings by 5.7 per cent. The following table exhibits densities per square mile in different provinces and countries.

STATEMENT No. 10.

Province (British territory) or country.	(Area 1,000 sq.m.)	Rank by area.	Population (Millions).	Rank by population.	Density per square mile.	Rank by density.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Burma	233.7	1	14.67	8	63	9
Madras	142.3	2	46.76	3	329	4
Bombay (excluding Aden).	123.6	3	21.80	6	176	6
United Provinces ..	106.3	4	48.41	2	455	2
Central Provinces and Berar	99.9	5	15.51	7	155	8
Punjab	99.0	6	23.58	5	238	5
Bihar and Orissa ..	83.05	7	37.68	4	454	3
Bengal	77.5	8	50.11	1	646	1
Assam	55.0	9	8.62	9	157	7
Belgium	11.7	..	8.13	..	692	..
England and Wales ..	58.3	..	39.95	..	685	..
Great Britain	88.7	..	44.89	..	505	..
Prussia	113.8	..	39.30	..	345	..
Italy	119.7	..	42.16	..	352	..
Poland	150.0	..	31.9	..	210	..
Sweden	173.1	..	6.10	..	35	..
France	212.9	..	41.0	..	195	..
Japan	260.8	..	85.10	..	330	..
Persia	628.0	..	10.0	..	20	..

Among Indian provinces, Madras occupies the second rank in area, the third in population and the fourth in density. Indian provinces, as has been often repeated, are mainly agricultural. They are not strongly industrialized and more than 70 per cent of the people are supported by agriculture. Yet their densities are high and only the strongly industrialized countries of the West exceed Madras in density. Madras now holds more people than Great Britain, the small lead of

the latter in 1921 having been converted into a Madras lead of nearly two millions. While Bengal increased by 7.3 per cent and the United Provinces by 6.7 per cent, Madras from 1921 to 1931 recorded a lead of 10.4 per cent, only exceeded by Bombay, the Punjab, Burma and the Central Provinces. The following statement taken from the latest census report exhibits density of population, water-supply and crops, for the districts in the presidency.

STATEMENT No. 11.

Name of division and district.	Percentage of total area.		Percentage of cultivable area.			Percentage or gross cultivated area under							
	Density in 1931.	Cultivable.	Net cultivated.	Double cropped.	Percentage of cultivated area irrigated.	Rainfall.	Paddy.	Cholam, cumbu and ragi.	Other food crops and pulses.	Groundnut.	Cotton.	Other crops.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
PROVINCE	328	61.9	37.4	60.4	8.1	23.6	52.16	28.8	27.0	22.1	6.8	6.2	9.1.
Agency	89	37.8	14.4	38.1	0.8	6.7	54.60	39.7	21.1	17.9	0.1	0.2	21.0
East Coast, North ..	386	68.0	42.7	62.8	12.5	40.0	38.83	39.1	23.8	20.7	2.4	2.3	11.7
Ganjam	428	62.4	44.8	71.8	14.6	46.8	43.10	62.3	13.3	16.1	1.9	0.1	6.3
Vizagapatam	534	62.4	38.7	62.1	22.7	38.5	37.53	28.2	29.5	22.4	4.6	1.1	14.2
Godavari, East	660	70.2	50.3	71.7	20.5	50.4	41.40	50.3	13.1	19.0	..	0.7	16.9
Godavari, West	518	83.7	51.5	61.6	15.1	67.6	42.00	67.9	9.8	11.4	0.5	0.1	10.3
Kistna	354	80.2	53.0	66.1	8.6	44.3	38.50	44.7	23.6	13.8	1.7	4.0	12.2
Guntur	354	76.5	56.4	73.8	10.3	15.5	32.01	16.2	27.0	31.0	4.7	5.2	15.9
Nellore	187	58.4	24.7	42.3	4.9	42.9	37.25	28.4	42.5	20.6	0.5	2.6	5.4
Deccan	153	67.7	44.2	65.3	2.3	8.9	23.88	3.7	35.4	31.3	11.9	13.7	4.0
Cuddapah	160	54.5	28.1	51.5	4.3	23.5	27.19	9.2	42.9	19.7	18.0	6.4	3.8
Kurnool	135	59.1	42.2	71.4	2.0	5.7	22.81	2.9	34.1	32.2	14.4	13.1	3.3
Banganapalle	153	79.9	63.5	79.4	0.2	0.9	21.70	0.1	46.0	12.7	8.6	27.1	5.5
Bellary	170	82.5	64.6	78.2	1.6	2.9	21.70	1.3	37.4	29.6	7.0	21.8	2.9
Sandur	86	13.7	11.0	80.4	..	1.6	28.37	0.1	63.4	26.3	2.0	1.6	6.6
Anantapur	156	77.0	43.2	56.1	2.2	11.7	21.44	4.5	29.3	40.5	11.8	7.8	6.1
East Coast, Central ..	417	57.6	36.3	63.0	11.5	34.6	39.60	23.9	34.0	19.3	13.1	4.1	5.6
Madras	318	..	..	..	..	..	51.63	..	..	..	..	..	..
Chingleput	535	56.5	39.4	69.8	17.4	67.1	47.97	70.2	11.8	..	4.6	..	6.3
Chittoor	245	49.7	18.7	37.6	7.7	38.6	33.69	23.0	42.6	18.1	10.5	0.1	5.7
North Arcot	488	54.8	36.9	67.2	14.3	38.0	36.88	30.9	22.1	17.3	24.2	0.2	5.3
Salem	345	57.6	35.2	61.1	9.9	16.5	30.01	7.3	46.4	31.0	6.5	2.6	6.2
Coimbatore	345	60.1	41.8	69.5	10.6	27.4	29.53	4.7	49.3	20.1	6.1	14.0	5.8
South Arcot	583	68.8	50.3	73.0	12.5	40.4	47.51	35.4	17.9	14.8	27.1	0.1	4.7
East Coast, South ..	463	72.6	47.1	64.8	7.0	41.1	35.68	33.8	24.8	20.4	4.5	10.1	6.4
Tanjore	638	72.0	56.0	77.8	7.7	73.0	46.33	74.7	3.6	10.0	6.0	0.1	5.6
Trichinopoly	443	78.4	47.4	60.5	6.2	26.7	31.91	19.0	42.7	22.3	7.2	3.4	5.4
Pudukkottai	340	66.6	39.3	59.0	0.2	34.2	35.03	35.2	21.0	25.5	13.7	0.4	4.2
Madura	447	68.5	40.1	58.5	8.2	40.2	33.18	22.3	29.1	27.4	4.5	11.7	5.0
Ramnad	382	77.2	52.5	68.0	3.6	30.4	33.51	27.1	26.8	20.0	2.3	18.1	5.7
Tinnevely	473	69.4	44.1	63.6	11.4	35.1	34.11	24.6	22.7	21.5	0.3	20.1	10.8
West Coast	471	64.0	30.0	46.8	10.7	..	120.39	57.7	0.9	17.0	0.1	..	24.3
Nilgiris	172	40.4	12.5	31.0	1.6	..	77.33	7.0	3.4	29.0	..	..	60.6
Malabar	610	68.2	38.9	57.1	10.8	..	128.26	51.3	0.8	19.1	0.1	..	28.7
Aniengo	6,766	91.7	89.9	98.0	..	..	..	..	..	..	..	..	100.0
South Kanara	341	63.9	21.4	33.5	12.0	..	155.57	77.9	0.9	11.0	..	..	10.2

* Not treated as an agricultural district: taken as not available for cultivation. No rain gauge. Columns 3-14 are average of faslis 1331-40, i.e., July 1921-July 1931.

The agency tracts are the most thinly populated. In Tanjore, Malabar and East Godavari, the density exceeds 600 per square mile. Vizagapatam, West Godavari, Chingleput and South Arcot have densities over 500 per square mile. Nellore, the Nilgiris and the four Ceded districts are thinly populated with densities under 200 per square mile. The remaining districts average between 200 and 500 per square mile. The increase in population is outstripping the increase in the area cultivated and, barring calamities and assuming the same rate of increase as in 1921-1931, the area of holding per individual is bound to dwindle steadily. There is much truth in Dr. Gilbert Slater's note of warning: "No policy, however wise, can lift the Indian population out of poverty as long as the conventions hold almost universally that every girl must be married young, must begin bearing children as soon, or almost as soon, as she is capable of doing so, and must continue to bear children till exempted by death or the cessation of fertility."

25. *Fragmentation of holdings.*—As Mr. G. Keatings observes, "To a great extent, no doubt, the uneconomic holding is the result of the Hindu law of inheritance. By this law

every male member of the family obtains a share in the ancestral property of the family not only on his father's death but at his own birth; and, like the Prodigal Son in the parable, he may demand a partition of the property at any time." This leads naturally to the question, what is an economic holding? The same author observes, "It is a holding which allows a man a chance of producing sufficient to support himself and his family in reasonable comfort, after paying his necessary expenses."

There are few such economic holdings in Madras. The cause is partly that the majority of the agriculturists have small holdings from 1 to 10 acres of land, and chiefly that these holdings, big or small, are not in one compact block, but scattered in small bits all over a village or often distributed amongst several villages.

The ultimate unit of land for revenue purposes is the subdivision or whole survey field; and seldom does a holding, consisting of several fields and subdivisions, form a single compact block. Ancestral property (inherited or obtained by partition), self-acquired property and so on form together holdings made up of

a large number of scattered bits. Subdivisions especially in wet lands are often extremely small and irregular in shape. The

STATEMENT NO. 12.—Small wet holdings in Chingleput taluk.

Name of village.	Total extent of wet holding.	Total number of the fields including sub-division in the village in respect of wet holdings.	Average area of sub-divisions and whole fields.	Name of village.	Total extent of wet holding.	Total number of the fields including sub-division in the village in respect of wet holdings.	Average area of sub-divisions and whole fields.
ACS.			CENTS.	ACS.			CENTS.
100. Hanumanthapuram ..	282-02	603	47	Siruseri ..	103-48	237	43
Dasarikuppam ..	106-32	333	32	Kandalur ..	100-93	283	36
Madayathur ..	278-35	624	45	Pulipakkam ..	203-29	533	38
Settipatturamaiyan-kuppam.	91-50	585	16	Natham ..	198-55	551	36
Kottamedu ..	307-48	948	32	Vallam ..	198-37	370	54
Kumili ..	120-67	732	16	Venbakkam ..	*76-37	236	32
Edakundram ..	135-21	453	30	Olalur ..	558-42	1,075	52
Poondi ..	103-20	380	27	Nemmeli ..	326-43	396	82
Royamangalam ..	185-51	399	46	Krishnankaranai ..	80-66	441	18
Oteri ..	191-46	464	41	Pattipulam ..	203-05	387	53
Pooiluppai ..	169-69	325	52	Saluvankuppam ..	153-44	970	16
Oragudam ..	527-13	1,027	51	Ninnakarai ..	342-98	980	35
Mullikolathur ..	311-96	1,083	29	Kattankolathur ..	295-67	509	58
Nalloor ..	200-39	1,057	19	Karanaipuducheri ..	370-66	927	40
Amaipakkam ..	69-34	116	60	Guduvancheri ..	176-11	409	43
Nathamkariacheri ..	674-34	1,749	39	Nandivaram ..	506-72	1,221	42
Meyyur ..	206-02	465	44	Unamancheri ..	460-48	974	47
Palur ..	2,522-05	5,079	50	Tirukachur ..	373-30	1,542	24
Melamanapakkam ..	81-82	393	42	Kilakaranai ..	124-29	359	35
Chettipuniam ..	375-50	940	40	Kelvoy ..	482-00	1,521	32
				Settamangalam ..	73-37	403	18
				Total ..	12,349-79	31,879	39

Each subdivision and whole survey field, especially in wet areas, is carefully banded to differentiate it from its neighbours. The bands, which may vary from a foot to two feet in breadth, are not generally cultivated except in Malabar and South Kanara, where coconut palms are grown on them. The more the fragmentation, the more wastage there is on bands. Mr. Darling has summed up well the causes and evils of fragmentation and I cannot do better than quote from his book, *the Punjab Peasant*: "Small holdings are the result of large population and of laws of inheritance which prescribe that each son shall get an equal share of his father's land. That is bad enough, but what are we to say of a custom which requires that the few acres each son receives should be split up into as many fragments as there are different soils in the village, so that all may get an equal share of every kind of land—good, bad and indifferent? Yet this custom is well-nigh universal. . . . The more fertile the land the more it is split up, as fertility and population go together. Accordingly, the greater the population the greater the evil. . . . If things are better in Europe, it is because many countries have resolutely faced the problem and made it possible by law for the majority of a village or a commune to insist upon consolidation. But where this has not been done, the evil is still acute. In Eastern France, it has seriously affected the value of the land, and certain communes are literally dying. In one (Meaux), plots of less than a quarter of an acre form one-fifth of the whole cultivated area; in another (Chagny), 5,447

following statement will illustrate clearly the small size of wet subdivisions and whole survey fields:—

acres are split up into 48,000 plots averaging one-tenth of an acre each; and in a third (Frepillon), the map of the village curiously resembles that of Bhoyapur in Chapter XIII. In parts of Italy and Spain, conditions are no better, and in Sardinia, they are as bad as anything to be found in the Punjab; properties of from half a row to four rows of vine trees are the rule, and in some parts of the island the boundary hedges of cactus take up nearly half the cultivable area. The problem, therefore, is not peculiar to the Punjab, and everywhere the consequences are the same. Land is wasted in innumerable boundaries, and labour and time in going from plot to plot: rotations cannot be varied, nor can valuable crops be properly supervised; scientific cattle breeding is impossible, disputes are frequent, and enterprise is paralyzed. In short, all the evils of small holdings are aggravated a hundred-fold, and agricultural progress is impossible. Worst of all, and this is the experience of both Germany and Italy, where fragmentation is bad, the money-lender is strong, for fragmentation means a dwarf domestic economy and a hand-to-mouth existence. . . . The smallness of the average holding and its almost incredible fragmentation together constitute one of the basic causes of debt."

Before discussing remedies in Part II of this report, I should like to make the position of the small holder, the tenant and the labourer, a little clearer. A small landholder, it is recognized, does not usually possess an economic holding. It is too small in the first

place and much too scattered in the second. But a large proportion of small holders, who cannot possibly make a living out of their holdings alone, take other pieces of land in the vicinity on lease and so become tenants as well. Indeed, these small holders turn out to be the best tenants. They have vested interests in the locality and the cattle and implements they possess, as landholders are used for cultivating the lands taken on lease. Small holders and tenants and members of their families often hire themselves out to

others as farm labourers, when they have not enough work to do on their own fields. Fragmentation of holdings, therefore, is not such a great evil as it would be if the practices detailed above were not in vogue. Yet, none the less, fragmentation is one of the basic causes of debt, and consolidation is urgently needed.

26. *Cattle mortality*.—The following statement compares livestock and agricultural implements in 1930 with those in 1935.

STATEMENT NO. 13.—Number of livestock and agricultural machinery and implements in the Province of Madras as ascertained by a census held in January 1935 (Preliminary figures) compared with the Census figures in 1930.

		Totals for the Province.	
		1935.	1930.
Oxen—			
Males—			
1 Breeding bulls, i.e., entire male over three years kept or used for breeding purposes.	198,025	85,283	
2 Working bullocks, i.e., bullocks and uncastrated males over three years kept for work only	6,139,124		
3 Bulls and bullocks over three years not in use for breeding or work	636,475		
4 Young stock—			
(a) Under one year	959,777		
(b) One to three years of age	1,277,708		
Females—			
1 Breeding cows, i.e., cows over three years kept for breeding or milk production	4,247,015		
2 Cows over three years used for work	1,126,084		
3 Cows over three years not in use for work or breeding purposes	569,858		
4 Young stock—			
(a) Under one year	1,218,263		
(b) One to three years of age	1,312,233		
Total, oxen	17,684,562	16,447,363	
Buffaloes—			
Males—			
1 Breeding bulls, i.e., entire males over three years kept or used for breeding purposes.	148,441		
2 Working bullocks, i.e., bullocks and uncastrated males over three years kept for work only	1,105,313		
3 Bulls and bullocks over three years not in use for breeding or work	136,035		
4 Young stock—			
(a) Under one year	495,045		
(b) One to three years of age	407,047		
Females—			
1 Breeding cows, i.e., cows over three years kept for breeding or milk production	2,389,154		
2 Cows over three years used for work	269,645		
3 Cows over three years not in use for work or breeding purposes	224,158		
4 Young stock—			
(a) Under one year	848,505		
(b) One to three years of age	775,493		
Total, buffaloes	6,798,836	5,993,414	
Sheep	11,905,724	12,864,343	
Goats	6,748,132	7,406,018	
1 Horses	32,761	24,761	
2 Mares	14,172	111,954	
3 Young stock colts and fillies—			
(a) Under one year	3,415	3,044	
(b) One to three years of age	2,218		
Mules	2,852	765	
Donkeys	145,095	131,104	
Camels	30	14	
Ploughs—			
(i) Wooden	4,293,812	4,444,753	
(ii) Iron	44,879	31,097	
Carts	1,186,102	1,235,009	
Sugarcane crushers—			
(i) Works by power	1,627		
(ii) Worked by bullocks	23,883		
Oil engine with pumps for irrigation purposes	3,821		
Electric pumps for tube wells	924		
Tractors	10,072		

B.P. Mis. No. 1345, dated 1st April 1935.

The number of total oxen and buffaloes has increased to some extent from 1930 to 1935. Breeding bulls have also increased. Sheep, goats and cows have decreased in numbers. Though wooden ploughs have grown fewer, the number of iron ploughs has shown

a gratifying increase. From this statement the following results have been arrived at:—

	1935.	1930.
Number of cattle per 100 of population	52.4	53
Number of cattle per 100 acres of net sown area	72	65

While the number of cattle per 100 of population is on the decrease, the number per 100 acres of sown area is increasing. When a pair of buffaloes is reckoned to be needed for ploughing about five acres of land, the cattle in this Presidency can hardly be said to be in excess of requirements, even if they are efficient. But efficiency is not a noticeable characteristic of the cattle in this country. The small stunted animals seen roaming about the country-side in search of fodder are not only incapable of doing hard and sustained work, but are short-lived and fall an easy prey to disease. Indiscriminate breeding, insufficient food and lack of segregation are responsible for the poorness of the stock. "For anyone who has not lived in a primitive country, it is difficult to realize how much a peasant's life may depend upon his cattle. Without them his fields remain unploughed, store and bin-stand empty, and food and drink loose half their savour; for in a vegetarian country what can be worse than to have neither milk, butter nor *ghi*?" Buffaloes and oxen are an indispensable part of the equipment of the cultivator. They are required not only for the plough, the cart and the water-lift, but also for the supplying of milk, butter, *ghi*, fuel and above all for the farmyard manure, which forms the bulk of that employed, especially for wet cultivation. There are signs that the

quality of cattle in this country is slowly deteriorating; but it is essential that such should improve. As the Royal Commission on Agriculture observe, "the process having gone so far, India having acquired so large a cattle population and the size of the animals in so many tracts having fallen so low, the task of reversing the process of deterioration and of improving the livestock of this country is now a gigantic one; but on improvement in its cattle depends to a degree that is little understood, the prosperity of its agriculture and the task must be faced."

A farmer must replace the cattle he loses. If he fails to do so, he has to sit at home and give up cultivation altogether. In 99 cases out of 100, a farmer has no money to replace the cattle he loses annually. He is compelled, therefore, to borrow at high rates of interest. The constantly recurring losses of cattle by drought, disease and destruction by wild animals is therefore an important cause of rural indebtedness.

Quite apart from the heavy mortality of cattle from natural causes, the death roll from contagious disease and by wild animals is very heavy indeed. It is gratifying, however, that deaths from contagious diseases are steadily decreasing, as will be seen from the following statement:—

STATEMENT No. 14.—Deaths of bovines from contagious diseases from 1929 to 1934.

Year.	Rinder-pest.	Anthrax.	Hæmorrhagic septicæmia.	Black-quarter.	Foot and mouth.	Other contagious diseases.	Total.
1929-30	106,046	8,329	7,516	6,755	5,354	24,523	158,523
1930-31	59,323	4,978	7,104	8,116	1,828	18,241	99,890
1931-32	28,412	4,734	6,145	5,358	1,753	10,232	56,634
1932-33	12,735	3,605	6,464	9,351	1,346	6,695	40,196
1933-34	5,209	3,612	7,536	7,550	1,590	6,277	31,774

Thus, according to the figures furnished by the Madras Civil Veterinary department, as many as 387,017 bovines died from contagious diseases between the years 1929-30 and 1933-34.

27. *Agricultural practices and the law of diminishing returns.*—Statements Nos. 7 and 8 show that the outturn per acre of the staple crop, paddy, is depressingly low in India, as compared with that in countries like Japan and Java. The same low outturn unfortunately applies to most of the other crops as well. While want of capital and the vagaries of nature account for much of this low outturn, gross slackness, conservatism in adhering to the old crude methods of cultivation and consequent lack of enterprise and initiative in attempting newer and more efficient methods of agriculture, must also be largely responsible for the comparatively meagre return from land.

Professor R. Mukerjee has summarized the crude methods adopted by the Indian farmer as follows: "Agriculture is carried on with the most primitive tools. The peasant maintains himself by crude and comparatively unprofitable agriculture at a low level of existence. He uses bad and infertile seeds and

works at great disadvantage owing to the inefficiency of his appliances. Darling observes: 'The plough that looks like a half-open penknife and just scratches the soil, the hand-sickle made more for a child than a man; the old-fashioned winnowing tray that woos the wind to sift the grain from the chaff; and the rude chopper with its waste folder, are undisplaced from their primitive but immemorial functions.' "The labourer to-day is a lazy truculent worker, as compared with his forefathers. He insists on having his morning sleep, and seldom comes to the field before 8 a.m. He cries off work earlier than before and works with less vigour and more indifference. He needs to be stirred into greater activity. Most important of all, the small, medium and big landholders, whether absentee landlords or not, should take more personal interest in their properties, and either by working on the land themselves or by closer supervision and greater enterprise, must ensure the maximum return from them. The slackness of ryots and labourers in certain districts like Ganjam is notorious. An officer of the Agricultural department described the activities of a certain class of Ganjam agriculturist in this way: "The ryot ploughs twice,

broadcasts paddy seed, covers the seed by means of a plough and goes home to laze away his time, prays to God and gets into debt. In November, he goes with his sickle to his field to see what has happened in the meanwhile. If he finds a crop, he harvests it. If not, he probably offers up another prayer."

I have had many representations made to me that the soil in many places, especially in deltaic areas, is getting exhausted and that in consequence the yield per acre, already the lowest in the world, is still steadily declining. The careful investigations of settlement officers and others do not support this view. If at all the law of diminishing returns is coming into operation in this country, the change is so slight as to be almost imperceptible. The old crude system of agriculture is to be thanked for having secured "practically constant productivity on the whole and in the long run." Even assuming that diminishing returns have already supervened, particularly in thickly populated and long cultivated areas, the adoption of better and more scientific methods of cultivation ought effectively to arrest their course.

28. *The lack of subsidiary occupations.*—According to Dr. Slater, taking the land of South India all round, there is agricultural work for the cultivator only for five-twelfths of his possible working time. To be on the safe side, we may assume on an average that the agriculturist finds work to do on his land for about six months in the year, leaving his six months free to do what he likes. Mental and physical inertia, lack of ambition and pride of caste and position, have all contributed to the fact that the agriculturist wastes most of this spare time in doing practically nothing towards earning a subsidiary income. Cottage industries, which are not likely to be drowned by competition from the products of factories and organized industry, are not wanting. Spinning, weaving, carpentry, pottery, fruit-growing, poultry-keeping, rearing of sheep and goats, bee-keeping, sericulture, market gardening and all those skilled and delicate handicrafts from gold, silver, brass, bell-metal, iron and wood which have made India so justly famous for delicacy and taste, suggest themselves off-hand. But still the waste of labour continues. In Japan, though half the land is under rice, two million peasants (the number is steadily growing) earn a substantial subsidiary income by the rearing of the silk-worm. In Bengal and the Punjab, sericulture is a useful supplementary occupation. In the Punjab, many raise agricultural capital by silk-worm rearing and use the money in taking on lease a plot grown with melons; with the money left over they lease a mango orchard and follow this up with oranges and other fruit. They, therefore, show a spirit of enterprise and are not sunk in a stupor of hopelessness combined with gross laziness. As Mr. Yeatts in his census report observes of vernacular equivalents to means of livelihood, "nearly all contain a reference to sitting which clearly plays a large part in the daily life of these fortunate persons." It

is no exaggeration to say that caste prejudice and pride of position offer grave obstacles to the development of cottage industries in this Province. It is considered *infra dig* for any one except a member of the potter caste to engage in pottery. None but members of carpenter family should make chairs and tables and agricultural implements; none but toddy-drawers should climb the coconut and palmyra. The members of the Nadar community in the Tinnevely district, who have been the official toddy-drawers, have recently struck work and declared that they are too superior to climb the palmyra and coconut palms. Members from other communities will not take up this work, as it is beneath their dignity to do so. So the toddy-drawing business is almost at a standstill in the Tinnevely district and men have actually to be imported from Malabar for this work.

29. *Taxation.*—From nearly all districts, individuals and often deputations have represented to me that much of the indebtedness of the agriculturist is due to the heavy incidence of the land revenue. This delicate and vexed question, therefore, cannot be shelved.

The people represent that—

(i) the principle of taking half the net profit as land revenue from big and small holders alike is unfair and has led in India to the highest land tax in the world.

(ii) payment in money is unfair and works a grave hardship in periods of depression, when the value of money is increased and the value of produce correspondingly diminished. It is argued that the present profits from agriculture are almost *nil* and that the land revenue and commuted money rents, taken by Government and zamindars respectively now represent far more than half the net profits from the land.

(iii) while land tax proper is no doubt not enhanced during the currency of the thirty-year settlements, there is no limit to the enhancement of water-rates and other miscellaneous items of land revenue during this period and such enhancements not only disorganize the whole economic machinery of rural economics, but drive the ryots affected into desperate straits.

The Government land revenue in a normal year does not generally exceed 25 per cent of the net profits. Commuted money rents in certain zamindaris however sometimes amount to as much as 50 per cent or more of the net profits of the tenants. The land tax on ryotwari land is therefore not a major cause of indebtedness in a normal year.

30. *General.*—I have attempted to analyse the general causes of indebtedness at some length. A clear knowledge of the causes of indebtedness is necessary before remedies can be suggested. These causes are so interwoven with each other that it is impossible to assess correctly the proportion of indebtedness due to each. Almost all of them have become aggravated by the great economic depression which swept over the world about five or six years ago.

I have given a few typical family budgets in Appendix IV*, taken from various reports, sent to me from officers of the Revenue department and the Settlement staff. Few agriculturists maintain accounts and so most of these budgets are based solely upon the statements of agriculturists. They may not therefore be quite reliable. Even allowing for under-statements and exaggeration, it will be seen how little is the income from agriculture, especially now in a time of depression. As many ryots are unable to make a living from the land alone, they are often obliged to borrow even for family expenses, unless they have some subsidiary occupation to augment their income from the land. The lives lived by the ordinary peasant are frugal and inexpensive generally, but the standard of living is undoubtedly gradually rising.

CHAPTER III.—THE ECONOMIC DEPRESSION.

31. *General.*—The periodic recurrence of trade cycles is well known; but the depression that took the whole world unawares about 1928 and still continues was one of the most severe that has ever been experienced. The causes which lead to such trade slumps are many and involved. Political factors have as much to do with them as economic forces. Currency problems are also inextricably involved. To analyse these intricate and interwoven causes will require a large volume. Such treatises are to be found in numbers, but it is not necessary to go over all this old ground, because we are here concerned not so much with the causes of the depression as with its effects. Our main task is to see how we can infuse vigour and hope into the Indian farmer and help him to tide over the very difficult times through which he is undoubtedly passing.

The direct result of an economic depression, given a fairly stable currency, is a marked fall in the value of all commodities and a pronounced rise in the value of money. A depression often suddenly comes like a thief in the dark, after a period of booming prices. The present depression, as is well known, has resulted in the downfall of many reputed banking and business concerns and hundreds of thousands of small traders and speculators have come to grief. The period of rising prices and trade optimism before the depression tempted people to speculate heavily in the hope of a continuation of such favourable prices; and, when the prices suddenly shot down, such speculators often crashed. Even individuals and companies, with keen business acumen and provided with all the latest knowledge of the trend of prices, markets, political events and so on, made mistakes in not foretelling the impending decline. How much more then was the farmer affected, with his poor business education, want of knowledge of world prices and the ignorance of the trend of market fluctuations. Before the onset of the depression, he found that the prices of his crops were excellent and continued to rise. So he speculated, often wildly, upon

land, borrowing at heavy rates to buy more land. Suddenly came the depression. He found to his bewilderment that his crops were fetching less and less in terms of money. His commitments to Government and others in terms of money became harder and harder to meet, as he was obliged to sell more and yet more of his crops to get the money required. The value of land declined steeply and there were no purchasers even at low current market prices. To add to his difficulties, cheap rice from foreign countries was flooding India and depressing the price of local rice still further. Is it any wonder then that the Indian agriculturist to-day is so heavily involved in debt; obliged to pay in money to Government, zamindars and others the same as he had to do before the depression and forced, in order to meet this demand in money, to dispose of about twice the amount of his crop as before; unable to dispose of his land at even half the price it easily fetched in predepression days; unable, with credit shortened, to borrow enough even for current family and cultivation expenses; compelled, therefore, to part with much of his hoard of jewels and ornaments in order to get ready money; and, hence, left more at the mercy of unscrupulous money-lenders and middlemen than before.

The rupee is linked to the pound sterling. That is to say the currency of a country like India, which depends mainly upon agriculture for its welfare, is linked with the currency of a country like England, which depends for its prosperity, not upon its agriculture, but mainly upon its banking and trade. The pound sterling, gold standard or no gold standard, is about the most stable currency in the world to-day. One has only to see the way, in which the *franc*, the *mark* and other continental currencies are fluctuating to realize the essential soundness and stability of the pound. No doubt, India has benefited enormously by having the rupee linked to such a sound currency unit; her borrowing power is high, and she finds it all the easier to meet her commitments to the mother country. But the great difference between the value of money and the value of commodities, especially of food and commercial crops, has undoubtedly been a hardship on the Indian agriculturist. Some countries have solved the problem by a judicious inflation of currency, so that the great gap caused by the depression between the value of money and of commodities has been bridged to some extent. Sir George Schuster has, however, laid down that the problem of currency is outside the scope of remedial measures that Local Governments may contemplate in consultation with the Central Government for the amelioration of the conditions of the agriculturists. The Indian agriculturist, at present, is mainly concerned with the production of food crops like rice and wheat, in which we must not forget to include dry food crops like ragi, cholam, and cumbu. The main argument in the past for allowing rice to come into this country from

abroad, unchecked by effective protective tariffs, is that India does not produce enough food crops to feed her own people and must therefore import the deficit. I am led to wonder whether it has ever struck anyone, that one of the chief reasons why outturns in India are so low, is because the demand is limited and prices are unstable. What can be the use of urging the ryot to adopt improved methods of cultivation in order to increase his output, if at the same time the inevitable argument is thrown at him that he must have imported rice as well? How is it possible for the output to be increased, and where is this increased output to find a market, when rice is allowed to come into this country to depress prices? The recent levy of a small import duty on broken rice will undoubtedly afford much relief; but it may not be high enough or comprehensive enough, I submit, to prevent paddy, whole rice and even broken rice from being imported in sufficient quantity to depress local prices seriously. Many of the other countries have effectively barricaded themselves against the import of food crops. We need an effective tariff barrier against the import of rice and paddy, like that which France imposed in 1934, as follows:—

Goods of Indian origin.	General rate of import duty—Francs per 100 kilograms.	
	Former.	Now.
Rice—		
In the straw	4.20	16.80
Broken rice	8.40	30.00
Whole rice, flour and grits ..	34.40	137.60

It is only by properly checking foreign imports of paddy and wheat and such like products that a real stimulus will be given to Indian agriculture in the matter of increased outturns. What is going to happen to the vast new wet area that the Cauvery-Mettur Project is going to open up? Where is the paddy that will be grown thereon to go to, and what will be its price? The whole or even a major portion of this new wet area can never grow sugarcane. The water-rate for this *duffasal* crop for one thing is likely to be a heavy burden, and sugarcane cultivation is too expensive for the average small farmer. Any deficit in food for India in rice can always be made up by the consumption

of grains grown on dry lands. The great influx in the last two years of rice from Burma and abroad has had much to do with the steady decline in the areas cropped under cholam, ragi and cumbu as seen from statement No. 6. The poorer classes of ryots and labourers, who once mainly ate the healthy cholam, ragi and cumbu, have now to a noticeable extent gone over to the cheap broken rice from abroad, which is not only throwing dry lands out of cultivation but is less nutritious and certainly wanting in *vitamin* content. I am convinced that the main reason why India fails to produce enough food crop for her own consumption is because prices of food crops are not only constantly fluctuating, but are also on an average not high enough to stimulate her to more labour and greater enterprise. The instability of prices of food crops in India can be effectively remedied, and prices can be sufficiently raised, by imposing proper tariff barriers against foreign imports. The rapidly growing Indian population can easily absorb the increased output that can be achieved thereby. There can be little hope of success in adopting a policy of putting the cart before the horse. If a proper market at attractive prices is first assured then increased production will inevitably follow, and the Indian farmer will respond with enthusiasm to agricultural education. But no amount of propaganda to adopt advanced scientific methods of cultivation will, I think, be of use if the farmer rightly feels that he cannot get stable and attractive prices for his crops. The *free-trader* economist, no doubt, has sound reasons for permitting the natural forces of supply, demand and private competition to adjust themselves; but I submit that his theories may not be so convincing when he attempts to apply them to food crops grown in a country predominantly agricultural, where almost the whole of the supply is absorbed by demand from within the country itself.

32. *Imports and exports.*—India in the past exported much paddy and rice to other countries. Now her exports have dwindled and her imports increased. The following statement exhibits the imports and exports of paddy and rice in the last five years:—

STATEMENT No. 15.—Import and export of paddy and rice—in tons—Sea-borne trade.

	1929-30.				1930-31.				1931-32.			
	Imports.		Exports.		Imports.		Exports.		Imports.		Exports.	
	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.
Bengal	5,635	725	2,298,229	27,612	7,445	1,571	2,253,784	25,445	17,931	9,042	..	..
Bombay	294	..	120,040	6	86	..	118,886	51	44	..	..	..
Madras	88	..	16,393	6	2,384	1	13,897	5	580	..	..	..
Sind	5,184	710	93,852	4,265	3,965	1,560	101,711	4,368	17,301	9,042	..	..
Bihar and Orissa	..	..	42,862	..	2	..	43,638	..	..	..	..	..
Burma	69	15	2,024,990	23,335	1,008	10	1,975,393	21,021	6	..	..	..
1931-32—cont.												
	Exports.		Imports.		Exports.		Imports.		Exports.		Imports.	
	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.	Rice.	Paddy.
Bengal	2,301,415	70,291	35,510	11	1,823,196	58,844	84,024	4,381	1,732,539	11,384	..	..
Bombay	123,185	14	16	..	120,795	2,161	731	..	107,657	3	..	..
Madras	13,312	2	..	..	11,839	2	5,586	..	12,674	6	..	..
Sind	61,175	2,355	35,418	10	64,894	2,028	77,665	4,381	78,262	1,082	..	..
Bihar and Orissa	37,348	..	..	..	28,339	..	2	..	17,550	..	..	..
Burma	50	..	..	..	..	..	..	..	..	..	..	..
Burma	2,065,815	67,920	19	1	1,602,339	54,653	40	..	1,516,396	10,293	..	..

(Extract from the Annual Statement of the Sea-borne trade of British India with the British Empire and foreign countries for the year ending 31st March 1934.)

per 100, and areca at Rs. 5 per 1,000. A ryot who had to pay an assessment of Rs. 50 annually had to sell only 5 *muras* during the above year, but now he has to sell 17 *muras* for paying the same amount. The difference in the number of *muras* to be sold is striking and the ryot has barely anything for his own consumption." This statement of the bare facts as found in South Kanara, applies equally to all the other districts.

It is only in the last few months that the prices are at last showing an upward trend. It still remains to be seen whether the change is temporary or the definite beginning of the end of the depression. In either case, it will take many years for the agriculturist to recover from the devastating effects of such a serious and prolonged slump. Professor George O'Brien in his book entitled *Agricultural Economics* gives an excellent survey of the effects of depression on the farmer in general. His remarks apply with even greater force to the Indian agriculturist:—

"It may not unnaturally be asked why so much emphasis has been laid on the effect of a fall of prices on the farmer and so little on the effects of a rise. Do not his differential gains in the rise compensate him for his differential losses in the fall? It is true that the effects of the slump are rendered less onerous by the preceding boom than they would be if no boom had occurred, indeed, the savings put aside during the good years may stave off actual bankruptcy during the bad. But apart from this, the two movements do little in the way of mutual compensation. For one thing, the turn in the tide of prices probably overtakes the farmer unawares. Farmers live remote from markets and market news, and are not so sensitive to changes in market conditions as producers in other industries. Intoxicated by the optimism of good prices they are tempted to go on increasing their output even after the peak in the movement has been reached, trusting that any set back which they observe is but a temporary hesitation pending a further rise. Their losses in the fall are thus intensified, and probably, more than the extra profits made in the rise are absorbed in keeping them out of bankruptcy. Moreover, adjustments are made more rapidly in periods of expansion than of contraction. Many more or less permanent charges may have been incurred under the exhilaration of high prices which afterwards grow heavier owing to the combined effect of lower profits and the appreciation in the value of the currency unit in which the charges have to be paid. Especially distressing is the lot of those who have borrowed

money in order to purchase land during the period of high prices. Among such farmers bankruptcies and forced sales become the order of the day. Finally, the psychological effects of the slump are serious, and far from transitory. Falling prices undermine confidence. In the absence of confidence farming deteriorates, and the farmer is slow to recognize signs of improvement when prices once more show an upward tendency. The cumulative effect of all these factors tends to prolong the harmful consequences of a depression long after the causes which brought it about have ceased to operate. . . . It is impossible to doubt that the net effect of the cycle is a loss to the agricultural industry. . . . Every student of agricultural economics is agreed that the gains derived during the boom do not in fact compensate for the losses suffered during the slump, and the farmer has therefore a more pressing and urgent need for some policy of price stabilization than any other member of the society. 'The agriculturist,' states the final report of the World Economic Conference, 'should find his just remuneration, not through speculation, but in the regularity of prices enabling him to reckon on a legitimate return equivalent to that accorded to other producers.' Unfortunately, the formulation and execution of such a policy is outside the power of the farming classes even if they were fully organized for joint action. In this matter their fortune lies in the power of the bankers and statesmen who control the purchasing power of money."

34. *Some statistics from the Registration department.*—I requested the Inspector-General of Registration to furnish me with some figures for the whole Presidency. He found it impossible without additional staff to collect, tabulate and consolidate the particulars I required from the millions of documents and entries in registers in all the Sub-Registrars' offices. He very kindly agreed, however, to furnish me with the information I required for two typical villages in each of the districts in this Presidency, except Malabar and South Kanara. Of course, the registration district of Madras was also to be excluded. Statements 17-a to 17-d are those sent by the Inspector-General of Registration at my request and they furnish useful information of the trend of events from 1930 to 1934 so far as the agriculturist is concerned. I suggest that such tabular statements for the whole Presidency should be prepared and published once in five years so that the condition of the agriculturist may be watched in future.

The definition of the word *agriculturist* proved rather a stumbling block in preparing these figures. So far as this statement is concerned, I believe that all those, who noted their occupation as *agriculture* or *cultivation*, were termed *agriculturists*; and non-agriculturists were those who gave other occupations as their means of livelihood. There being no distinct division between cultivating and non-cultivating classes, it was impossible to separate them. So among agriculturists in this statement, we shall find both owner cultivators and absentee landlords like agriculturist money-lenders. Among non-agriculturists also will probably be found absentee landlords, whose main support is income from some source other than land, Government servants, lawyers, professional money-lenders, traders, merchants and so on. There has been a steady increase from 1930 to 1933 in the total area that has changed hands. The area sold to non-agriculturists has fluctuated a bit, but has definitely risen between 1930 and 1934. Sales through civil courts, though increasing, form much less than 10 per cent of the total sales. The area mortgaged by agriculturists to non-agriculturists however has dropped steadily from 1930 to 1934, which clearly indicates a steady decline in fresh borrowings and a shortening of credit. The Government have asked me, in question No. 6 of my terms of reference, to what extent property has been mortgaged by agriculturists as security for debts. I am not able to furnish the extent; but the value of mortgages in the last ten years is given in statement No. 19. I have also been asked how much land has changed hands in the last four years and how much thereof

has gone to the non-cultivating classes. I have already indicated the difficulty of differentiating between cultivating and non-cultivating classes in the Presidency. We may assume that no non-agriculturist cultivates his land and many agriculturists also are non-cultivators. This is particularly so for big agriculturist landholders, especially the money-lenders among them, all of whom probably come under the rather vague term *agriculturist*. There are 21,631 ryotwari villages in the twenty-five districts of the Presidency. The average number of ryotwari villages per district may be taken to be 865. The total acreage that changed hands in the four years from 1931 to 1934 according to statement No. 17-a is 23,932 acres. This figure is for two villages for each of the districts except Malabar and South Kanara. So the total ryotwari area, that has changed hands from 1931 to 1934 for the Presidency, except Malabar and South Kanara, may roughly be calculated as $\frac{23,932 \times 865}{2}$ or

10,351,000 acres. Of the area of 23,932 acres, which changed hands from 1931 to 1934 according to the previous statement, 4,772 acres or about 20 per cent went to non-agriculturists. So, from 1931 to 1934, the area of ryotwari land which went to non-agriculturists, excepting that in Malabar and South Kanara, is 2,070,000 acres. Of the 10,362,000 acres of ryotwari land which changed hands during these years, I should say a very large proportion went to big absentee landlords particularly agriculturist money-lenders. This shows that many small and medium landholders were and are being rendered landless and destitute because of foreclosure on their debts.

35. *Extent of sales and mortgages—*

STATEMENT 17 (a).—Statement showing the extent of lands in acres sold and mortgaged in the Presidency of Madras taking two typical villages for each district excepting the districts of North and South Malabar and South Kanara during the years 1930 to 1934.

Years.	Total changed hands.			Net sold by agriculturists to non-agriculturists.			Net area sold.			Net mortgaged by agriculturists to non-agriculturists.		
	Dry and garden.	Wet.	Total.	Dry and garden.	Wet.	Total.	Civil courts.	By private sales.	Total.	Dry and garden.	Wet.	Total.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1930 ..	3,896	1,229	5,125	505	267	772	181	4,944	5,125	2,652	691	3,343
1931 ..	3,858	1,682	5,540	1,033	335	1,368	203	5,337	5,540	1,800	844	2,644
1932 ..	3,631	2,098	5,729	512	405	917	354	5,378	5,732	1,762	843	2,605
1933 ..	4,934	1,735	6,669	1,049	357	1,406	489	6,179	6,668	1,639	914	2,553
1934 ..	4,095	1,899	5,994	748	333	1,081	496	5,497 + 2	5,992 + 2	1,501	796	2,297

36. Rates of interest on mortgages and bonds—

STATEMENT No. 17 (b).—Statement showing mortgages without possession and bonds registered in 1930—1934 classified according to rates of interest charged in the Madras Presidency, taking two typical villages for each district.

Serial number.	Years.	6 per cent and less.						Above 6 and not more than 9 per cent.						Above 9 and not more than 12 per cent.						
		Number in which the amount of loan is.						Number in which the amount of loan is.						Number in which the amount of loan is.						
		Rs. 25 and less.	Between 25 and 100.	Between 101 and 500.	Between 501 and 1000.	Above 1000.	Total number of transactions.	Rs. 25 and less.	Between 25 and 100.	Between 101 and 500.	Between 501 and 1000.	Above 1000.	Total number of transactions.	Rs. 25 and less.	Between 25 and 100.	Between 101 and 500.	Between 501 and 1000.	Above 1000.	Total number of transactions.	
1	1930	..	1	2	1	5	9	17,790	..	12	48	26	25	131	4	145	385	146	93	773
2	1931	..	1	2	1	6	21	28,820	..	10	54	23	34	121	1	120	323	136	89	700
3	1932	..	1	1	1	6	14	25,180	..	10	67	38	38	138	1	131	332	136	89	700
4	1933	..	1	1	1	6	24	38,842	..	16	84	47	62	167	3	172	402	102	40	692
5	1934	..	1	1	1	6	38	61,923	..	16	122	53	49	207	6	172	334	136	27	595
6	1930	..	1	2	1	6	11	28,820	..	10	54	23	34	121	1	120	323	136	89	700
7	1931	..	1	2	1	6	24	38,842	..	16	84	47	62	167	3	172	402	102	40	692
8	1932	..	1	1	1	6	14	25,180	..	10	67	38	38	138	1	131	332	136	89	700
9	1933	..	1	1	1	6	24	38,842	..	16	84	47	62	167	3	172	402	102	40	692
10	1934	..	1	1	1	6	38	61,923	..	16	122	53	49	207	6	172	334	136	27	595
11	1930	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
12	1931	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
13	1932	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
14	1933	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
15	1934	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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Serial number.	Years.	Number in which the amount of loan is.						Number in which the amount of loan is.						Number in which the amount of loan is.									
		Above 12 and not more than 24 per cent.						Above 24 per cent.						Other cases where interest is payable in grain or not as certain a %.									
		Rs. 25 and less.	Between 25 and 100.	Between 101 and 500.	Between 501 and 1000.	Above 1000.	Total number of transactions.	Rs. 25 and less.	Between 25 and 100.	Between 101 and 500.	Between 501 and 1000.	Above 1000.	Total number of transactions.	Rs. 25 and less.	Between 25 and 100.	Between 101 and 500.	Between 501 and 1000.	Above 1000.	Total number of transactions.				
1	1930	..	7	174	219	51	24	475	1,94,250	2	10	9	..	..	21	3,282	2	19	51	13	10	95	58,805
2	1931	..	12	191	165	57	46	441	1,38,054	2	12	2	..	..	16	1,605	1	3	27	12	10	53	52,233
3	1932	..	13	182	151	54	10	363	1,07,147	2	12	2	..	1	17	3,668	..	7	35	16	9	67	45,528
4	1933	..	11	183	166	54	5	273	51,694	2	12	2	..	..	11	795	..	11	29	10	8	59	34,455
5	1934	..	16	167	91	23	3	240	73,873	1	10	3	..	..	14	890	1	15	46	18	13	93	64,333
STATEMENT II.—MORTGAGES WITHOUT POSSESSION.																							
1	1930	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
2	1931	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
3	1932	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
4	1933	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
5	1934	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
STATEMENT III.—BONDS—cont.																							
1	1930	..	..	15	7	2	1	25	5,314	..	2	..	..	..	..	..	..	1	3	..	1	5	2,315
2	1931	..	1	20	15	4	..	36	4,788	..	2	1	..	..	5	320	..	1	2	1	..	4	1,942
3	1932	..	1	20	15	4	..	25	1,991	..	..	..	..	..	..	..	..	4	2	..	8	4,713	
4	1933	..	..	15	6	..	..	22	4,015	..	..	..	..	..	..	..	..	2	4	..	2	4	2,713
5	1934	..	..	6	..	..	..	6	385	..	..	..	..	..	1	40	..	..	4	..	4	2	800

As regards mortgages without possession, the most common rates of interest range from 9 to 12 per cent. There are some transactions, where interest between 6 and 9 per cent is charged and also some where the interest is between 12 and 18 per cent. Cases, where interest below 6 per cent and above 24 per cent are charged, are rare. The figures relating to bonds are not many. It is necessary to remember that these are the recorded amounts of

ordinary interest. The much heavier penalties generally are enforced, as borrowers seldom repay within the period stipulated. The common practice of deducting at the outset a sum for interest and only paying the balance to the borrower must not be lost sight of.

37. Purposes of borrowing—

STATEMENT No. 17 (c).—Statement showing the different purposes for which lands were sold, mortgaged without possession, mortgaged with possession and loans were obtained on bonds during 1930—1934 in the Madras Presidency taking two typical villages for each district excepting the districts of North and South Malabar and South Kanara.

Year.	Sold or borrowed for										Total amount.									
	Agricultural purposes.					Trade purposes.					Payment of kist.					Marriage expenses.				
	Sales.	Mortgages without possession.	Mortgages with possession.	Bonds.	Total.	Sales.	Mortgages without possession.	Mortgages with possession.	Bonds.	Total.	Sales.	Mortgages without possession.	Mortgages with possession.	Bonds.	Total.	Sales.	Mortgages without possession.	Mortgages with possession.	Bonds.	Total.
1930	72,705	49,614	15,491	1,470	1,470	21,413	27,268	6,534	13,000	5,424	2,526	50	80	24,743	23,154	9,888	5 (a)	5 (a)	5 (a)	5 (a)
1931	22,741	28,615	1,971	520	5,314	16,046	24,873	1,219	40,090	1,527	1,527	50	50	10,109	12,595	4,375	5 (b)	5 (b)	5 (b)	5 (b)
1932	43,941	43,538	3,143	1,500	16,046	16,046	15,068	1,514	22,216	5,091	934	180	..	11,966	26,936	5,902	5 (c)	5 (c)	5 (c)	5 (c)
1933	46,290	25,188	2,776	1,100	17,662	17,662	8,548	2,008	16,675	8,803	2,407	512	100	11,940	15,892	8,400	5 (d)	5 (d)	5 (d)	5 (d)
1934	33,218	23,956	13,498	..	11,473	11,473	11,965	1,441	14,528	3,539	475	500	..	22,805	23,532	4,085	5 (e)	5 (e)	5 (e)	5 (e)
1930	1,067,453	639,177	177,807	8,441	138,475	69,530	13,697	79,403	235,274	74,437	16,502	29,230	1,586,487	885,706	239,969	131,624	9 (a)	9 (a)	9 (a)	9 (a)
1931	1,384,426	764,641	115,914	5,140	70,306	36,420	11,440	37,732	209,252	9,156	775	1,703,528	899,399	144,125	85,221	1,703,528	899,399	144,125	85,221	1,703,528
1932	1,529,892	463,417	154,314	14,734	92,063	56,201	15,112	23,565	195,002	60,498	138,752	3,280	1,894,101	666,592	318,917	198,595	1,894,101	666,592	318,917	198,595
1933	1,354,359	500,601	133,273	6,965	61,546	92,076	16,733	23,805	194,726	50,661	10,740	7,765	1,695,336	695,373	174,492	56,610	1,695,336	695,373	174,492	56,610
1934	115,235	483,309	150,070	3,281	72,816	52,411	8,373	14,315	179,168	47,374	5,609	2,300	1,477,370	643,022	183,576	34,674	1,477,370	643,022	183,576	34,674

NOTE.—The figures in this statement represent the number of cases.

Lands have been sold or mortgaged mainly to discharge old debts. This shows that loans are seldom discharged but are generally renewed. Agricultural purposes and marriage expenses are responsible for a fair proportion

of sales and mortgages. Purposes not ascertainable and other purposes account for a good proportion of sales and mortgages. Sales and mortgages for payment of kist are trivial.

38. *Periods of mortgage and bonds—*

STATEMENT No. 17 (d).—Statement showing mortgages without possession, mortgages with possession and bonds registered in 1930-1934 classified according to periods of loan in the Madras Presidency taking two typical villages for each district excepting North and South Malabar and South Kanara.

Years.	One year and less—Number in which the amount of loan is							Above one year but not more than three years—Number in which the amount of loan is						
	Rs. 25 and less.	Between Rs. 25 and Rs. 100.	Between Rs. 101 and Rs. 500.	Between Rs. 501 and Rs. 1,000.	Above Rs. 1,000.	Total number transactions.	Total amount.	Rs. 25 and less.	Between Rs. 25 and Rs. 100.	Between Rs. 101 and Rs. 500.	Between Rs. 501 and Rs. 1,000.	Above Rs. 1,000.	Total number transactions.	Total amount.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
STATEMENT VIII.—Statement of mortgages without possession.														
1930	18	109	157	61	34	379	188,602	1	57	147	33	20	263	128,668
1931	5	110	151	43	24	333	151,156	1	59	150	37	24	271	144,493
1932	6	87	136	40	21	290	118,295	3	82	136	42	25	288	150,612
1933	11	79	131	29	18	268	158,476	1	99	131	33	15	281	117,743
1934	4	99	123	24	7	257	72,280	6	86	132	25	20	269	104,654
STATEMENT IX.—Statement of mortgages with possession.														
1930	1	8	10	4	1	24	2,853	..	30	71	23	15	139	77,374
1931	..	6	8	3	..	16	3,995	5	40	67	22	9	143	57,568
1932	4	6	8	3	2	23	13,887	4	48	84	37	13	186	211,437
1933	..	7	11	1	..	19	4,118	4	48	77	25	10	164	69,067
1934	2	9	8	2	..	21	4,285	5	43	86	16	12	162	63,654
STATEMENT X.—Statement of bonds.														
1930	..	18	10	2	1	31	6,853	..	1	5	1	..	7	1,510
1931	..	14	18	3	..	34	5,172	..	3	6	..	..	9	1,826
1932	1	21	10	..	..	32	4,580	1	4	3	..	..	8	910
1933	..	16	9	..	..	25	4,000	5	7	5	..	..	17	1,630
1934	..	12	3	1	1	17	7,686	1	4	2	..	..	6	785

Years.	Above three years—Number in which the amount of loan is							No term—Number in which the amount of loan is						
	Rs. 25 and less. (16)	Between Rs. 26 and Rs. 100. (17)	Between Rs. 101 and Rs. 500. (18)	Between Rs. 501 and Rs. 1,000. (19)	Above Rs. 1,000. (20)	Total number transactions. (21)	Total amount. (22)	Rs. 25 and less. (23)	Between Rs. 26 and Rs. 100. (24)	Between Rs. 101 and Rs. 500. (25)	Between Rs. 501 and Rs. 1,000. (26)	Above Rs. 1,000. (27)	Total number transactions. (28)	Total amount. (29)
STATEMENT VIII.—Statement of mortgages without possession—cont.														
1930	4	43	143	57	32	279	189,555	7	143	249	99	71	569	355,116
1931	1	14	83	55	42	195	210,789	12	127	244	84	79	546	377,227
1932	..	15	92	43	32	182	175,400	9	143	254	100	54	560	331,444
1933	..	32	122	48	46	248	221,245	9	172	197	64	36	478	225,398
1934	..	19	133	35	48	235	213,180	15	145	208	71	28	467	198,758
STATEMENT IX.—Statement of mortgages with possession—cont.														
1930	1	29	48	19	18	115	91,487	1	22	25	11	2	61	22,242
1931	4	18	34	33	22	111	80,912	1	17	33	5	6	62	22,558
1932	2	18	69	22	15	126	74,917	4	30	33	7	11	85	33,194
1933	4	43	69	28	17	135	77,373	5	24	45	4	7	85	28,478
1934	1	36	64	20	15	136	76,927	6	25	25	5	8	69	38,653
STATEMENT X.—Statement of bonds—cont.														
1930	1	..	..	..	..	1	50	1	12	12	7	26	58	123,361
1931	..	..	3	1	..	4	2,032	..	15	5	6	17	43	74,176
1932	1	..	..	..	2	3	143,100	..	7	14	2	14	37	49,905
1933	..	4	5	..	..	9	1,310	..	4	16	13	10	43	51,670
1934	..	4	4	1	..	9	2,610	..	7	6	2	7	22	23,555

As regards mortgages with and without possession, the most popular periods of loan seem to be the *no term* ones, while those *above three years* and *between one and three years* are second and third in demand. There are, however, quite a number of loans on mortgages for periods below one year. Most of the bonds relate to no-term ones.

CHAPTER IV—VOLUME AND DISTRIBUTION OF AGRICULTURAL INDEBTEDNESS.

39. *Results of investigation by officers of the Revenue department.*—As no special investigators under me were appointed for detailed enquiries in selected villages, I

requested District Collectors kindly to depute Assistant Collectors and selected Revenue Divisional Officers, Tahsildars, and Deputy Tahsildars to hold detailed enquiries in one village each on a plan outlined by me. The reports from these officers for 141 selected villages in this Presidency will be found in *Appendix II. Actually, reports relating to about 160 villages were received, but after careful scrutiny I was obliged to reject about 20 reports for various reasons,—villages not being typical, irreconcilable figures, omissions and so on. The investigators were requested to attend personally to the enquiry and to approach villagers with tact and sympathy in order to win their confidence. I

* Not printed.

submit however that the figures furnished in these reports cannot be quite accurate, considering that most of the important columns had to be filled up from oral evidence. The villager is notoriously suspicious of those, especially officials, who wish for information from him and seldom gives a plain and accurate statement of his affairs. If he feels that his interlocutor is there to enhance his taxes, he will magnify his liabilities and underestimate his assets and profits. If he feels that his questioner has come to force him to pay off what he owes, he will become secretive about his liabilities to his creditors. It is difficult to blame the ryot. After all, it is asking much of him to make all his private affairs public. Hence, all such information should be accepted with the greatest caution and reserve. I append below a tabular statement compiled from the results of the enquires made in the 141 villages referred to above. It

will be noticed from the statement that several columns do not tally. For instance, the figures furnished in column 2-a seldom correspond with the total of the figures furnished in columns 2-e to 2-i. The differences can probably be explained by the temporary or permanent absence from villages of ryots and labourers and also by the fact that *farm servants* do not by any means include all farm labourers. The figures in column 8 do not often correspond with the totals of the figures in columns 9, 10 and 11. The discrepancy is probably due to the fact that a number of absentee agriculturists, who own lands in the village have been included either in column 8 or in one of the columns 9 to 11. The absentee landlord, who owns land in one or more villages, has proved a great stumbling block to the investigators who did not, I imagine, all follow the same principles in compiling the figures.

The following results are worked out or abstracted from this statement and should, I again submit, be accepted only as rough averages.

	Agricultural population.
Registered holders	54
Tenants	18
Labourers	28
	100

As a result of assignments to the labouring classes, many labourers have now become small holders of land. They are also frequently tenants in a modest way. Small landholders may also be tenants and may also hire themselves out as labourers in their spare time. All these contingencies should be taken into consideration when valuing these figures.

The percentages of those free from debt to those examined are as follows:—

Registered holders	21
Tenants	23
Farm labourers	36

The debt per head of population is 38. The debt per family is 194.—Thus, there are on an average five members to a family.

The debt per acre of occupied land (ryotwari, inam and zamindari) is 63. The debt per rupee of assessment (ryotwari, inam and rental to zamindars) is 21.

There are, in 161 villages, 2,440 agriculturist money-lenders operating, as compared with 364 professional money-lenders like Marwaris, the proportion being about 7 to 1. Traders and money-lenders, not belonging to the professional money-lending classes, have, I believe, not been included in these figures. The total debt in 141 villages is Rs. 1,78,85,663 and has been borrowed in the following proportions from different kinds of creditors.

Government (takkavi)	1
Co-operative societies	6
Others, mainly ryot money-lenders	93
Total	100

The total debt is divided as follows:—	
Mortgage debt	47
Unsecured debt	50
Debt on security of movables	3
Total	100

40. *Total debt on population basis.*—According to statement No. 18, the debt per head of population is Rs. 38 as compared with Rs. 37, arrived at by the Madras Banking Enquiry Committee in 1930. It was obviously not possible for the investigators to include the indebtedness of the larger landholders, who do not live in the villages where they own lands. Often these landholders own lands in several villages. I shall demonstrate later by figures that the debt per head increases with assets. The more land a man holds, the more is he indebted, so that the average debt per head of those who pay over Rs. 100 in assessment is very nearly a thousand rupees. This unavoidable omission to record the debts of

the landlords, who live away from the localities in which they own land, has undoubtedly vitiated to some extent the results arrived at, especially of the debt per head. I consider that the figure Rs. 38 is too low and should be increased by at least 10 per cent to include these larger landholders, who have not been enquired into. I therefore propose to adopt Rs. 42 as the debt per head of population. The next point to be decided is by what figure this debt per head should be multiplied to give the agricultural debt for this presidency. The Madras Banking Enquiry Committee in 1930 chose the figure given for total population according to the 1921 census. This was 42 millions. Actually, in 1930, the total population was about 46 millions, as the 1931 census gave 46.7 millions. Both the censuses of 1921 and 1931 conclude that 71 per cent of the population was supported by agriculture. The Madras Banking Enquiry Committee did not choose to adopt this proportion for purely agricultural population in 1921, which should have been 71 per cent of 42 millions. The committee must have had sound reasons for this procedure. I believe that the total population was chosen, in preference to the population supported by agriculture, because almost every Indian family in India has some sort of landed interest or other, though all are not supported by agriculture. I shall therefore follow the lead of the Madras Banking Enquiry Committee and multiply the debt per head by the total population. The 1931 census gave 46.74 millions as the total population. Assuming that population increased from 1931 to 1935 at the same rate as from 1921 to 1931, we should have a population in 1935 of about 48.57 millions. The total agricultural debt on the population basis is therefore Rs. 42 × 48 : 57 million or Rs. 204 crores.

41. *Total debt on average basis.*—The results of the present investigations are worth comparing with the results of the Madras Banking Enquiry Committee.

	Debt per acre.	
	1930.	1935.
Northern circars	62	69
Ceded districts	23	22
Tamil districts	62	68
West coast	65	60

The average worked out by the Madras Banking Enquiry Committee in 1930 was Rs. 51. I have worked out the average by dividing the total debt in the 141 villages investigated into by the total acreage under occupation and have arrived at the figure Rs. 63.

The Madras Banking Enquiry Committee multiplied Rs. 51 by the total acreage under ryotwari holdings and arrived at Rs. 149 crores. The area under zamindari held by occupancy tenants was not included by the Committee. I submit that this area should be included, as we are also dealing with the indebtedness of occupancy tenants and such have quasi-proprietorial rights over their

lands. The area under ryotwari holdings in 1933 was 27,880,556 acres. To this, I add the rough figure 5,000,000 acres as the area held by occupancy tenants in zamindaris. The total comes to 32,880,000 acres. The total agricultural debt on the acreage basis is therefore Rs. 63 × 32,880,000 or Rs. 207 crores.

42. *Total debt on assessment basis.*—The debt per rupee of assessment, or zamindari rent, is Rs. 21 as compared with Rs. 19 arrived at by the Madras Banking Enquiry Committee in 1930. The Committee multiplied 19 by the ryotwari assessment and rental on zamindari land, and arrived at a total of Rs. 153 crores. I submit that cesses on ryotwari amount must be included as the investigators include cesses in their calculations. When an agriculturist is asked what land revenue he pays, he invariably gives a figure which includes cesses.

The assessment in fasli 1343 was Rs. 5,97,07,979. The rental in zamindaris under the same fasli was Rs. 2,38,28,737. Cesses on ryotwari and miscellaneous was Rs. 84,08,220. These total to Rs. 9,19,45,000. The total agricultural debt on the assessment basis is therefore Rs. 21 × 9,19,45,000 or Rs. 193 crores.

43. *Total estimated debt.*—The total debt has been calculated by the above three rough methods and the results agree closely. I would therefore estimate the total agricultural

STATEMENT No. 19.—Taken from the administration reports of the Registration Department.

	Gift.		Sale.		Instruments of mortgage.		Bonds.	
	Number.	Aggregate value. RS.	Number.	Aggregate value. RS.	Number.	Aggregate value. RS.	Number.	Aggregate value. RS.
1924	17,822	1,28,39,120	575,361	27,24,86,525	506,918	19,94,18,477	30,669	2,39,68,085
1925	18,146	1,49,93,865	587,103	28,09,78,020	508,355	20,10,06,341	30,335	2,49,37,524
1926	19,726	1,58,08,939	589,702	28,84,35,392	494,227	19,71,02,316	29,857	2,46,06,090
1927	20,295	1,63,17,938	625,321	31,69,90,603	525,747	20,56,72,478	33,952	3,09,07,501
1928	21,634	1,67,63,093	643,268	32,63,60,591	510,974	19,87,43,259	32,255	3,43,26,954
1929	21,807	1,79,34,310	649,499	32,44,12,002	485,850	19,65,66,096	31,368	3,17,12,924
1930	20,732	1,65,79,881	581,438	29,00,09,465	444,182	18,93,04,547	33,150	3,99,39,681
1931	18,749	1,31,07,972	503,735	24,59,67,009	389,487	17,69,89,913	26,651	2,01,18,932
1932	22,537	1,42,99,530	623,080	28,04,00,364	418,235	17,68,50,031	21,051	1,00,85,632
1933	22,172	1,32,80,127	595,061	25,61,06,946	388,582	15,84,35,523	19,549	93,71,427

This statement shows that, as regards gifts, sales, mortgages and bonds, registered by the Registration department in the last ten years, the highest numbers and values were reached in the years 1927 to 1929 and thereafter there was a steady decline in all these transactions. So far as gifts and sales are concerned, the lowest point was reached in 1931 and they have increased thereafter in number and value. Mortgages have been dropping steadily from 1927 to 1933, and so also have bonds been declining from 1927 to 1933, except for a sudden and temporary leap upwards in 1930. These figures clearly indicate that fresh borrowings in the depression period are less than before the depression, and that every year the amount borrowed is getting less. Legitimate sales of land are naturally falling during the depression, owing to the remarkable decline in the value of land. The worst year for sales and gifts in the last ten years was 1931. Thereafter, there has been a rise, which I suspect is due, not to the desire for land as an investment but to the forcing of clients by lenders of money to part with their lands in part or whole payment of their debts.

debt in this presidency at the present day at about Rs. 200 crores. The detailed enquiries which led to this estimate were made in February, March and April of this year. This estimate obviously excludes petty loans entered in Katha accounts and loans in kind.

44. *Mortgage debt.*—The Madras Banking Enquiry Committee arrived at the total debt by another method. They multiplied the average per year of the aggregate value of mortgages by three, added to this the aggregate value of bonds in 1928 multiplied by two and called this the outstanding registered debt, rural and urban. Assuming this to be 50 per cent of the whole debt, they arrived at 134 crores as the total debt. I feel that this method is not very convincing. All my enquiries go to show that the figure 3 by which the aggregate value of mortgages was multiplied to arrive at the mortgage debt, is far too low. It is most difficult, if not impossible, to arrive at the proper multiple. The slightest mistake in this multiple will vitiate total mortgage debt enormously. Again, there has been no allocation between rural and urban debt, and I doubt if the figure 2, by which value of bonds was multiplied, is the correct one. The estimates are too rough.

I give below a statement taken from figures for the last ten years, furnished by the Registration department of gifts, sales, mortgages and bonds:—

I may also add that there is the growing tendency for unsecured debts to become converted into secured debts, at the insistence of money-lenders, who are finding that their free-and-easy methods of letting unsecured debts accumulate *ad infinitum* is becoming dangerous in this depression period, when land is steadily falling in value, and the return from the land in terms of money is also on the decline. In spite of these definite trends, fresh mortgages are steadily falling year by year, which is a clear indication that the agriculturist, along with others, is finding it harder and harder to obtain fresh credit.

45. *Nature of security.*—As already stated, the total debt consists of about 47 per cent mortgage debt, 50 per cent unsecured debt and 3 per cent debt on the security of movables—gold, silver and crops mostly.

46. *The purpose of borrowing.*—The investigators responsible for the figures in statement No. 18 have attempted to classify from enquiries the purposes for which debt was incurred. This classification, which must be accepted with the same caution as the figures

for total debt, is furnished in the following statement:—

	RS.	PER CENT.
Purpose of borrowing—		
Payment of prior debts ..	44,85,400	25.1
Marriage and other ceremonies.	18,80,761	10.5
Payment of land revenue.	5,84,173	3.3
Relief of distress ..	10,88,377	6.1
Agricultural expenses ..	17,87,457	10.0
Improvements to land ..	7,88,709	4.4
Education of children ..	2,47,337	1.4
Trade ..	23,01,937	12.9
Purchase of land ..	24,74,715	13.8
Construction of houses ..	10,08,416	5.6
Other expenses ..	12,38,384	6.9
Total debt in 141 villages in the Madras Presidency.	1,78,85,666	100

Payment of prior debts takes precedence over all other purposes at 25.1 per cent. It is difficult to decide what really is a productive purpose and what not. For instance, trade and education are necessary and useful and are in this sense productive. If, however, the term *productive* is adopted in the restricted sense of only benefiting the land and helping cultivation, productive purposes should consist of the following: agricultural expenses, improvements to land, purchase of land, construction of houses and payment of land revenue. Education and trade may be mentioned separately, and unproductive purposes should consist of payment of prior debts, ceremonies and relief of distress. Classified thus we get the following results:—

Debts for productive purposes ..	37.1
Debts for unproductive purposes ..	41.7
Education of children ..	1.4
Trade ..	12.9
Miscellaneous ..	6.9
Total ..	100

Result of personal investigation of 564 families throughout the Presidency.

(1)	(2) Number of families.	(3) Extent of holdings and land taken on lease.	(4) Assessment and rent paid.	(5) Total debt.	(6) Debt for family.	(7) Debt per head.	(8) Debt per acre.	(9) Debt per rupee of assessment.
		ACS.	RS. A. P.	RS.	RS.	RS.	RS.	RS.
Farm labourers owning no lands and paying no assessment or rent.	23	..	..	1,739	76	15	..	..
Registered landholders and tenants paying land revenue or rent of Rs. 1 to Rs. 100	306	4,483-03	11,143 8 0	3,23,438	1,057	211	72	29
Registered landholders and tenants paying land revenue or rent of Rs. 100 and above ..	235	24,738-00	1,35,453 4 0	10,79,186	4,592	918	44	8

It will be seen that the average debt per head increases with assets. While the farm labourer's debt is only Rs. 15 per head, that of the landholder or tenant, who pays assessment or rent, between Re. 1 and Rs. 100, is Rs. 211 and the figure actually rises to Rs. 918 for those who pay assessment or rent of over Rs. 100. The farm labourer and the tenant-at-will have no landed property. No one will therefore lend them much money. So their debt is limited. As regards ryotwari landholders and occupancy tenants, they have the security of land to offer, and the more their security the more their borrowing power, and the more do they actually borrow.

I submit, however, that the *burden of debt* should not be estimated by the amount borrowed alone. A man with a debt of rupees 20,000 may be more solvent than a man with

Debts for productive purposes, excluding trade and education, therefore account for only 37.1 per cent, while unproductive purposes account for 41.7 per cent. A large amount of this proportion is swallowed by payment of prior debts, while expenses on ceremonies cover about a fourth of the unproductive debt. The argument adduced by so many, that the plight of the agriculturist is entirely due to extravagant expenditure on ceremonies like marriages, is not borne out by these figures. No doubt, expenses on ceremonies do account for 10.5 per cent of the total debt and can well be substantially reduced, but such unproductive expenditure is not by any means the sole cause for the heavy indebtedness of the people.

Before the depression, much money was spent on investing and speculating on land and as much as 13.8 per cent of the indebtedness is accounted for in this way. Now, sales are dwindling for want of buyers, who find they have better sources of investment than land. A significant fact is the very small sum spent on the education of children. Payment of land revenue has caused only 3.3 per cent of indebtedness, while relief of distress (most of the borrowings under this head I believe were in recent years after the depression) has led to 6.1 per cent of the debt.

47. *Indebtedness among different classes.*—The theory that debt follows credit is well illustrated by the indebtedness per individual of different classes of agriculturists. I made personal investigations of about 560 agricultural families scattered throughout the Presidency and recorded detailed statements from the representatives of each of them and the following are some of the results:—

a debt of Rs. 500. The proper criterion of the burden of debt is the proportion which indebtedness bears to assets.

Labourers and tenants-at-will generally have no landed property at all and so their burden of debt is heavy, though the amount is trivial. As already stated about 36 per cent of them are free from debt and the average debt per family is about Rs. 76. Labourers and tenants-at-will live a frugal and simple life and spend very little on clothes and food. Their only items of extraordinary expenditure are ceremonies and drink. The average labourer spends as much as Rs. 100 on a marriage, for which he generally borrows by binding himself to service under his creditor for a fixed period of years. Much money is spent on drinking. Such classes have few commitments in money. The labourer, who

is paid in grain wages, has not suffered any loss in income in kind as the result of the depression. Those paid in cash wages have been forced sometimes to accept a lower money wage as a result of the depression; but wages have certainly not fallen in the same proportion as prices have. Indeed wages in certain places have not fallen at all while prices of commodities have dropped steeply. The position of labourers and tenants-at-will is therefore not as alarming as the position of other classes of agriculturists.

Small and medium landholders including occupancy tenants who pay assessment or rent from Re. 1 to Rs. 100 are the hardest hit of all the agriculturist classes. They form the great bulk of the landowning or landholding classes and are the backbone of the agricultural industry in India. They are the people who generally live in the villages and personally attend to the cultivation of their lands. There are few absentee landlords among them. Their lands are the best tended and cultivated of all. Though the debt per head among them of Rs. 211 and per family of Rs. 1,057 is less than the debt per head and family of the bigger landholders, the debt per rupee of assessment and the debt per acre is far higher than among those who own or hold more land. This will be clearly seen from the previous statement. The debt per acre among these small and medium farmers is Rs. 72 and the debt per rupee of assessment or rent is Rs. 29, and only about 18 per cent of them are free from debt. They live frugal lives no doubt, but, in order to keep up their status and prestige as respectable *pattadars*, are obliged to spend large sums on ceremonies. Caste imposes many unhappy restrictions upon them. They are often too proud to work as labourers, or to engage in subsidiary occupations. They are the people, who are burdened with the heaviest debt and who are steadily losing their lands to their creditors. I have indicated in paragraph 11 how the number of *pattadars* paying Rs. 100 and less has actually fallen by 32,67,537 between faslis 1335 and 1340. It is this tendency for land to pass from the cultivating small and medium owners into the hands of absentee landlords, which needs to be checked as soon as possible and the only direct way in which this can be done is to relieve the former of their pressing burden of debt, without forcing them to part with their lands.

The larger and big landholders who pay over Rs. 100 in assessment or rent are also badly hit, but not to such an extent as the small and medium ones. The average debt per head among them is about Rs. 918, but the debt per acre and per rupee of assessment is only Rs. 44 and Rs. 8, respectively, as compared with Rs. 72 and Rs. 29 among the small and medium landholders.

There are many absentee landholders among those who pay over Rs. 100 in assessment. Many do not depend upon the land for a living, but earn their livelihood as Government servants, or in professions like law and

medicine. The very big landlords include among them prosperous money-lenders (professional or otherwise) who have acquired most of their lands by court sales or private sale in discharge of debts due to them. If, from this class of those who pay over Rs. 100 in assessment, we exclude all those who do not support themselves solely or mainly by agriculture, we shall be left with a class of large and big landholders who are supported almost solely by agriculture and members of this class are almost but not quite as badly involved in debt as small and medium landholders. Some cultivate their lands in person and others are absentee landlords who lease out to tenants. The average debt per head and family among them will be above Rs. 1,000 and Rs. 5,000, respectively. About 20 per cent of this class will be free from debt.

48. *Relation of debts to assets.*—My personal enquiries from 541 landholding families led to the following results:—

Their landed property, consisting of 12,663 acres of wet land, 16,406 acres of dry land and 108 acres of garden, was worth Rs. 1,57,00,000 before the depression. The present value, they state, of the same property is only Rupees 68,56,000. The total indebtedness of these families was found to be Rs. 14,02,000. *This showed that the relation of debt to value of landed property before the depression was 9 per cent, but at the present is 20 per cent.* These figures show in a striking manner the effects of the depression.

49. *Credit agencies.*—As already seen, borrowing from different kinds of creditors can be divided as follows:—

Government ..	1
Co-operative societies ..	6
Others ..	93
	100

Government (takavi loans) and co-operative societies together account for only 7 per cent of the total debt. Creditors, other than Government and co-operative societies, account for 93 per cent of the debt. Agriculturist money-lenders are the biggest money-lenders, followed by professional and trader money-lenders. Banks do not lend much direct to agriculturists. The Imperial Bank of India lends to a certain amount on the security of produce, provided proper godowns for storage are forthcoming. Unfortunately such godowns are extremely scarce and if I am asked how best I would spend a goodly sum of money for the relief of the agriculturist, I would say, "first build good godowns all over the country, secondly dig wells and then improve village communications."

CHAPTER V—CIVIL COURTS.

50. The following statement furnishes civil court statistics for mufassal courts for ten years from 1924 to 1933.

STATEMENT NO. 20.—Civil Court Statistics.

Year.	Number of suits for money or movable property.	Number of mortgage suits.	Number of execution applications received (except village and panchayat courts).	Execution proceedings.			Amount realized in execution.	Number of debtors imprisoned in execution.	Insolvency petitions.		
				Satisfaction obtained in full.	Satisfaction obtained in part.	Wholly infructuous.			Number filed.	Number granted.	Number refused.
							RS.				
1924 ..	489,544	22,046	353,460	55,292	29,954	265,308	1,68,25,105	3,732	3,208	1,767	171
1925 ..	525,555	22,429	390,225	57,955	32,094	267,748	1,73,73,120	3,658	3,419	1,980	228
1926 ..	520,913	24,212	347,507	55,996	33,600	271,867	1,92,40,072	3,782	3,865	1,988	187
1927 ..	483,065	24,267	368,924	59,088	35,101	273,960	2,18,30,499	3,966	4,245	3,097	198
1928 ..	453,616	23,001	370,688	60,771	33,151	276,315	2,15,68,754	4,082	4,345	2,694	233
1929 ..	470,200	21,995	365,031	59,906	36,478	267,596	2,24,43,998	3,943	4,360	2,794	221
1930 ..	478,404	20,544	374,690	57,146	37,282	274,110	2,30,23,468	4,030	4,893	3,037	243
1931 ..	559,592	20,754	333,277	59,088	41,832	285,046	1,93,24,927	4,505	6,334	3,830	179
1932 ..	571,613	23,644	403,952	52,936	46,821	298,742	2,26,34,184	4,544	6,473	4,667	233
1933 ..	550,815	22,767	399,604	47,595	48,817	300,440	2,29,08,733	4,417	6,194	4,545	319

The number of suits for money or movables and the number of mortgage suits have not risen conspicuously from 1924 to 1933. A more or less steady average has been maintained in these years; there has been a slight increase in both classes of suits, in spite of the acute economic depression. As regards execution proceedings, the number, in which full satisfaction was obtained, rose from 1924 to 1928, when the depression commenced in earnest, and thereafter fell more or less steadily. The number of wholly infructuous cases however has steadily increased through the ten years under review. The number of debtors imprisoned in execution shows a steady and substantial increase. Insolvency petitions have also increased so that the number granted in 1933 is more than double the number granted in 1924.

Statement No. 20. exhibits figures for all classes of people, not agriculturists alone. Much difficulty was felt in obtaining figures relating only to agriculturist defendants and applications for insolvency. After much correspondence, it was decided that the term should cover all those who gave their occupations as *cultivation* or *agriculture*. The old records in civil courts had to be examined in detail and figures extracted. Many records were not available and some had been destroyed. Eventually, only thirteen District Judges were able to send me figures for the years 1930 to 1934. These have been consolidated and tabulated and the result is furnished below. For the reasons given above, the figures may not be quite accurate. The full reports of the District Judges will be found in Appendix III.

STATEMENT NO. 21.—Civil Court Statistics (Original and Small Causes)—Thirteen districts (Figures for the remaining districts not received or incomplete).

Years.	Number of suits instituted in the Civil Courts in districts against defendants whose profession is agriculture or cultivation in the discharge of debts.	Total value of such suits.	Number and value of such suits on promotes without security.		Number and value of such suits on the security of immovable property.		Number and value of such suits on the security of movables.	
			Number.	Value.	Number.	Value.	Number.	Value.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				RS.		RS.		RS.
1930 ..	47,975	1,52,30,383	37,859	98,94,022	6,096	54,33,613	352	66,209
1931 ..	53,620	1,74,55,584	44,772	1,17,98,704	5,953	43,47,742	320	58,184
1932 ..	52,857	1,85,92,011	49,462	1,20,29,233	9,081	77,39,652	315	56,978
1933 ..	52,881	1,98,70,141	42,918	1,00,57,850	7,442	54,02,573	496	59,797
1934 ..	47,394	1,55,52,985	37,608	87,78,265	7,151	61,46,477	307	39,565

Years.	The average duration of suits.	Number of decrees passed in favour of plaintiffs.	Number of decrees passed in favour of defendants.	Value of decrees passed on behalf of plaintiffs.	Area, assessment and value of land which has passed from defendant to plaintiff through Civil Courts as a result of decrees against defendants.	Number of agriculturists and cultivators who have put in insolvency petitions.
	(7)	(8)	(9)	(10)	(11)	(12)
	DAYS.			RS.		
1930 ..	397	45,109	4,833	1,37,59,855	Not complete.	977
1931 ..	574	50,936	5,239	1,62,85,708	Do.	1,494
1932 ..	384	52,893	6,309	1,69,75,004	Do.	1,610
1933 ..	322	50,623	5,450	1,48,77,040	Do.	1,363
1934 ..	489	42,064	4,728	1,11,90,807	Do.	1,320

It will be seen that the number of suits against agriculturists in the discharge of debts is almost the same in 1934, as in 1930. The

highest point was reached in 1932 and thereafter there has been a steady falling off which shows as far as I can see, not that creditors

* Not printed.

are pressing agriculturists less heavily to discharge debts, but that private negotiations are being increasingly resorted to in discharge of debts, in preference to taking the cases to civil courts. Cases brought to court for unsecured debts far exceed those for secured debts. The average duration of suits is startlingly high, exceeding 400 days or approaching a period of two years. One can imagine the great cost to the parties, incurred in travelling long distances to appear at these courts over and over again for a single suit, often to waste their time and money in idle waiting because of inevitable adjournments. As might be expected, the plaintiffs have won in about 90 per cent of the suits. Insolvency among agriculturists was highest in 1932 and thereafter decreased somewhat, but the insolvency petitions in 1934 are far higher than in 1930.

51. *Treatment of usury and other mal-practices of money-lenders by civil courts.*—I asked all District Judges kindly to furnish me with particulars of the extent to which the Usurious Loans Act was worked in the districts with details of the number of cases in which interest had been cut down and particulars of the interest eventually awarded. The replies were vague and incomplete and not capable of being tabulated. Several District Judges were not able to give any information whatever on the subject. I have given below the answers received to these questions.

Extracts regarding the working of the Usurious Loans Act from the reports of the District Judges.

Ganjam District Munsif's Court, Sompetu.—The provisions of the Usurious Loans Act are being applied in some cases, and in all cases where interest is found to be excessive or penal, interest is being reduced to 18 per cent.

District Munsif's Court, Chicacole.—In three suits 15 per cent compound interest is reduced to 12 per cent simple interest, 18 per cent compound interest to 12 per cent simple interest, and 60 per cent compound interest to 12 per cent simple interest.

East Godavari—District Munsif's Court, Razole.

Year.	Number of cases dealt with under the Usurious Loans Act.	Interest claimed. Per cent.	Interest allowed. Per cent.
1930 ..	1	15	6
" ..	1	28½	6
1931 ..	2	37½	25
" ..	6	37½	24
" ..	2	37½	18½
" ..	3	37½	6
" ..	1	27½	24
" ..	1	30	6
1932 ..	26	37½	24
" ..	2	37½	18½
" ..	3	28½	24
" ..	2	45	22½
" ..	1	30½	24
" ..	1	31½	24
" ..	1	25	18½
" ..	1	27½	24
1933 ..	26	37½	24
" ..	1	22½	12
" ..	3	28½	24
" ..	1	37½	18½
" ..	1	30	24
1934 ..	1	67½	12

District Munsif's Court, Peddapuram.—Two hundred and twenty-one cases in which the rate of interest was cut down.

District Munsif's Court, Amalapuram.—Two hundred and sixty-three cases in which the rate of interest was cut down.

KISTNA.			
Year.	Number of cases dealt with under the Usurious Loans Act.	Interest claimed. Per cent.	Interest allowed. Per cent.
1930 ..	2	22½	12
1931 ..	8	22½	12
" ..	1	12½	12
" ..	3	16½	12
1932 ..	3	22½	12
" ..	3	12½	6
" ..	1	12	
" ..	15	12	
		(compound interest) 12	
		(Simple interest).	
1933 ..	28	12	
		(compound interest) 12	
		(Simple interest).	
1934 ..	119	12	
		(compound interest) 12	
		(Simple interest).	
" ..	4	12½	
		(compound interest) 12½	
		(Simple interest).	

Guntur—Sub-Court, Tenali.—One hundred and eighty-three cases in 1930–1934 where the rate of interest allowed ranges from 6 to 12 per cent.

District Munsif's Court, Guntur.—In 23 cases interest was reduced from 45 to 30 per cent.

In eight cases interest reduced from 37½ to 30 per cent.
Do. 30 to 15 do.
Do. 45 to 30 do.
Do. 75 to 24 do.

District Munsif's Court, Repalle.—Interest was disallowed in 61 cases and allowed at 12 per cent in six cases. In 161 suits interest was disallowed. In 28 cases, the amount allowed was less than that claimed.

District Munsif's Court, Narasaraopet.—Wherever interest was found penal, it was disallowed. Only in *ex parte* suits, the contract rate was allowed till date of plaint and interest at 6 per cent allowed thereafter.

Nellore—District Munsif's Court, Kavali.—In 96 cases interest was reduced from 24 and 37½ per cent to 12 per cent.

Cuddapah.	
1930	29 cases reduced to 12 per cent
1931	2 cases reduced to 12 per cent.
	1 case 19 per cent disallowed.
1932	7 cases reduced to 12 per cent.
1933	5 cases allowed 12 per cent.
1934	6 cases allowed 12 per cent.

Kurnool—District Munsif's Court, Nandyah.—1930–34—90 cases—Interest cut down to 12 per cent.

District Munsif's Court, Markapur.—1930–34—783 cases—Interest was reduced to 6 per cent.

Chittoor.—Prior to 1931, 6 per cent was awarded. In 1931 and 1932, 126 cases were awarded interest at 12 per cent. The original claim was from 18 to 36 per cent. In 1933–34, 261 cases were awarded at 6 per cent as against claims for 12 to 36 per cent.

"The number of cases would be much greater, were it not that vakils know what rates of interest the court is likely to allow and usually limit them accordingly."

North Arcot—1930-34.—In 33 cases the interest was cut down.

Coimbatore—1930-34.—In 687 cases interest has been cut down. It was reported that generally interest is allowed at 24 per cent per annum wherever the contract rate provides for a higher interest.

The Nilgiris—1930-34.—In 29 cases interest has been cut down. It is reported that generally interest is allowed at 24 per cent per annum wherever the contract rate provides for a higher interest.

South Arcot—District Munsif's Court, Chidambaram.—Generally interest is allowed at not more than 24 per cent per annum. In cases where interest is claimed in excess of 24 per cent, it is invariably reduced to 24 per cent per annum.

District Munsif's Court, Vriddhachalam.—The District Munsif states that the interest usually claimed by money-lenders has been 24 per cent to 36 per cent. His predecessor had fixed a maximum award of 30 per cent under the Usurious Loans Act. He also reports that he has reduced 30 per cent to 27 per cent. Cases of claim above 36 per cent have been very rare.

District Munsif's Court, Villupuram.—The practice in this court has been to award interest only at 25 per cent per annum whereas it is claimed at more than that rate.

District Munsif's Court, Tindivanam.—Generally the claim is for interest at 24 per cent and in many cases the claim is made only at 18 per cent.

District Munsif's Court, Kallakurichi.—

	Cases.	Per cent.	Allowed.	Per cent.
1930-34	21	36	Do.	24
	12	36	Do.	24
	10	36	Do.	24
	83	36	Do.	24
	72	36	Do.	12
	57	37½	Do.	24

Madura.—Interest was cut down in 61 cases in 1932-34. Interest at 24 per cent is generally allowed. It is reported that, though the bonds provide for higher interest, only 24 per cent per annum is claimed and allowed.

Ramnad—District Munsif's Court, Manamadurai.—Two hundred and thirty-four cases in 1930-34 were reduced from 18 to 37½ per cent to 6, 12 and 18 per cent.

Salem.—Usually interest is claimed at 24 per cent per annum. In many cases the parties themselves restrict their claim to 24 per cent though the stipulated rate is higher. Courts do not award more than 24 per cent and the percentage of cases where courts reduce the interest will be between 5 per cent to 15 per cent.

South Malabar.—In 46 cases between 1930-34 interest has been cut down.

It is at once obvious that a uniform procedure is not followed in all the courts. The number of cases, in which the Usurious Loans Act has been applied, forms a ridiculously low proportion of the total number of cases dealt with. The decisions, as to what is usury and what is not, seem fickle and uncertain and the rates of interest eventually allowed vary from 30 per cent to 6 per cent. I am compelled therefore to conclude that the decisions have not always been arrived at on definite principles of law, but somewhat perhaps according to the individual personality of the presiding judges. From the reports, I am led to believe that in cases, where the defendant does not appear and is therefore declared *ex parte*, the interest claimed is never questioned by court, however high it might be. It is an established fact that such defendants, being hopelessly poor and despondent, seldom contest the claims of their rich and powerful creditors, who invariably engage good lawyers to represent them. I am led to believe further that the amount of principal claimed and recorded in pro-notes or registered documents is never questioned by the courts in any suit, although it is well-known that the borrower very often does not get the amount recorded in the documents. The worst of it is that interest is calculated on fictitiously recorded principal amounts, thus enhancing the rates of interest to an enormous extent.

Part II.

REMEDIES FOR AGRICULTURAL INDEBTEDNESS.

CHAPTER VI—LEGISLATIVE REMEDIES.

52. *Agriculture as an industry.*—I have heard it often said that India is not an industrial but an agricultural country. The correct way of putting it, however, seems to be that India is a country whose principal industry is agriculture. Agriculture should be regarded as much an industry as ship-building, or the manufacture of motor cars. The difference lies only in their relative importance to the country. Agriculture provides not only food for the people, but also the bulk of their revenues to Local Governments. The Government and the people therefore are equally and specially interested in the welfare of the industry of agriculture. The first essential of a sound industry is that it should be able to market its wares at a price which will ensure to its workers a reasonable wage and to its shareholders a proper return. The periodic trade cycles, which follow each other, upset world prices of most commodities, including the prices of food crops. No amount of manipulation of tariffs can completely eliminate price fluctuations caused by such world-wide trade cycles. But the prices of food crops in India can be stabilised to a greater extent than the prices of other commodities because India herself provides most of the market for such; and there is really not much necessity, as matters stand at present, to import food crops from abroad. Any

deficiency in the Indian supply to meet the Indian demand can easily be made good by increasing the area under cultivation of food crops (for instance, the new area under the Cauvery-Mettur project is ready to hand) and by adopting improved methods of cultivation. But both these most desirable forms of expansion want a strong stimulus and they are not encouraged by low and constantly fluctuating prices. I submit that one of the most important reasons why prices of food crops especially rice, have fallen so low in the last few years is because foreign rice and paddy have been allowed to be dumped into this country unchecked. The first essential to make the rather tottering industry of agriculture in India a sounder and better concern is for the Government to stabilise prices as far as possible by all methods in their power, especially by erecting an effective tariff barrier against the import of grains from abroad.

No industry can hope to remain solvent, if it borrows indefinitely at rates which are much higher than the returns on invested capital. It is admitted on all sides that the return from the land, on which staple food crops are grown, varies from 2 to 5 per cent in a normal year and seldom exceeds 6 per cent even in a good year. Agriculture in India is mainly a food-producing agency, the proportion of commercial to food crops being very low indeed. It must not be forgotten that the vicissitudes of season are such that out of every five years at least one year is a bad one. Under these circumstances, to borrow indefinitely at rates exceeding even 6 per cent per annum cannot but end in the bankruptcy of the agricultural industry. It is obvious therefore that lending to the average agriculturist in India at rates, which exceed 6 per cent simple interest per annum, must be regarded as usurious, whoever the creditor may be. Loans taken by agriculturists at higher rates than 6 per cent simple interest cannot normally be expected to be repaid from the income from the land, and to be discharged eventually must end in the passing of the land into the hands of the creditor. It is this alarming tendency that we now perceive. If the agriculturist is to be saved, the bulk of his standing debt, at rates of interest ranging usually from 9 to 24 per cent and often rising to even 36 per cent, must be paid off by some financing agencies (like Government or co-operative societies or land mortgage banks), who at the same time will give the debtor-agriculturists every opportunity of repaying from their income, by charging interest at as low rates as possible and by collecting in easy instalments spread over a long period of years.

53. *A typical example of debt.*—Let us suppose an agriculturist held 6 acres of wet land, which were worth Rs. 6,000 in 1920. He borrowed early in 1922 on pro-note a sum of Rs. 1,000 from a ryot money-lender. The pro-note recited Rs. 1,000 as principal to be repaid in three years at 18 per cent interest per annum, the interest to be paid annually.

Actually, the creditor charged only 12 per cent interest if paid regularly, 18 per cent being the penal rate entered in the bond and intended primarily for evidence in court. That penal rates of 24 per cent and 36 per cent are quite common must not be forgotten. The borrower was paid in cash only Rs. 880, Rs. 120 being deducted in advance as interest for a period of one year. Interest however was calculated on Rs. 1,000. Prices being steady and high, the borrower was able to pay annual interest till 1928. He therefore paid Rs. 720 in the shape of interest. The note was renewed twice for Rs. 1,000, once in 1925 and once in 1928, partly perhaps because the borrower was unable to repay principal and largely because the creditor not only did not press for principal but actually discouraged the borrower from repaying it. The depression commenced in 1928 and the farmer then found himself unable to repay even interest. The penal rate of 18 per cent therefore came into force and the note was renewed in 1931 for Rs. 1,540 (Rs. 1,000 being original principal and Rs. 540 being interest for three years at 18 per cent per annum). The debt mounted in 1934 to Rs. 2,370 (Rs. 1,540 being principal and Rs. 830 being interest on this for three years at 18 per cent per annum). The note was renewed for this sum in 1934. The creditor by this time was getting scared. So, after a little while, he took the case to court and claimed a sum of Rs. 2,370 as principal. The debtor did not contest this claim. He knew that he would gain nothing by contesting the claim. He was almost certain to lose his case. His expenses would be enormous, as he would have to engage a lawyer and go up and down to court for the numerous hearings spread over a year or two perhaps. So he wisely remained at home and allowed himself to be declared *ex parte*. The court, going upon documentary evidence, decreed for plaintiff a sum of Rs. 2,370 as principal and perhaps over a hundred rupees as costs and interest. The total value of the decree came therefore to Rs. 2,500. The defendant had no money. He only had his land and a thatched cottage. These were put to court sale. The land, which was worth Rs. 6,000 in 1921, could not fetch even Rs. 3,000 in 1934. There were no bidders. The plaintiff eventually bought in all the land, as well as the cottage, in settlement of the decree. In this way the debt was cleared by recourse to civil court. The defendant was rendered a landless and homeless pauper. He had to become a labourer or a tenant. In either case, his future outlook was miserable. He worked listlessly thereafter and eked out a miserable livelihood. The land he cultivated on lease became neglected. The plaintiff's landed property was already enormous and he certainly did not want more land, but had been forced to take up 6 acres of wet land and a cottage. The land had to be leased out or allowed to remain waste. Even if leased out, the yield could never be expected to be what it was when it had been cultivated by its previous owner, the small owner-cultivator.

Hence, for the settlement in 1934 of a loan of Rs. 880 in 1922, the farmer lost all his land worth Rs. 6,000 in 1922. He also paid Rs. 720 in interest and lost his house. This is what is happening every day now in hundreds of cases taken to civil courts.

54. *The need for scaling down debt.*—The present agricultural debt in the province is about Rs. 200 crores, not including petty loans and loans in kind. It is mounting rapidly by the accumulation of high rates of interest, in spite of the fact that much land is passing from debtor to creditor in settlement of some of the debts. The total landed assets are now worth only five times the standing debt. The need is great therefore for the scaling down of agricultural debt. The advantages to the debtor agriculturists are obvious. Such a scaling down will be of equal benefit to creditors, provided after the scaled down amount is mutually agreed upon, the creditor is paid off in money the sums decreed. The creditor is finding it increasingly difficult and expensive to draw in his loans, and his best efforts are only bringing him in more land which he really does not want and which he does not know what to do with. Even, if he is given formal possession of the land, he often finds it almost impossible to enter upon and exploit it owing to the determined opposition of the previous owner and his friends. He will welcome payment in money, even if he has to accept about half his legal claim. But, if he is going to agree voluntarily to a scaling down of the debts due to him, he will quite rightly insist on payment only in money and certainly not in land. So long as conciliation is voluntary, it cannot scare off future credit to any marked extent. On the contrary, it will perhaps encourage future lending.

55. *The need for debt conciliation boards.*—The next question for consideration is the kind of tribunal, which will best discharge the responsible and onerous duties of conciliation between lender and borrower. Civil courts are out of the question. They have not the time to go carefully into the histories of the hundreds of thousands of cases that will have to be conciliated. The cost of civil litigation is prohibitive and the delays excessive. The best course is to provide for the creation of debt conciliation boards by legislation. Most of the other provinces and the progressive States are of the same opinion. The Bill of M.R.Ry. Diwan-Bahadur T. A. Ramalingam Chettiyar before the Madras Legislative Council has this object in view.

56. *Public opinion on the proposed legislation.*—I took the opinion of selected members of the public on this subject by means of a questionnaire and had talks with many people about it during my tour. District Judges were also consulted. The members of the Judiciary as well as of the Bar are almost unanimous in opposing the proposed legislation. Their main objection is that such legislation will merely duplicate the machinery for the legal settlement of debts, without conferring any extra benefits on the debtor or

the creditor. While some admit the laws delays, the great cost of civil litigation and the inadequacy of the Usurious Loans Act and relevant portions of other legal enactments, almost every one of them believes that civil courts are still the best tribunals for the settlement of debt, provided some necessary changes are made in the laws now in force. From their replies I am led to believe that many people have only a vague and uncertain idea of what exactly is meant by debt conciliation. The peasant population is almost unanimously in favour of the proposed legislation. Those who fear its introduction do so mainly because they think such legislation will serve to frighten away future credit. Among money-lenders, some favour the move and others do not. As a whole, however, the majority of the people, whom I consulted, are in favour of debt conciliation boards. Those in favour of experimenting with debt conciliation boards unanimously urge that, if boards are to be set up, they should deal with all the debts of agriculturists and should not be limited only to debts on land. I quite agree with this view. As regards the opposition by members of the public and by the Bench and the Bar, I feel that some of it is due perhaps to a lack of knowledge of the present plight of the agriculturist and of what debt conciliation really means. It would indeed be interesting to see what views will be offered after this report is published and opinions are invited thereon. Such legislation will undoubtedly curtail the work of civil courts. One of the principal objects of debt conciliation boards is to reduce the costs involved in a settlement of debts. The principal method is expressly to exclude legal practitioners from appearing before such boards. But the real opposition arises out of a genuine concern that the new scheme is unworkable. The following are the main reasons adduced against the creation of debt conciliation boards:—

(i) The creation of such boards, presumably composed of honorary workers, will lead to greater corruption, faction and injustice than at present; for few honorary workers are available, who can do their onerous duties with that consistently dispassionate and high sense of justice that is required. Influential money-lenders will somehow be able to exert undue influence over these conciliators. The difficulties in the election or selection of proper members for such boards are therefore insuperable.

(ii) Mere voluntary conciliation is of no use. Creditors will never agree to the scaling down of their debts to the extent really necessary for the benefit of debtors. If such boards are created at all, they should be armed with powers to compel the parties to accept their decisions.

(iii) Even assuming that conciliation is practicable and boards have succeeded in passing decrees based upon mutual agreement of the parties, the difficulties of executing the decrees in these hard times will speedily bring the work of such boards to a standstill.

(iv) Conciliation boards will surely frighten off future credit and curtail the facilities that now exist for borrowing; such shortening of credit will result more in hardship than in advantage to the agriculturists, who cannot exist without credit.

57. *The extent and nature of private conciliation at present in force.*—The replies received to the question, "whether conciliation in the matter of discharge of debts is now being restored to and, if so, to what extent?", are vague and indefinite. The general impression is that conciliation is being resorted to, to some extent, but not systematically or on a large scale. Debtors are certainly appealing privately to their creditors to reduce both principal and interest on the score that the depression has materially reduced land values and prices of produce. In some cases, such appeals seem to have borne fruit and the creditor has reduced his claim. I am told, that influential gentlemen and panchayats are sometimes approached by debtors and creditors for an impartial arbitration and such has resulted in some scaling down of debt. But, private conciliation, I submit, irregular and infrequent as it is, cannot possibly bring about the good results that may be expected from debt conciliation boards appointed by legislation and vested with authority. The main objection to private conciliation is that the debtor has no money to offer. He can only offer his land to the creditor.

58. *Compulsion versus mutual agreement.*—There has been much discussion in other provinces and in the Indian States as to whether conciliation boards should or should not be vested with the power to compel parties to accept their decisions. Reference has repeatedly been made in this report to the fact that the agriculturist, being poor and always in need of help, must be financed by some agency or another for at least the legitimate expenses of cultivation. It will take some time to organize and expand the co-operative movement sufficiently enough for it to be able to shoulder the burden of supplying the peasant population with credit for productive purposes. At present only 6 per cent of the total debt has been advanced by co-operative societies. In the meanwhile, the agriculturist wants credit and he can get most of it only from the money-lender. The latter therefore is very necessary. It behoves us to avoid all legislation that will frighten away money-lenders. The legislation we contemplate should not in any way even suggest a repudiation of the legal, though often immoral, claims of the money-lender. Rather should we aim at legislation, which will persuade the money-lender by wise counsel to forego voluntarily a portion of his legal claim. He should be compelled in future to refrain from charging usurious rates of interest and to be business-like and above-board in his methods. But compulsion should not extend further. No doubt, the present position of the agriculturist debtor is alarming and his great burden of

debt has to be speedily lifted from his shoulders. In spite of this, however, to invest debt conciliation boards with powers to compel creditors to scale down principal and interest, will lead to incalculable harm to the very classes whom we are out save. I would urge therefore that there should be no compulsory debt conciliation, at least for the present, but that the working of the machinery for voluntary conciliation, which is to be created, be carefully watched for some time and that, only if this machinery fails to afford the relief that it is intended for, compulsion should be applied as a very last resort.

59. *Mr. Ramalingam Chettiyar's Debt Conciliation Bill.*—It is necessary now to take up the important features of Mr. T. A. Ramalingam Chettiyar's Debt Conciliation Bill, which has been held up from going before the Select Committee pending my report.

Clause 1.—No remarks.

Clause 2.—I would say that all agriculturist debtors with debts above Rs. 100 and below Rs. 10,000 should be included. By fixing the minimum at Rs. 150, agricultural labourers and tenants-at-will are largely excluded. I am not for excluding these classes of agriculturists. After all, labourers form 28 per cent of the agricultural population of this province, and tenants-at-will are by no means scarce. While the Central Provinces have excluded labourers and tenants-at-will from the operation of their Act, the Punjab has included them in its proposed legislation. The argument for exclusion seems to be that these classes have little or no security to offer, and therefore the process of recovery from them will be difficult if not impossible. I submit that the questions, whether a particular debtor is inextricably involved or not, whether he can be saved or not, whether he is worth saving or not, and so on, cannot be answered off-hand. It is dangerous to hazard any guess as to relative proportions. Each individual case has to be examined carefully upon its own merits by the board and only then can such questions be answered.

Let us suppose a farm labourer or tenant-at-will owes Rs. 100 (principal plus interest) to a money-lender. He has got to repay this sum or remain for ever in debt. Is it not greatly to his advantage to apply to the conciliation board and have his debt scaled down, say to Rs. 50? How can payment be enforced from him? The labourer is better off than many other classes of agriculturists. He and his wife and his children all work for wages. Often, by borrowing they are bound by the creditor hand and foot to his service for years as farm-servants. They are unable to free themselves from virtual slavery, in which they are not paid in proportion to the work turned out by them. If they are permitted to bring their cases to the conciliation boards, I believe the system of service bondage to creditors will be broken. A labourer's family can easily repay Rs. 50 in easy instalments, in say two or three years or even a shorter period. Even

if, when cases are conciliated, the creditor refuses to accept such terms of repayment, a co-operative society may be able to lend a labourer Rs. 50 on personal or joint security. If all such contingencies fail, the case may be rejected, but will have served its purpose in bringing the undesirable methods of some creditors into public view. I have no doubt that in hundreds of such cases the boards will find that the labourer has actually discharged his debt by service, sometimes many times over. The board then after an enquiry can give the labourer its findings in the form of a certificate, which can be used, should the creditor venture into a court of law. It is the absence of a cheap, honest, sympathetic and easily accessible tribunal which keeps the ignorant labourers under bondage to his creditors. What applies to labourers applies almost equally to tenants-at-will, who are often also labourers.

It may now be argued that no minimum limit of debt need be prescribed. If a minimum is not prescribed, I am afraid applications to debt conciliation boards will be too many to be dealt with. Hence my limit of Rs. 100. As regards the maximum of Rs. 10,000, adopted or proposed by many Provinces and States, I submit that debts above Rs. 10,000 are not common among agriculturists. Those zamindars and very big landholders, who have bigger debts, cannot hope for redress through a debt conciliation board. Neither the Government nor co-operative societies nor land mortgage banks can normally pay such debts, even if scaled down. Applications for conciliation of debts over Rs. 10,000 will only take up much time with very little results. Mr. Ramalingam Chettiyar's maximum limit of Rs. 25,000 in clause 4 may therefore be reduced to Rs. 10,000, with the proviso that Government may prescribe a larger amount if necessary.

Clause 3.—The Bill states that the local Government shall appoint the members of the board. I rather doubt if Mr. Chettiyar intends that such members should be paid servants of Government. No doubt this would be best; for, unless the members command the implicit confidence of all members of the community, there will be no use in having the boards at all. The boards will have to do their work without fear or favour and the slightest partiality shown will ruin their reputation and usefulness. The members require to be unsparing in their labours, and wise and sympathetic in their dealing. They should be capable, by their character, status and conduct, of winning the trust and goodwill of both parties. Such fine material is rare in any country and it will be difficult indeed to find good men willing to devote most of their time to such work without remuneration. Unfortunately, I fear it will not be possible for the Government to pay them, because the number of boards required effectively to cope with the thousands of applications that will flow in will not be less than about five to ten on the average for a

district. A single board for a district will not serve the purpose. The parties cannot be expected to come from all parts of the district to a single centre. The larger the number of boards, the more the chances of success. The payment of regular remuneration to members being manifestly impossible, except perhaps in the way of bonuses from the receipts, how are members to be appointed? There are two alternatives, election or nomination. Those whom I consulted were almost unanimously opposed to the election method. They stated that the numerous elections at present, from panchayats upwards, had done enough damage in wasting money and creating faction. If election is resorted to, rich and influential money-lenders are almost certain to get their nominees into the boards. The only course left is nomination. I venture to suggest that, in selecting the personnel of boards by nomination, the most scrupulous care should be taken to choose the very best men possible—not only men of sterling character, but also men of experience and status who will command respect. It may be that in certain areas such men will not be available. In that case, an officer of Government may be deputed to do the duties of a board. Hence, on the lines of the proposed legislation in Bengal, I suggest the insertion of an additional sub-clause as follows: "The local Government shall have power to appoint an officer to exercise all or any of the powers conferred under this Act on a board, as may be determined and notified by the local Government." Such a provision will provide for the continuance of the duties of a board, even after it has been dissolved for some reason or other. I submit that, after these boards have been started, District Collectors should exercise a close supervision over them by periodic inspections and by reviewing monthly returns.

Clause 4.—I have already stated that boards for the present at least ought not normally to have jurisdiction over debts exceeding Rs. 10,000. Clause 4 provides that proceedings should commence with the application of a debtor or creditor to the board itself. This is as it should be. The recommendation of the Agriculturists' Relief Committee in Mysore, that applications in the first instance should be made before civil courts, does not strike me as very desirable. The main objects of debt conciliation boards are speed and cheapness. To insist that applications should in the first instance be made before civil courts will only lead to unnecessary delays, without any corresponding advantages.

Clauses 5 to 11.—In civil courts, the histories of cases are not often gone into in detail for the following reasons:—

(a) The defendants more often than not do not appear and are declared *ex parte*.

(b) The Evidence Act precludes civil courts to a great extent from going behind documentary evidence. It is well known that the documentary evidence—pro-notes, bonds, mortgage deeds and the like—in cases relating to debt does not often represent the true case.

The principal is often not the loan actually paid; repayments are not noted in a regular and business-like way; no receipts are given; the interest actually charged is not always that recorded; no separate accounts are maintained for principal and interest and so on. The primary duty of a debt conciliation board is to go carefully into the history of every case and only then can it be equipped with the information necessary to effect a suitable compromise. If the board is bound to accept the facts recorded in documents, its activities and usefulness will be seriously curtailed. It is for this reason that I venture to suggest the insertion of the following clause, already adopted in the Bhavanagar State: "The board shall, notwithstanding anything contained in the Evidence Act or in any other law in force for the time being, have power, in order to inquire into and determine the real nature of any transaction between debtor and 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." Such a clause may, at the first glance, appear startling and revolutionary; but none the less it is very necessary.

I am in entire agreement with the recommendation of the Agriculturists' Relief Committee in Mysore that debt conciliation boards should be guided by certain definite principles in arriving at the amount for which debts should be compounded. The Committee suggests that the following aspects should be considered by the boards in arriving at a decision and I quite agree with it, though the list may not be exhaustive:—

- (i) The amount of consideration actually received;
- (ii) the reasonableness or otherwise of the rates of interest contracted for;
- (iii) the amount of interest that has been allowed to accumulate;
- (iv) onerous conditions, if any, that have been complied with in the grant of loans; and
- (v) the repaying capacity of the debtor.

To these I would add the following: 32986

(vi) Whether at any time the creditor was offered settlement of the debt in full or part and the offer was refused.

(vii) The difference in value of the debtor's property and of staple food crops between the time when the debt was incurred and the time of settlement by the board.

I have been repeatedly told that before the depression and in its early years creditors were most unwilling to receive repayments of debts. They preferred them to accumulate. It is only now that they are anxious to draw in their loans. If a debtor did offer the creditor full or part repayment and the creditor refused or protested that there was no hurry about repayment, he has only himself to blame for the loan still remaining undischarged. In such cases, where there is definite evidence to

prove such offers and refusals, I suggest that the boards be given full powers to decree the debt as it stood when the offer was made and refused, disallowing all further accumulations.

The depression has brought down the value of land and prices of commodities to half what they were before. The value of money has doubled itself. If a creditor lent Rs. 1,000 in 1927, he has no doubt a legal claim to Rs. 1,000 plus interest now. But with Rs. 1,000 he can buy twice as much land or commodities, as he could have done in 1927. This consideration should be prominent before the boards when attempting to conciliate agricultural debt.

Clause 12.—No remarks.

Clause 13.—Those, who oppose this sort of legislation, express grave misgivings that the decrees of debt conciliation boards will prove infructuous in execution. From the little information that can be gathered about the working of the Central Provinces Debt Conciliation Act, No. II of 1933, we find that debtors and creditors have freely resorted to the boards appointed under the Act. The execution of the decrees passed by the board has not, I imagine, met with equal success. The main obstacle to such execution is the lack of ready money. I rather doubt if the Government will be willing to undertake the immense task of recovering the decree amounts from debtors as arrears of land revenue. That the collection of the ordinary land revenue is becoming increasingly difficult, as a result of the slump, is well known. Not only has much land to be attached and brought to sale, but a considerable amount is actually sold. If the land revenue demand is multiplied several times over, by adding the amounts not paid by debtors under the agreements, I am afraid, recovery by the Revenue department will become impossible. The bill further provides that, if the Collector is unable to recover the sums due from debtors, they shall be recoverable as if a decree of civil court had been passed. Such a procedure also strikes me as most undesirable, except as a last resort; for it will also lead to the transfer of much land from debtor to creditor.

My suggestions are—

Conciliation can be started on the understanding that the debtor pays the creditor the sum settled upon, either immediately or in instalments spread over a convenient period. If the creditor does not agree to conciliation on these conditions, the Government may lend as *takavi* loans to the debtors the amounts agreed upon. The money can be paid direct to the creditors and Government can become the creditors. Of course, such a course is only possible if the debtor has sufficient security to offer. Sums up to about Rs. 500 in each case may be found in this way. Payment of bigger settled debts should be undertaken by co-operative societies and land mortgage banks. If the Government find it impossible to lend out even small sums as *takavi* loans, I suggest that payment of all settled debts where adequate security is forthcoming be undertaken

by the co-operative societies and land mortgage banks. Such a course is possible only by a great expansion of these institutions. This aspect of the question, together with suggestions for strengthening and consolidating the co-operative movement, will be taken up again later.

When a conciliation board has succeeded in effecting a compromise, it may furnish the debtor with a certificate clearly stating the decree amount and the security at the command of the debtor. The board can further state in the certificate its opinion that the debt can be paid by the Government or by a co-operative society or by a land mortgage bank according to the circumstances. This certificate will enable the debtor to apply for a loan to the Government, a co-operative society or a land mortgage bank as the case may be.

In the case of persons whose immovable assets do not afford the margin of security required by the Government, by co-operative societies or by land mortgage banks, the only relief that can be given to the solvent (those with adequate earning capacity) is to permit them to pay in instalments spread over fairly long periods, if a co-operative society cannot be persuaded to lend on personal or joint security. This is possible only if creditors agree. Such debtors can be provided with certificates of their debt obligations. If they fail to abide by the terms of their agreements and make default in payment, the machinery of the land revenue department and of civil courts can be invoked as a last resort to execute the decrees.

There will still remain a class of debtors, whose assets and earning capacity cannot possibly serve to clear off even their conciliated debts. Such agriculturists, I submit, should be given a chance of starting afresh in life, instead of being kept in perpetual bondage of steadily mounting debt. Their only chance of being saved is for them to surrender all their assets to their creditors and to become adjudged as insolvents. I agree with the Mysore Committee that this method is the only chance they have of getting out of their difficulties. I venture to suggest that the application for insolvency on behalf of such debtors be made by the debt conciliation boards themselves. I suggest that, in such cases, the limit of Rs. 500, found in section 9 (1) of the Provincial Insolvency Act V of 1920, be considerably reduced and the courts having jurisdiction be empowered to deal with the debtor's estate in a summary manner, even though the value of the property may exceed Rs. 500. These provisions may be enacted as amendments to Madras Act V of 1920.

Clause 14.—No remarks.

Clause 15.—This clause provides that, if the creditor refuses to come to an agreeable settlement, the board may, if it is of opinion that the debtor has made the creditor a fair and reasonable offer, grant the debtor a certificate. I suggest that this clause be mandatory and that the word *shall* be substituted for the word *may*.

I have no further remarks to offer on the Bill.

Such legislation is an experimental measure and it is difficult to predict what fruit it will bear. One province has started it and nearly all the others are going to begin. In the Bhavanagar State, a scheme of more or less compulsory debt conciliation has been carried out and a debt of about Rs. 86 lakhs is reported to have been scaled down to Rs. 20 lakhs and the whole amount paid off by the State Government. In the Central Provinces, six conciliation boards are reported to be working and, till August 1934, they are reported to have reduced debts amounting to Rs. 28 lakhs to Rs. 16 lakhs. Mr. Ramalingam Chettiyar himself states as regards his Bill: "I do not propose any great panacea for saving the ryot. I do not suggest that all the ryots, the moment the Bill is passed, will be free from debts or will have a clean slate or their position will be improved very much. The scope of the Bill is very modest. It only brings into existence a machinery to bring together the creditor and the debtor and make them agree and adjust their debts. It does not propose to do anything more." The time is ripe I believe for such a measure. The creditor is just as anxious to come to a settlement as the debtor. Both will welcome such a measure, provided the integrity of conciliation boards is of a high and unswerving standard. Such a measure will save the parties both money and time. It will engender mutual good will and understanding, instead of the bad feeling created by civil litigation. It gives the co-operative movement and the land mortgage banks a splendid opportunity to get into closer touch with the masses and of helping them substantially.

I am not in a position to estimate even roughly the proportion of agriculturists who are solvent and the proportion of those who are insolvent. I cannot say how many can be saved and how many cannot be saved without resort to drastic methods. These details can only be found out as the cases come up one by one. The measure for debt conciliation is well worth trying. There will be no lack of applications and I have no doubt that many creditors will be ready and willing to meet debtors half-way. If only the money can be found to pay off the conciliated debts of at least the really solvent ryots, one can with certainty predict that the measure will be a success. It cannot do much harm and it aims at helping, to some extent at least, the small and medium landholders as well as tenants and labourers. These form the bulk of the agriculturist population and incidentally of the total population in this province.

60. *Legislation restricting the alienation of land.*—Many of the replies received by me in response to my questionnaire are full of this subject. Representations are to the effect, that—

(i) the small and medium owner-cultivators are rapidly losing their holdings and hence,

(ii) there should be a law preventing expropriation of such by non-agriculturists; and (iii) even if such a law is impracticable, every agriculturist should be permitted by law to retain at least some land sufficient to form an economic holding, such a minimum amount being inalienable and therefore exempt from attachment or sale.

In this province, excepting the Agency tracts, no restriction is imposed upon the alienability of ryotwari land. I am emphatically opposed to a Land Alienation Act for Madras, for the following reasons:—

(i) There are no distinct tribes in this province, outside the Agency, who can be termed *agriculturists* as opposed to *non-agriculturists*.

(ii) It will immediately be followed by a marked depression in the value of land.

(iii) The majority of agriculturists in this province are landless, or have very small holdings which cannot be classed as economic holdings. Such an Act is not going to give them more land.

(iv) It will make consolidation of holdings almost impossible.

(v) It will hamper agricultural progress by weakening those it seeks to protect.

(vi) It must be admitted that there are many agriculturists, who have by their own fault forfeited the right to hold land. They have grossly neglected their holdings and squandered their profits and their borrowings on unproductive purposes. Nothing but good can come from the land passing from such incorrigibles to those who are better equipped by character and finance to cultivate such holdings properly.

I have been repeatedly told that the Punjab owes much of its prosperity to its Land Alienation Act. The conditions in the Punjab are different to those in our province. Besides, it is an open question whether the Punjab Act has been of real benefit to agriculturists in that province. Mr. Darling is in favour of excluding some tracts from its operation. I am told that there are many well-wishers of the agriculturists in the Punjab and there are even agriculturists themselves who are anxious for its repeal.

61. *Regulation of accounts.*—The Punjab Regulation of Accounts Act of 1931 was the first of its kind in British India. It "obliges all persons, whether money-lenders or shopkeepers, who advance loans in money or in kind at interest to keep an account for each debtor and to send him every six months a signed statement of the account, distinguishing between principal and interest and detailing all the loan transactions of the past six months. If a separate account is not maintained for a debtor, the creditor on suing him is liable to lose his interest, and will in any case not be awarded his costs."

The measures for debt conciliation proposed in the previous chapter are not intended to drive away credit. They certainly will not drive away the honest money-lender. What

we want is systematised credit, operating in a business-like way and, for this, a Bill similar to the Punjab Regulation of Accounts Act of 1931 is necessary. A similar Act has recently received the assent of the Governor-General. It is Madras Act VII of 1935. I suggest that it should be brought prominently to the notice of the public at an early date, and that the attention of all Civil Judges should be drawn to its provisions. Section 3 provides that every creditor shall maintain regular accounts and shall give receipts to his clients for all repayments. I suggest that the creditor should be made to render a full and complete statement of accounts to each of his debtors once in six months showing the total interest and principal due separately and all the transactions relating to the loan which transpired in the previous six months. This provision is found in the Punjab Act. In the Madras Act, the creditor has to render a statement of accounts to his debtor, only if the latter asks for it in writing. This, I submit, is not enough. The lethargy and indifference of the average Indian peasant are notorious. Again in section 6 (1) of the Madras Act, I suggest an amendment to the effect that, if the court finds that a creditor has failed to maintain proper accounts, he will not only be refused his costs, but will also be disallowed interest from the date on which accounts ceased to be correctly maintained. In section 6 (2) of the Act, I suggest that the penalty for not giving a receipt or not furnishing a statement of accounts to the debtor should be loss not only of interest, but also of costs.

62. *Registration of money-lenders.*—I now come to a most important recommendation which I believe will be of the greatest importance and will lead to the great advantage of debtors and honest creditors—I mean the compulsory registration of money-lenders of all classes. I can think of no serious objection to such a measure, provided only those who make a regular business of money-lending are compelled to register themselves.

Such a measure will be welcomed by honest creditors, as it will drive out their undesirable rivals, the unscrupulous and dishonest lenders. Lawyers and members of the legal profession are compelled to register themselves. The operations of money-lenders are as extensive and far-reaching as the practice of law or of medicine. The money-lenders, who will object to compulsory registration, will be the undesirables, whose transactions cannot bear the light of day. It is all to the good that such be weeded out. I cannot see how this sort of registration can possibly be evaded. Provision should be made that no money-lender who has failed to register himself can claim costs or interest above 6 per cent in a court of law. If such penalties are found to be ineffective in practice, more rigorous ones may be imposed after some experience is gained.

If my recommendation finds favour, as I hope it will, the District Collector may be made the registering authority and a suitable

fee may be charged for registration and for annual renewal of licence. The Collector should be given powers to refuse the grant or renewal of licences; or to suspend them if he is satisfied that the money-lender (i) has not maintained regular accounts and passed receipts regularly as required under Madras Act No. VII of 1935, or (ii) has made an entry relating to a loan in any document, showing amount of the sum advanced to be in excess of that actually advanced, plus legitimate expenses incurred; or (iii) has charged compound interest with periods of rest which are less than three years.

63. *Jurisdiction of civil courts.*—The legislative remedies I have recommended do not, I submit, preclude a creditor seeking redress in a civil court of law. There is a strong feeling that the work of civil courts should be considerably speeded up. The law relating to debts can be improved with advantage. This is admitted by several District Judges. As one of them observes, "In my experience, the parties who agree to pay usurious rates do so willingly for the time being, and have to be protected like drunkards, drug addicts and prostitutes, in their own interests."

64. *The Usurious Loans Act X of 1918.*—I have attempted, in paragraph 51, to show from figures furnished by District Judges that the Usurious Loans Act is not being uniformly applied and is resorted to but rarely. The greatest diversity is noticed from court to court in the interest awarded by the application of this Act. No doubt some of the differences in the interest eventually awarded can be explained by the peculiarities of the facts elicited; but I submit that the Act does not lead to more regular results, chiefly because it is vague and also has not been brought prominently to the notice of all judges.

There has been great controversy as to whether law should fix the maximum interest, which a money-lender is permitted to charge an agriculturist. The chief objections to such a course are—

(i) the ease with which money-lenders can evade such enactments, and

(ii) the likelihood that, it will not only lead to greater resort being had to questionable practices, but that also legitimate credit may be frightened away. No doubt, as I have pointed out, the return from agriculture devoted to the raising of staple crops varies only from 2 to 6 per cent. But returns from special crops like sugarcane and cotton are normally higher. If at all the maximum interest is to be fixed, it should be pitched at a much higher rate than that which should be normally charged. While I am, therefore, definitely against the fixing by law of the maximum rate of interest, I am emphatically of opinion that agriculturists cannot possibly bear the strain of being financed at compound rates of interest. I would therefore urge that all compound interest on loans to agriculturists may be held

to be usurious and that courts should award only simple interest in such cases. A suitable amendment to the Usurious Loans Act to this effect is desirable. The following further minor amendments to section 3 of this Act are also recommended: for the word *and* in clause (a) of sub-section (1), the word *or* should be substituted; and the word *may* where it appears for the first time in sub-section (1) should be replaced by the word *shall*.

I am strongly in favour of a direction by the High Court of Judicature to all Civil Judges to use the Usurious Loans Act with greater regularity and precision. Such a direction may set out the position of agriculturists and of the agricultural industry and give specific instructions how effectively to apply the Act in order that this industry may not suffer. I would even suggest that such a direction may clearly indicate the maximum rates of interest that should be allowed under different circumstances. I trust that, if such a direction is issued, the maximum may be fixed with the greatest care, so as not to cripple the agricultural industry, or frighten away legitimate and reasonable credit by money-lenders. Such a direction may clearly lay down that the fact, that the defendant fails to appear and is declared *ex parte*, should not be a bar to the application of the Usurious Loans Act.

65. *Damdapat.*—I recommend the introduction of this ancient and equitable rule of Hindu law into this province. Provisions on the following lines may be enacted:—

(i) In any suit brought after the commencement of this Act against a debtor for the recovery of a loan borrowed before the commencement of this Act, no court shall grant a decree in satisfaction both of principal and interest for a larger sum than twice the amount which the court finds to have been due at the commencement of this Act.

(ii) In any suit brought against a debtor for the recovery of a loan borrowed after the commencement of this Act, no court shall pass a decree for a larger sum than twice the amount of the sum taken as principal.

These provisions follow those found in the Bill recently passed in the Punjab Legislative Council. The objects of this remedy may be summed up as follows:—

(i) It will prevent money-lenders from waiting years and years without demanding repayment, as many do at present with a view to appropriating all the property of their clients.

(ii) It will prevent borrowers and their descendants from remaining in false security without realizing their growing liabilities.

(iii) The "absurd spectacle of a creditor knocking away the entire property of an agriculturist for a portion of his debt and then applying for a warrant of arrest will largely disappear."

66. *Prevention of fraud.*—I suggest that the law should make provision to penalize the common practice among money-lenders of

taking a promissory note or other document for a larger sum than is actually lent. If such is found to the satisfaction of the court and the court is convinced that there was fraudulent intent, I suggest that the whole suit be dismissed with costs without any decree even in part. This will be a deterrent provision against such frauds. It will build up public opinion against such practices, even if it does not do anything else.

67. *The Code of Civil Procedure.*—I suggest amendments on the following lines to the Code of Civil Procedure and other relevant Acts:—

(i) Sub-clause (3), of rule 2, in order XXI, of the Code of Civil Procedure may be omitted.

(ii) In the direction by the High Court recommended by me as regards the Usurious Loans Act, the attention of Civil Judges may be drawn to rule 11 of order XX of the Code, and they may be advised to apply the rule with greater frequency and sympathy to agricultural debtors. I propose that, if the circumstances of the case permits, an agricultural debtor may be ordered to repay his loans in small instalments of not less than Rs. 20.

(iii) In no case should a mortgagor be entitled to more than the mortgaged property in full satisfaction of his entire dues, except costs.

(iv) Properties of sureties ought to be sold only after the properties of the principal debtor are exhausted. Sometimes, the money-lender, colluding with the principal, proceeds only against sureties, thus ruining these often overtrusting individuals. Such a rule will help to put down reckless lending.

(v) A decree-holder should not be permitted to purchase the property of the judgment-debtor, except for a reasonable value to be fixed by the court after due enquiry. The absence of such a provision too often leads to the decree-holder buying in the properties for far less than they are really worth.

If all the measures relating to civil courts I have recommended are adopted and disposals are quickened, there will be immense relief to the parties concerned, especially debtor agriculturists; and, I am sure, the honest creditor will welcome such provisions, as they do not unjustly or unduly curtail his rights.

68. *Civil Jail.*—I am not concerned with the numerous reasons for and against detention in civil jail. I would, however, strongly recommend the abolition of civil imprisonment for this one reason alone, that it will stop future wild and reckless lending without proper security. Money-lenders are free with their money to clients, who have neither the property nor the earning power to repay their debts, because they can always put the debtor into prison, thereby forcing his friends and relations to come to his rescue. Such wild lending must be put a stop to, both in the interests of borrowers as well as lenders.

CHAPTER VII—THE DEPARTMENTS OF AGRICULTURE AND INDUSTRIES AND THE CIVIL VETERINARY DEPARTMENT.

69. Relief from the burden of standing debt and the provision of cheap credit no doubt will help the ryot considerably and so are very essential. But these remedies cannot solve all his difficulties; hence, measures for increasing his profits and cutting down his expenses are equally if not more important. As a layman, I find it a difficult and delicate task to suggest remedies regarding the departments to which this and subsequent chapters are devoted. My general impressions and suggestions are respectfully offered for what they are worth, and I trust they will not be taken amiss as being irrelevant running comments on the working of departments of Government. I submit that the remedies and criticisms I offer as regards these departments are all of them quite relevant to this report and definitely fall within my terms of reference, as they are calculated to improve the economic position of the agriculturist and, therefore, to put him in a better position to repay his present debts and to avoid becoming indebted in the future.

70. *The department of Agriculture.*—This department has made great strides, especially in the last three years. It has helped many ryots to improve their methods of cultivation, adopt more paying crops and consequently increase their outturns and profits. The conservatism and obstinacy of the peasant population in adhering to their old crude ways are often enough difficult indeed to break through. I venture to suggest ways and means of achieving better results:—

(i) No amount of agricultural research can benefit the farmer unless the agencies for propaganda and demonstration are adequate. I submit that a single demonstrator for a taluk cannot possibly be enough. Hundreds of ryots have told me that they have never been approached by officers of the Agricultural department, and they are perfectly willing to try out new implements and methods, provided such are demonstrated to them as being within their means and of real benefit. There should be at least one demonstrator for each revenue firka and each demonstrator should have two to three *maistries* working under him. There are on an average, more than a hundred villages in a taluk. The present meagre staff cannot possibly be expected to get into adequate touch with these villages. Every taluk has about five to ten geographically natural centres where produce from surrounding villages is brought for marketing. These are the marketing centres, which should form the bases for agricultural education and help. There should be a depot at every centre with, if possible, a small farm of two or three acres.

(ii) In imparting agricultural knowledge, care should be taken not to antagonise the people. After all, in spite of his conservatism, the Indian farmer has the experience of centuries behind him, especially in the cultivation of staple food crops. Often

enough, it is poverty and not lack of enterprise, which compels him to adhere to his cheap and inadequate methods. Too often are demonstrators prone to forget this important fact and in consequence are inclined to preach the adoption of improvements which are not within the means of the small farmer. As an eminent economist rightly observes, "in connexion with agriculture, we must be careful of two things. First, we must not ostentatiously tell the native husbandmen to do things which they have been doing for centuries. Second, we must not tell them to do things which they can't do and have no means of doing." No amount of propaganda to introduce such expensive appliances as motor tractors will be of avail, as the ryot cannot afford them. It is folly to my mind to try and teach the Indian agriculturist his own trade in raising staple food crops by means of steam ploughs and the extensive use of expensive ammonia manures. These may be possible for paying industrial crops, but not for paddy, cholam or ragi. Lord Mayo, in 1870, realized the limit within which the Agricultural department should work with regard to the small landholder; he said: "I do not know what is precisely meant by ammoniac manure. If it means guano, superphosphate or any other artificial product of that kind, we might as well ask the people of India to manure their ground with champagne."

(iii) If it is not advisable to preach the adoption of expensive and over-scientific methods for staple food crops, it is yet most essential to impress upon the ryot the need to improve his cultivation by simple and comparatively inexpensive ways such as the substitution of the light iron plough (capable of being drawn by the ordinary cattle of this country) for the wooden instrument, the substitution of good strains of seed for bad and cheap seed, wider spacing in transplanting, the proper conservation of farmyard and leaf manure, scientific rotation of crops, the growing of more fodder and manure crops, the introduction of commercial crops, fruit and flower growing, and the like. Large-scale farming, I fear, is not a practical possibility in this country for the majority of agriculturists. Our efforts at improving cultivation should be specially directed to benefit the small farmer. The general complaint against the Agricultural department is that its officers are prone to talk above the heads of the average ryot. When demonstrators and others are appealed to for real practical help, such help is not often forthcoming. Too often are ryots advised to invest in ploughs, which the weak cattle can never draw and, when this is pointed out, they are advised to purchase expensive cattle like the Ongole breed. Demonstrators make no real efforts to get at the small owner cultivator. They are far too inclined to forget that small farmers form the real backbone of the agricultural industry.

Cattle manure, I am told, is getting scarcer. Much of it is wasted by being used as fuel and as plastering for floors and walls.

Agricultural education should be specially directed against such waste. A great stride will be made if a formula is evolved for the making of an all-round cheap manure by the cultivator on his farm. As Dr. Mukerjee says, "there are abundant supplies of waste organic matter such as paddy husk, groundnut husk, sugarcane trash, grasses of various kinds and many other substances and it may be possible to bring about a similar fermentation of such materials as has been accomplished at Rothamsted in the preparation of artificial farmyard manure. An important source of soil renewal, within the means of the cultivator in many parts of India, is a compost made from all kinds of vegetable matter, wood ashes and a certain amount of cowdung after the manner in vogue in China and Japan." The Indian is prejudiced against night-soil as manure. I venture to submit that determined education in this direction is very necessary. The loss of valuable manurial products from wastage of night-soil is immense.

(iv) The demand for improved strains of seed is practically inexhaustible. I suggest that early steps be taken to increase the supply of good seed substantially and make it available in abundance at every agricultural depot.

(v) It is unnecessary to stress the great importance of popularizing commercial crops. Special efforts, I submit, should be made to increase fruit-growing. The market for fruit even in India is almost inexhaustible and the possibilities of tapping world markets for graft fruit are immense. Mere propaganda is insufficient. Every depot should stock a good supply of suitable graft and ordinary fruit and flower plants. I visited the garden of an enterprising lawyer at Kumbakonam. He is specialising in grafting and budding fruit and flower plants. He tells me that he is not able to supply the demand of the public for such plants, so great is it.

(vi) The number of demonstration plots and of demonstrations are quite inadequate. Especially important is demonstration for the manufacture of such products as cream jaggery. I venture to suggest that ryots should be encouraged to offer their lands to the Agricultural department for demonstration purposes, by granting them for these plots a remission of fifty to hundred per cent in land revenue according to circumstances.

(vii) Early steps should be taken to increase the stock of cattle at the disposal of the department. More farms at convenient centres like the one at Hosur are needed. Special attention should be devoted to popularize scientific cattle breeding. The people should be encouraged to have the small stunted bulls, seen wandering about the countryside, castrated to prevent indiscriminate breeding. The system of supplying stud bulls for service is meeting with much success and the supply may with advantage be greatly increased. I suggest that even more favourable terms be offered to those who undertake to maintain stud bulls for purposes of service. As far as possible, the department

may popularize goat and sheep rearing, which is a great source of subsidiary income to ryots, in spite of the fact that the Indian by temperament and training is largely vegetarian in his outlook. It is indeed a matter of deep regret that the number of sheep and goats is steadily decreasing in this presidency.

(viii) Two of the most profitable and yet inexpensive forms of subsidiary occupation are poultry and bee-keeping. The agricultural farms I visited are meeting with great success as regards the supply of eggs, and with quite appreciable results as regards the supply of bee-hives and swarms of bees. I suggest that every agricultural depot should have an adequate supply of good hatching eggs for poultry and bee-hives for sale and if possible a small stock of poultry and bee-swarms. A centrifugal hand-machine for extracting honey from the comb can be kept at each depot and employed for a small fee to extract the honey from combs brought in by ryots.

(ix) At present, the Agricultural department grants small *takkavi* loans for the purpose of agricultural implements alone. May I suggest that the work of granting such loans for all agricultural purposes, except relief of distress, be transferred from the Revenue department to the Agricultural department? The latter is specialized and ought to be better equipped to gauge the needs of ryots than the Revenue Department. I have already shown that *takkavi* loans form only one per cent of the total debt. There is scope for much expansion in Government aid. The following principles should be followed in granting loans for cultivation expenses and other productive purposes, either by the Government, or by co-operative societies:—

(a) As far as possible, loans should be given in kind. If they are required for seed, seed should be given; if for manure, manure; if for graft plants, plants; if for bulls, the bulls should be bought and given to the borrower; if for a well, the well can be had dug by the lending agency. By following this principle of giving loans as far as possible in kind, we can make reasonably certain that the loan is used strictly for productive purposes.

(b) Another principle to be followed in the grant of loans for cultivation expenses is to grant the loans in instalments and not to give the second or third instalment till it is made certain that the previous instalment has been used for the purpose for which it was taken.

(c) Finally, all loans for cultivation expenses should be short-term loans which should be collected in full at the next harvest or, if the crop fails, at the next one to that.

(x) The Agricultural department ought to pay as much attention to marketing as to the raising of crops. As a general policy marketing ought to be clubbed with production and not with distribution. At present, marketing is almost completely neglected. I suggest that every depot should be equipped with up-to-date marketing knowledge and should publish daily, or at least

weekly, price bulletins and other marketing information. The ryot needs nothing to much as accurate marketing news. He wants to be educated and helped in selling his produce at the best price available to those who will give him the best prices. Much can be done by the department in the way of bringing producer and retail merchants, as well as consumers, into closer and more amicable relationship. Wherever demonstrators have been deputed to help and run co-operative loan and sale societies, the societies have thriven. The department can give real help to such societies especially on the selling side. A marketing officer is now touring the presidency and his report is eagerly awaited by the people. If a loan and sale society is started and properly run in every agricultural centre referred to under item (i), the prosperity of the former will be materially enhanced.

(xi) Finally, I would strongly urge the starting of agricultural associations composed of officials and suitable non-officials throughout the presidency. Such associations should devote themselves, not only to propaganda and education by staging exhibitions and demonstrations, but should form the basis of co-operative agricultural societies for collective farming.

71. *The Department of Industries.*—A careful student of economic conditions in India will, I believe, agree with me in deploring the attitude taken by some that a tropical country like India with its rich agricultural resources ought not to turn from the cultivation of the soil and enter into competition with industrial countries. The satisfaction of the most elementary physical necessities exhausts the bulk of the income from the land, leaving hardly any margin for health, education and recreation. Agricultural income per head is steadily falling with the rapid increase in population. The surplus population must seek a means of livelihood other than agriculture; and industrialization is a natural outlet for this "imperious economic necessity." Such industrialization is not likely to affect agriculture in any undesirable way.

It is indeed gratifying to see the progress made by the Department of Industries, in spite of the slump. An active and progressive policy of State aid to industries is most necessary. As is observed in the Montague-Chelmsford report, "on all grounds, a forward policy in industrial development is urgently called for; not merely to give India economic stability, but in order to satisfy the aspirations of her people, who desire to see her stand before the world as a well-poised, up-to-date country; in order to provide an outlet for the energies of her young men who are otherwise drawn exclusively to Government service or to a few overstocked professions; in order that money now lying unproductive may be applied to the benefit of the whole community; and in order that the too spectacular and literary tendencies of thought may be bent to more practical ends."

I respectfully venture to offer the following suggestions, as regards the Department of Industries:—

(i) When helping by loans or other aid the starting and running of factories, no consideration should weigh against the giving of full and free permission to exploit all waste products. For instance, only certain sugar factories are permitted to exploit waste products while some others have not been permitted to do so. I submit that there can be no sound economic defence for such differential treatment. Such a loss of good material cannot but be a hardship to the country.

(ii) The possibilities of foreign and home markets need to be carefully explored and outlets found for the absorption of articles manufactured in India, particularly in cottage industries. The appointment by the Government of an Agent in London for the sale of the products of Madras cottage industries is a welcome move and great progress can be achieved by the appointment of active agents in other countries also. South India is famous for many of its cottage industries, and works of art and utility will surely find a ready market in Europe and America if they are properly advertised and exhibited. If the demand is assured, supply will naturally follow, especially if the Government help these industries by technical training and monetary aid. There is much scope for expansion of those cottage industries, which are not likely to meet with competition from machine-made articles. Propaganda and education in this direction are necessary, and labourers and small farmers have to be got at by establishing centres of activity, which can with profit be made to coincide with the agricultural centres referred to in the previous paragraph. The present staff of inspectors and demonstrators is inadequate.

(iii) Cottage industries have to be protected from the predatory activities of middlemen, as agriculture has to be protected. The predicament of weavers is a standing example of the strangle-hold of the employer; to combat middlemen, the department of industries should collaborate actively and on a large scale with the co-operative movement, in the formation and running of co-operative enterprises, such as weaving societies.

(iv) As regards the engineering section of the department, the Government have very rightly laid down that the claims to departmental plants of agriculturists and small-scale industrialists should have precedence over other interests. The plant available for boring wells can well be greatly increased as can the number of boring inspectors. The stock of instruments should be distributed, so as to be easily available at convenient centres scattered throughout the presidency. Little result can be expected if the department waits for applications. Active propaganda and highly favourable terms are required to persuade the ryots to have more bore wells put down; this specially applies to districts which are susceptible to famine.

72. The Civil Veterinary Department.

I have not many remarks to offer as regards this department. In spite of the depression and the recommendations of the Retrenchment Committee, I strongly recommend a substantial increase in the number of veterinary institutions and of touring posts. The present staff is quite inadequate to meet the needs, especially at the time of epidemics. Much avoidable expenditure has to be incurred by ryots in the purchase of cattle to replace those which have died owing to want of prompt and effective treatment. Unless veterinary aid is adequate, readily accessible and speedy, it cannot really benefit the rural areas.

When a case of contagious disease is reported from a village, it is essential for the veterinary staff to get there as quickly as possible. I would recommend that officers of this department should be given special travelling allowances with regard to mileage, etc. If bus fare only is allowed, an officer cannot usually get to a village before 10 or 11 a.m. when all the cattle are in the fields. All he can do then is to *advise* the villagers. To be of real use, the veterinary staff should be able to reach a village before 7 or 8 a.m. Only then can they *treat* sick cattle.

Finally, I would strongly recommend the opening of model dairies, not only at Madras, but also at other important centres.

CHAPTER VIII—THE CO-OPERATIVE MOVEMENT.

73. *Historical.*—The co-operative movement in India commenced with the Co-operative Credit Societies Act of 1904. That measure was incomplete and a second Act was passed in 1912. Several local acts came subsequently into force.

Great things were expected of the co-operative movement in India, on the analogy of its phenomenal success in Europe. It was hoped that co-operation would free the cultivator from the vicious system of credit from private money-lenders and emancipate him from the paralyzing influences of ignorance, suspicion and fear, thus ultimately lifting the peasant on to a higher plane of culture and wealth. Mr. Wolff, who had much to do with the starting of the movement in India, observes in his *Peoples' banks*: "Throughout history there seems to have been a peculiar ban of failure attaching like a Pandora's curse, to those provident and charitable institutions which did not rest upon self-help."

The enthusiasm of the founders of the movement in India was unbounded. There followed from about 1917 to 1927 an era of expansion of the movement. Thousands of credit societies were registered, and money was lent out freely. The movement during these ten years was, however, perhaps marked by the following defects:—

(i) The expansion was much too rapid. The movement in its infancy had been encouraged to run, even before it had been taught to walk.

(ii) The people of India were too ignorant, uneducated and wanting in civic spirit to assimilate easily the real principles of co-operation.

(iii) A vigorous policy of de-officialization was adopted, and it was bound to fail at such an early stage, as the people had not developed yet, as in the West, the public spirit to understand, nor the knowledge to perform, the duties entrusted to them. Selfish motives and personal interests were therefore given free play in a movement, which could only thrive in an atmosphere of mutual goodwill, untainted by greed, jealousy or prejudice.

(iv) Far too much attention was paid to the credit side of the movement, and the non-credit side was almost completely neglected so that it nearly became all credit and no co-operation.

The inevitable reaction followed; co-operators realized at the end of these ten years of reckless expansion that they had gone too far, and from 1927 the policy of the department had necessarily to undergo a fundamental change. Enthusiasm was damped, a halt in expansion was called, and stock was taken of the results so far achieved. The position was found to be depressing indeed. Thousands of societies were found dormant or unsound; overdues were alarming, and the percentage of the people, who were really helped by the movement, was insignificant. Then came the great economic depression, and money became scarce. Overdues leapt up, hundreds of societies had to be wound up every year, prosecutions for fraud were common, and the department had all its work cut out to keep the movement alive by the consolidation of existing societies which promised well, the liquidation of the bad ones, and a ruthless policy of arbitration and execution. The wonder is that the movement has weathered the depression as well it has done. In only one province, Burma, has it more or less collapsed. That such a fate has not happened to it also in Madras and the other provinces is a matter for congratulation. It behoves us therefore to take careful stock of the present situation. Co-operation, it is agreed, is the one real panacea for the difficulties of the peasant. We have, without fear or favour, to face its numerous defects, to eliminate all its bad elements and to adopt a bold, clear, well-planned and comprehensive policy for the future. I consulted many people on this important subject—co-operators, officials, ryots and labourers. I visited a large number of co-operative institutions. The views I express and the remedies I suggest, are those which find favour with the majority. Such a big subject could not be studied thoroughly in a few months, and I hope I shall be forgiven if this chapter is not as thorough and complete as it ought to be.

74. *Officialization versus non-official control.*—I am afraid I have no information as to the extent of government control over the co-operative movement in other countries; but

here, in India, there are co-operative departments of Government which exercise considerable control. The main functions of the department, apart from acting as a guide and adviser, are as follows:—

- (i) Registration.
- (ii) Audit.
- (iii) Arbitration and execution.
- (iv) Liquidation.

Primary societies and banks are run by panchayats elected by members. The supervision is in the hands of non-officials. There is therefore dual control, audit being done by Government and supervision by non-officials. Much controversy has been raging of late over the merits of greater officialization, as against the vesting of more responsibility in non-officials. I am told, and what I have seen clearly indicates, that there is a school of non-official co-operators, which stands for de-officialization and exercises a dominating voice in the affairs of this movement. There is a disinclination to offend this body by word or deed, and many are unwilling openly to question its views, though ready enough to criticize in confidence. Such reluctance to offend has, I fear, led to much "whitewashing" of the defects of the movement. But, if the movement is to be saved and is to be of real benefit to the masses, facts however unpleasant or uncomplimentary, must be squarely faced. This has been done in several provinces of late. The report on co-operative societies in Mysore for 1933-34 is one which, in its honest exposition of the real situation, can well be taken as an excellent example to follow. It certainly cannot be denied that most of the capital in the movement is supplied by the public. If the elective method ensures that those returned to office are the genuine representatives of the people who furnish the credit, then there may possibly be some claim for more de-officialization. But, I respectfully venture to suggest that many of those in office, who are so vehement against official control, are not often the mouth-pieces of those who have supplied the credit. Too often are these so-called leaders of the co-operative movement led away by mere theories and influenced by motives which, to say the least, are mixed. If the public supplies the capital for the movement, the Government supply certain amenities which are quite essential. Stamp fees are not levied, registration fees are halved, and the vigilance and help of officials of the Co-operative department are invaluable and indispensable. I would like to see what those non-officials, who are always hungering for more control, would say if Government suddenly lost all interest in the movement and decided to withdraw completely. If this were done, the movement would most assuredly degenerate into chaos and early collapse.

75. *Supervision and audit.*—Supervision of primary credit societies has been relegated to non-officials now for about fifteen years. What has this done for the movement? I can say with confidence that the history of the

supervising unions in this Presidency at least is nothing but a tale of woe. Managing bodies of unions are composed mostly of representatives of primary societies. The main object of a supervising union is to keep a close watch on the work of granting loans in primary societies, verify loan applications, see to the preparation of property statements, and bring to light by periodic and frequent inspections all defects in the running of such societies. I cannot understand how the present unions can possibly discharge such duties satisfactorily. They cannot be independent and disinterested bodies, as they are run mostly by representatives of the very societies, which have to be supervised. Is it any wonder then that the supervisor is often forced, if he is to keep his job, to collude with the managements of credit societies in all their misdemeanours? The supervisor dares not expose the bad working of such societies, for his hands are tied from the beginning. If he is honest and does his work thoroughly and brings to light various defects and fraudulent acts, he is certain to be given speedy notice to quit. So, he carefully glosses over mistakes and shady transactions. He even colludes sometimes with shady office-bearers of primary societies and helps them in their efforts to obtain money for themselves and their friends by illegitimate means. It is common knowledge that property statements of co-operative societies are about the most unreliable documents that can ever be found. Supervisors must first be trained men of good character. They then have to be controlled properly by a disinterested and independent agency. Financing banks are not suited for such control. They also cannot be said to be entirely disinterested. They are not equipped with sufficient staff to exercise adequate supervision. Most important of all, they have not the experience to run proper supervision. *As long, therefore, as supervision is allowed to run its present fatuous and irresponsible course, there can be no hope for the co-operative movement. The only feasible remedy seems to me to be the transfer of the entire work of supervision to the Co-operative department.* Of what use can audit by the department be, while supervision is in other hands? Such dual control can never work. After all, audit is done only once in six months. In six months much can happen. Unless societies are supervised from their very inception with scrupulous care month by month and more often if necessary, unless defects are rigorously brought to light and immediately rectified, and unless undesirable and unscrupulous office-bearers are ruthlessly removed from office and prosecuted if necessary, what good results can be expected? Audit reports are generally relegated to waste paper baskets, sometimes without even being read. This is what an experienced gentleman, *with no axe to grind*, says on this subject of supervision and audit: "While a searching audit is efficacious with regard to the recurrence of irregularities, it is best to remember its short-comings. Audit is in respect of accounts and transactions already

over and is like the proverbial closing of the stable after the horse has run away. A man may run away with a cash balance of Rupees 2,000, or create fictitious bonds or pass bogus resolutions. The auditor makes a catalogue of these defects and the summary of defects is communicated to the union and the bank for rectification. He goes there again six months afterwards, discovers the same defects or same kinds of defects, feels a little depressed that nothing has been done to rectify the old defects and again submits a summary. This process is going on endlessly. The Deputy Registrar takes action if serious defects are noted, but he notes the same irregularities in all societies and feels awfully depressed. There is nothing to choose between one society and another, between one union and another, and between one district and another. Changes in the personnel of the district officers, introduction of tried officials of the Revenue department, all have had no effect. What exactly is the cause in all the districts? Human nature is of course common and some of the defects will continue. But to my mind the most potent cause is the parallel non-official machinery of administration. If there should be a parallel Police non-official department with very lax standards of discipline and responsibility, will it be complacently welcomed? In this case, day-to-day administration of societies is practically under the supervisor and the union. The union governing body members are honorary men with no leisure and little knowledge of the intricate working of societies. The diaries of the supervisors are rarely scrutinized, their tour programmes are not properly checked and very rarely is the supervisor even lightly admonished for bad work. At the same time, the supervisor is left to himself; he keeps the union office in disorder, never reads the circulars and shows gross negligence. Any attempt on the part of the financing bank to transfer the supervisor is resented, while recommendations are made to enhance his pay or travelling allowance. Now at the bank itself, there is one clerk to check the diaries of the supervisors, and the executive officer's hands are full. The executive officer is after all a junior inspector and is not fitted to control a big staff. Thus virtually the non-official staff is left unquestioned and uncontrolled. My remedy for this is the immediate transfer of this staff to the control of the department. The Registrar shall appoint and dismiss these supervisors while the Deputy Registrars will control them. It may be argued that these have enough work already. The present work of liquidation is heavy because of want of control over persons who have allowed the societies to go to ruin. It is just like allowing a town to be infected with plague and then resorting to remedial measures. At this rate, the department will have to increase the liquidation staff indefinitely, and more and more the Deputy Registrar's time will be taken with prosecutions and liquidation. It is time that we turn to the preventive side and stop the rot."

I am well aware of the fact that the recommendation given above will raise a storm of protest from a certain non-official section. It will be condemned as a retrograde step and an insidious attempt at unnecessary governmental interference in an essentially democratic movement. I can assure the Government that all those who really count will welcome such a remedy. In fact, it has long been overdue and I hope and trust that the Government will see their way to adopt it as soon as possible in its entirety. There can be no half-way house in such a case. As an example of honest public opinion on this very important question I give below an extract from an article which recently appeared in the *Hindu*: "In many cases, the institutions have been captured by the worst representatives of societies who, by getting themselves elected from them to the directorate of the financing bank, are proving a menace to the safety of the bank by standing in the way of all sound proposals and being also otherwise obstructive. These men, who are generally in the majority, naturally take care to see that men of their own feather are associated with them, both in the supervising unions and in the financing bank; and, as against these persons, there is no chance of the right type of men entering supervising unions or financing banks. The position has been rendered worse in some financing banks by the election of representatives of individual shareholders to the directorate being left to the general body of the bank, instead of to the individual shareholders themselves, as was the case for a long time past. In the agricultural societies, the good and solvent members, partly unwilling to submit themselves to the whims and caprices of the members of the governing body of supervising unions and partly out of fear of sharing their unlimited liability with the growing number of insolvent members and members with no repaying capacity, have gradually fallen off. The limited liability societies such as urban banks, the representatives of which mainly constituted the brain of the supervising union, have in many places got themselves disaffiliated from the union, on the ground that they require no supervision and that they cannot afford to pay both supervision fees to the union

and audit fees to the Government. It may therefore be stated without fear of contradiction that the whole movement is now greatly in the hands of unsatisfactory men, who are exploiting the several institutions under it for the purpose of self-aggrandizement or selfish gain or for serving their political or other ends.

That every one of the above statements is true will be borne out by all mufassal co-operators, who are in the real know of things, and by the various observations of the Registrar contained in the Presidency Administration reports of recent years. Almost all the Registrars have been unanimous in generally condemning the work of supervising unions as unsatisfactory. They suggested from time to time several ways of improving them, not understanding that the real cause of the failure of the unions was due to the non-realization of the natural fact that the debtors or a body of them especially with no repaying capacity and faced with economic distress as at present are unsuited to supervise their own affairs, much less protect the interest of the creditor bank."

The moment supervision is taken over by the department, confidence in the movement will be restored. It will attract honest and upright men, who are now hanging back because of the sorry reputation which the movement has with the general public; a great volume of money will be attracted into it; and I believe that the Imperial Bank will again be willing to tender the help it withdrew, because, as the Managing Governor of the Imperial Bank observes, "the fundamental principle of true co-operation is lacking. Overdues are highly excessive. Audit is defective. Control is inefficient." My recommendation to officialize supervision is not, of course, intended to be taken as a permanent remedy. As the public advances in the true spirit of co-operation, it can gradually be given back responsibility.

76. *Co-operative credit societies.*—The following statement exhibits the strength and position of agricultural credit societies in the last ten years:—

STATEMENT No. 22.—Agricultural Credit Societies.

	[Items (3) to (11) are given in lakhs of rupees.]										
	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	
1 Number of credit societies ..	9,164	9,822	11,000	11,966	12,382	12,540	12,439	12,080	11,623	11,348	
2 Total number of members ..	487,431	523,564	583,315	630,298	652,285	674,590	676,009	638,629	593,374	562,541	
3 Paid-up share capital ..	42.81	48.91	58.37	67.56	74.57	80.66	83.24	78.37	72.75	67.95	
4 Deposits by members ..	7.01	6.60	7.14	8.16	9.38	9.72	9.60	10.03	10.27	10.59	
5 Deposits by non-members ..	9.22	10.11	12.68	16.66	21.81	21.98	25.84	23.55	24.97	26.99	
6 Loans from financing banks and other societies ..	274.78	303.25	375.80	438.64	461.91	494.70	474.55	404.25	356.52	331.91	
7 Loans from Government ..	4.82	6.14	8.12	9.65	10.32	10.21	10.87	8.86	8.43	5.80	
8 Reserve Fund	19.07	22.85	27.41	33.13	39.47	46.89	54.20	58.31	62.79	67.18	
9 Total working capital ..	358.07	398.23	489.52	573.80	617.46	664.16	658.30	583.37	535.73	510.42	
10 Net profit	5.73	6.68	9.26	9.70	12.38	11.51	8.08	9.69	9.74	8.83	
11 Loss	..	..	..	..	..	..	..	22.79	25.82	24.53	

The following statement exhibits the steady increase in overdues in the last ten years:—

STATEMENT No. 23.—Showing the percentage of balance to demand under principal, arrear interest and current interest of agricultural credit societies.

Year.	Demand under principal in the year.	Amount overdue.	Percentage of columns (3) to (2).	Interest overdue at the end of the previous year.	Interest overdue at the end of the year of the amount in column (5).	Percentage of columns (6) to (5).	Interest accrued and fallen due during the year.	Balance overdue at the end of the year out of the amount in column (8).	Percentage of columns (9) to (8).
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	RUPEES IN LAKHS.	RUPEES IN LAKHS.		RUPEES IN LAKHS.	RUPEES IN LAKHS.		RUPEES IN LAKHS.	RUPEES IN LAKHS.	
1924-25	201.57	84.56	41.95	15.36	7.60	49.48	32.05	11.49	35.83
1925-26	233.57	107.79	46.15	19.45	10.48	53.87	36.82	14.78	38.23
1926-27	255.63	121.90	47.66	25.04	13.49	53.88	39.78	16.45	41.34
1927-28	316.74	135.58	42.81	30.17	17.22	57.08	47.85	17.56	36.70
1928-29	361.12	147.73	40.90	35.09	19.33	55.08	55.99	19.99	35.70
1929-30	379.72	176.24	47.00	38.00	22.47	59.00	58.45	25.35	39.00
1930-31	427.30	254.52	59.56	46.96	30.62	65.20	62.75	31.35	49.91
1931-32	436.88	275.74	63.11	61.54	38.31	62.25	60.43	31.29	51.77
1932-33	391.42	264.41	67.55	68.09	44.87	65.89	54.01	32.22	59.65
1933-34	356.24	251.24	70.71	74.76	52.62	70.39	48.54	31.11	64.10

The following statement shows how co-operative credit societies have been classified in the last six years:—

STATEMENT No. 24.—Classification of Co-operative Credit Societies.

Classification.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.
A Thoroughly good societies	260	471	426	363	348	306
B Societies with some defaulters and some mistakes in accounts	1,726	2,343	2,328	2,311	2,081	1,832
C All other societies that do not come under class D. D Bad societies which probably have to be liquidated should they fail to come under class C within two years	8,155	9,135	9,160	9,016	8,951	8,507
Number of societies in which collections were—	1,264	1,537	1,509	1,735	1,718	1,982
95 per cent	1,406	1,619	1,491	935	662	604
70 Do.	1,393	1,816	1,791	1,407	1,159	970
55 Do.	941	1,007	1,012	935	847	687
40 Do.	1,040	1,003	1,121	920	967	759
Below 40 per cent	3,677	3,838	3,796	4,947	3,791	4,119
Dormant societies	1,781	3,223	3,565	3,829	5,447	5,308
Societies in which no loans fell due	1,167	980	647	452	225	180

The position as regards overdues is getting worse every day. Good societies are steadily decreasing, while bad ones are on the increase. Losses are heavy, while profits are dwindling. The total number of credit societies and members have been steadily decreasing since 1928. This is because since 1928 the department has concentrated almost entirely upon consolidation of existing promising societies and the dissolution of the bad. The only encouraging sign is that, as a result of strong Government action, the reserve fund is gradually increasing.

The co-operative movement has lent out only about 6 per cent of the total agricultural debt. There are reasons to suspect that even this proportion is too high an estimate of the genuine loans that were given to really needy peasants. *Benami* transactions are by no means scarce. In many societies, the secretary, or president, or both, are men who wield great influence and completely dominate the remaining panchayatdars. Such influential men unfortunately often enter the movement, not to help the poor and needy, but solely to enrich themselves by all manner of means. Loans are first taken by such men in their own names, then in the names of their friends and relations and others, whom they can dominate. The money does not go to those who ostensibly take the loans. I was told by the secretary of a co-operative society, who spoke openly in a large gathering of people, that *benami* loans often amount from 30 to 40 per cent of the total amounts lent out. The unscrupulous and influential president or secretary gets the thumb-impressions of himself and

his followers on to numerous loan applications, which are promptly granted, as he is a virtual dictator in the society. Most of the money goes to one of them. He sees to it that the supervising union keeps quiet. He even sometimes gets the help of the supervisor in his shady transactions. In one case, a loan was actually granted by a society on the security of a plot of land which bore a survey number not existing in the village. Yet, the application went through with the cordial help of the supervisor. Another secretary of a society told me that, when he was in office, he received a letter from an influential lawyer requesting him to see that a large loan was granted to one of his clients. The loan was not sanctioned and soon after the secretary was turned out of office. Slack and crooked supervision is largely responsible for the continuance of these malpractices. If such are not checked from the outset, the society goes from bad to worse till liquidation and prosecution follow. The thing is to keep societies on the straight co-operative path from the beginning. Owing to the overt acts of a few unscrupulous office-bearers, hundreds of innocent persons are ruined as a result of the application of the principle of unlimited liability.

The following changes in the law and rules at present in force seem very necessary, and I recommend them strongly if they have not already been adopted:—

(i) Wise and solvent men who will really contribute to the co-operative movement will not join the societies unless they know the real state of affairs. All obstructions for

good men to come in should be removed. *For this the maximum of publicity is required.* This was Raffeisen's great maxim. Our societies largely work in the dark and there is the very negation of publicity. Audit reports are not even opened and read for years together, meetings are not held to consider such reports and members are not kept informed of the financial position. *Every society should be compelled to hang up its audited balance sheet in its premises and at the village chavadi, or village post office, so that it may be open to public inspection always.*

(ii) The surcharge powers of the Registrar should be enlarged and appeal should lie only to the Local Government. At present, a surcharge order can be passed only where there is fraudulent breach of trust. If the maximum individual borrowing power in a society is Rs. 500 and a loan is granted for Rs. 1,000, this will be an irregularity and not breach of trust and hence not a case for surcharge. *Surcharge orders should be capable of being issued even in respect of "bad and irregular expenditure of funds or negligence for time-barred debts or loss of decrees and bonds."*

(iii) Wilful disobedience of the Act is now punishable by fine, after prosecution before a first-class magistrate, I consider that the Registrar should have the power after an enquiry to impose a penalty for wilful disobedience of the Act and of by-laws.

(iv) According to section 15 of the Act, the Registrar can ask a society to convene a meeting within one month or call a meeting himself. Bad office-bearers can always avoid such meetings by arranging that there should be no quorum. Meetings convened under this section may be made valid even without a quorum.

(v) *No individual should be entitled to hold office in more than one co-operative society of a similar kind or connected kind at any one time.*

(vi) *The Registrar should be given powers under the Act to remove undesirable men after a proper enquiry.* His orders in this respect can be made appealable to the Local Government.

77. *Interest.*—As already repeatedly pointed out, one of the foremost needs of the Indian farmer is cheap credit. The interest charged by co-operative credit societies is no doubt lower than that charged by the money-lender, and one of the good results the movement has undoubtedly achieved is to bring down the general rates of interest charged by private creditors. But the interest charged by societies is still far too high. The lending rate to-day is 9½ per cent, while instances are not wanting of the old rate of 10½ per cent being still in force. Some enterprising societies have brought down their interest to 7½ per cent. The main object of the co-operative movement, I presume, is to eliminate the middleman. Unfortunately, this object does not seem to have been achieved by the movement as it stands at present. Members of the

public invest money in the co-operative movement at a low rate of interest. The rate at which loans are granted is high and bears little relation to the rate of interest allowed on deposits in co-operative banks. This marked difference is because of the number of middlemen institutions between primary societies and the Central Bank at Madras. If primary societies are properly supervised, they are likely to attract deposits direct, which will enable the societies to lend at much lower rates of interest than at present. My own opinion is that co-operative credit societies should never be allowed to lend at over 7½ per cent at the very highest and that all decrees executed by the department in future should be calculated only at 7½ per cent or less on the principal, even as regards old debts. There can be no doubt that, if supervision is made adequate and really effective, the public will be eager to invest their money in co-operative banks and societies at low rates of interest.

78. *Overdues, arbitration and execution.*—Quite apart from the defects in the running of the co-operative movement, the slump has hit the movement very hard, as it has affected all creditors. Money is so scarce that overdues are rapidly increasing. I believe that if only societies accepted repayment in kind, the overdues would rapidly decrease. For such a method, the first essential is adequate warehouse accommodation and accurate and up-to-date information of current prices. The society can accept repayment in kind at the current market rates, charging a small commission for selling the produce. The produce can immediately be sold and converted into money. The following suggestions for existing co-operative debts are offered:—

(i) As far as possible, only instalment decrees should be passed.

(ii) Where only a few instalments are overdue, decrees should be passed only for such instalments.

(iii) Penal rates should not be levied except as a last resort.

(iv) By a special provision, the Registrar should be empowered to extend all the existing loans in societies for a period of three years.

(v) The department has held that, in the absence of a definite legal ruling to the contrary, the law of limitation applies to co-operative societies. I respectfully venture to disagree with this ruling, for the following reasons:—

(a) The Indian Limitation Act applies only to courts.

(b) The Registrar and arbitrator under the co-operative societies regulation are not courts for this purpose, although they have been given some of the powers of a court—power to summon witnesses, etc.

(c) Arbitrators are not included in the definition of a court.

(d) The Registrar or the arbitrator is not intended to take the place of a civil court for the disposal of suits.

(e) Co-operative societies are partnership concerns managed by persons elected by themselves for their mutual benefit. Claims due from members to such institutions as a whole are quite different from claims between persons with no common interests.

The question, whether or not the law of limitation applies to co-operative societies, is of vital importance to the movement. I suggest that it be immediately referred to the Advocate-General for a binding legal opinion. At present, unscrupulous panchayatdars deliberately allow quite a large proportion of loan-cases to become time-barred, and ignorance of the law of limitation also contributes largely to such cases. I firmly believe

that "unless it is established that the law of limitation does not apply to co-operative societies, the danger ahead is real and banks will be justified in distrusting societies and restricting credit."

(vi) It is essential that loan applications should be as quickly dealt with as possible, especially for cultivation expenses. There is no use in a loan being granted for ploughing, for instance, when the time for ploughing is over. The speeding-up of the machinery for the granting of loans is, therefore, very necessary.

79. *Non-credit societies*.—The following statement exhibits the number of non-credit societies connected with agriculture in this Presidency:—

STATEMENT No. 25.

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
1 Loan and Sale Societies ..	..	..	..	..	..	..	..	50	51	53
2 Trading Union ..	..	..	..	..	..	..	..	19	9	7
3 Agricultural Improvement Societies ..	..	..	..	..	..	..	..	3	4	7
4 Stores ..	..	..	..	..	..	..	..	3	5	2
5 Milk Supply Union ..	..	..	..	..	..	..	..	..	..	1
6 Miscellaneous ..	..	..	..	..	..	..	..	14	10	6
Total purchase and Sale Societies ..	..	98	..	26	41	..	29	89	79	75
Production and Sale Societies ..	..	5	16	..	..	5	2	14	12	60
Industrial Societies ..	..	..	..	..	..	..	..	2	2	2
Other Societies ..	..	..	..	..	..	..	..	..	..	..
Kudimaramat and Irrigation Societies ..	..	..	12	17	18	17	13	11	11	10
Agricultural Demonstration Societies ..	..	..	13	15	16	17	16	10	10	10
Land Reclamation Societies ..	..	..	9	9	10	11	12	12	12	12
Landholders' Lease Societies ..	..	..	1	2	2	2	15	12	9	8
Arbitration Union ..	..	..	..	..	..	1	1	1	1	1
Agricultural Improvements Societies ..	..	..	..	..	..	..	7	14	12	12
Industrial and Credit Societies ..	..	..	..	..	..	..	..	..	..	1
Cotton Growers Society ..	..	..	..	..	..	..	..	..	..	..
Field Labourers' and Tenants' Societies ..	..	..	258	299	333	335	313	308	294	284
Labour contract ..	..	..	4	4	5	4	3	2	..	..
Salt licences ..	..	..	1	1	1	1	2	..	..	..
Building Society ..	..	..	1	1	1	2	1	..	..	..
Agricultural implements ..	..	..	1	..	1	1	4	..	..	..
Other Societies—Total ..	..	250	300	348	387	391	387	370	349	340
Insurance Societies ..	..	3	4	4	3	5	5	..	..	..

The number of non-credit societies is small. No determined and systematic effort seems to have been made at any time to develop this side of co-operation. Madras in this respect compares very unfavourably with the Punjab.

80. *Loan and sale societies*.—The belief that the best form of security to lend on is crops is steadily gaining ground. To develop properly this form of credit, adequate warehousing facilities are needed, and warehouses are hardly found in India. I really believe that the most important step in the emancipation of the ryot is the building of such warehouses. Co-operative societies are too poor to build them without liberal help from the Government. I venture to suggest that the money, which has been recently made available to our Government for rural uplift, may be devoted entirely to the building of warehouses. These should be built in sufficient numbers to cover the whole Presidency, allowing one to each marketing centre. About a thousand godowns have to be put down in the first instance. These should be fire-proof, insect and rat-proof, damp-proof and thief-proof. Each godown should have at least four separate large compartments for storing produce, so that different credit agencies—like

co-operative societies, private banks, the Imperial Bank—can hire a room each. Once the idea of lending on the security of crops has taken root, it will spread like wild-fire and the Government will have no difficulty in letting these godowns out. The terms must of course be as easy as possible.

Lending on the security of produce is by far the best method; provided the produce can be properly warehoused. There will not be overdues, or defalcations, or any of those difficulties which inevitably overtake creditors who lend on immovable property. A safe rule is to lend up to 75 per cent of the current value of the produce. Such lending ensures a quick turnover. Here then is an invaluable opportunity for co-operative enterprise. Societies for this purpose should, in my opinion, combine loan and sale operations. By this means, the power of the middleman will be broken. I visited at Madura a paddy loan and sale society, which was planted in the very heart of the *mandis*. During the short period it had been at work, it had, in spite of strenuous opposition, done a great deal to help its members. The following is a short account of its working. It was opened on 21st April 1934. There are 59 members with a paid-up share

capital of Rs. 2,310. The society deals mainly in paddy. Up to 15th February 1935, 5,555 bags of paddy and 583 bags of groundnut were received and all, but a balance of 910, were sold for Rs. 22,365, realising a commission of Rs. 586. Of Rs. 6,983, borrowed from the Central bank, all but Rs. 1,310 was repaid. In two months in the co-operative year 1933-34, the society earned nearly Rs. 150 in profit, and declared a dividend of 9 per cent on paid-up share capital. The society advances money to the extent of 75 per cent of the value of the produce. It charges a commission for sale of one anna to the buyer and one anna to the seller per bag. Ryots, by going to this society in preference to *mandis*, have been benefited to the extent of Rs. 1,400, by getting better prices and by correct weighment and measurement. The society has a good name and is pulling its weight in spite of opposition and counter-propaganda of 60 private *mandis*. Much work has been done in paying off loans to credit societies from the monies advanced on produce. The society has rented two buildings as godowns and feels the want of proper warehousing facilities keenly.

Once proper warehouses have been provided, such societies ought to be started all over the country. There is full scope for the opening of as many societies at marketing centres as there are godowns. In starting and working such societies the following precautions should be observed:—

(i) Always combine loan with sale operations.

(ii) There should always be a paid secretary and sales officer, if a co-operative inspector or agricultural demonstrator cannot be spared.

(iii) The department should exercise a careful and close supervision, especially over measurement and weighment of produce and the selling of it.

(iv) No society should be permitted to bind itself to sell only to a few dealers. The Tiruppur Co-operative Trading Society has agreed to sell *kappas* only to three dealers. Such a limitation of the market obviously tempts buyers to combine.

(v) A broker should never be employed as an intermediary. Here again the Tiruppur Society, I think, is at fault. A broker or agent between the society and the merchants is not only unnecessary, but also introduces the middleman into societies. Our object is to eliminate middlemen.

(vi) Dealing with ryots should always be prompt and business-like. Too often ryots are discouraged by having to wait for hours or even days before being attended to.

(vii) Receipts should immediately be given to ryots for bags stored, detailing the number of bags and their contents.

(viii) Regular and thoroughly business-like accounts should be kept.

(ix) The private interests of influential office-bearers or members should not be allowed to mar the spirit of mutual and equal help to all.

(x) The lowest rates of commission and interest possible should be charged.

Loan and sale societies properly run cannot but succeed, for the principles on which they work are simple and straightforward. Active and intelligent propaganda is however needed. Take the Rasipuram Co-operative Trading Society in the Salem district for example. It was registered in 1929, but did no work till February 1935, owing to slack running and want of proper interest in it. Active propaganda in villages immediately bore fruit, so that in just over two months of working the society was able to sell the cotton of members to the value of Rs. 34,000, realising a commission of Rs. 500. The society in the short period of its active life has been able to eliminate the village middleman, who stands between producer and mill-owner, thus saving the ryot from false weighments, which entail a loss of from ten to thirty pounds per *pothi*, and from false prices. The society by the auction system secures the best prices for its members. This society is badly in need of a proper godown. It intends to do business in groundnut after the cotton season is over. Much of the success of the society is due to the excellent non-official man-power available. The warehouse officer is a co-operative inspector. Another similar society, which has achieved no small measure of success, is the Groundnut Loan and Sale Society in South Arcot.

81. *Controlled credit*.—It is essential to ensure that loans given to ryots by Government or co-operative societies are not abused. I have already suggested that this can partly be done by lending in kind as far as possible. I am afraid little or no attempts are made by panchayats of rural societies or by supervising agencies to ensure that loans are applied for the purposes for which they are given. Rural credit can be really controlled only by linking it with marketing. The description sent to me of the method adopted in the Cuddalore warehouse will explain what exactly is meant by *controlled credit*. The scheme was by no means ambitious and did not seek to control all credit in the district. It financed the cultivation of groundnuts for about 25 societies by granting from Rs. 10 to Rs. 25 an acre and confined its activities to the control of such loans alone. Borrowers were obliged to show the agricultural demonstrator and the co-operative staff the lands which were to be cultivated with the loans. If the staff were satisfied that the land would yield about three times the money advanced, the loans were sanctioned on surety bonds or mortgage-deeds, on the condition that the harvest would be sold through the Co-operative Warehouse at Cuddalore and that loan dues would be recovered from the sale-proceeds. The loan was disbursed in two instalments, one for ploughing, manuring and sowing, and the other for weeding and harvesting. The second instalment was not disbursed till the land was inspected and the inspecting staff certified that the nature of the crops justified the second instalment. Further control was exercised by the staff, which visited

villages during harvest time and secured the produce for the warehouse. The scheme in short was "one of lending in coin and realising in kind after supervising cultivation." It bore rich fruit. Much of it was due to the hearty co-operation between members of the Agricultural and Co-operative departments. A sum of about Rs. 20,000 was advanced and all but a sum of about Rs. 1,600 was realised by means of deduction of sale-proceeds. There were only two members who attempted to evade the conditions. Both these apologised and came into line on a threat of prosecution. The subject of controlled credit is so very important and, if adopted throughout the Presidency, so likely to bear such rich fruit, that I venture to quote from an account of the working of the Koraipect Co-operative Society given by one who knows what he is talking about: "They had tried money-lending there in the past, and burnt their fingers. Loans had been decreed and lands had been sold up to realise the arrears. The Assistant Director of Agriculture and I proposed to do rural uplift in such a society. We offered to help in cultivation the members, who had given up groundnut cultivation for want of cheap credit. We inspected the lands, on which the cultivation was to be done; we estimated the probable yield at about Rs. 60 to Rs. 75 per acre; we got the Central bank to advance to the members of the society Rs. 25 an acre in instalments, once for ploughing and manuring and once for weeding and harvesting. Every borrower bound himself in writing to cultivate the lands he showed us for inspection and to deliver the produce raised for sale through the Co-operative Warehouse at Cuddalore. In all Rs. 1,895 were disbursed for the cultivation of irrigated groundnuts. We made sure by frequent inspection that every pie of the loan given was utilised for the purpose for which it was given. When the harvest came, member after member, true to the agreement he had signed, delivered the produce for sale through the co-operative warehouse. In all Rs. 4,000 worth of groundnuts from this society were sold through the warehouse, which deducted the loans advanced by the Central bank and paid the balance to the respective members. The society did not default to the Central bank. But the satisfaction in the method lay rather in the fact that Rs. 4,000 worth of groundnuts were produced in a village, which had almost given up raising groundnuts this year. The satisfaction also lay in the fact that sale through the co-operative warehouse gave the ryots Rs. 3 to Rs. 4 more per candy of groundnuts, by eliminating the middleman with his false weights, his false weighments and his false prices."

82. *Co-operative Stores.*—The success of such stores depends, as is well known, upon the loyalty of its members. Co-operative Stores are greatly needed in areas like the Upper Palnis in the Madura district, the Nilgiris, the Agency tracts, and all such places to which transport facilities are few and the cost of transport is high. Take the Upper Palnis for instance. When I was camping at

Kodaikanal, hundreds of ryots from distant villages came to me to represent their difficulties. They told me that merchants and traders (mostly Chettis from Vadagapatti) hold them in a grip of iron. They have a monopoly of stores and the ryots are too poor to pay cash for their requirements. So, these shop-keepers lent stores of a poor quality at high prices on credit at the most exorbitant rates of interest. Ryots are compelled to sell their produce to these traders at ridiculously low prices, to say nothing of false weighments and measurements and deductions for all manner of things. Further, ryots are too poor to cultivate their crops. They are obliged to borrow from these traders at very high rates of interest. The ryots begged me to arrange for the starting of small co-operative society stores at convenient centres. I believe that such stores, backed by a comprehensive scheme of controlled credit including loan and sale operations, will prove a great success. The remarkably successful co-operative stores at Kodaikanal serves Government officials, retired gentlemen and others, more than the ryots themselves who live far away in distant villages.

83. *Other non-credit societies.*—There is scope for much expansion in all direction—such as consolidation of holding societies, better living societies, co-operative farming, arbitration societies, and so on. From the reports received, the Punjab has evidently much to teach us in this direction. I suggest that an officer be deputed for six months to study the working of non-credit societies in the Punjab.

84. *Co-operation for women.*—I am of opinion that attempts should be made to start co-operative societies among women. There is no doubt that women can co-operate with men in joint organizations, and the trend of equality between the sexes would seem to demand a corporate activity. But, there are some reasons against this. In the first place, the social system of India is all against it and is likely to keep women in the background so that their interest will never be fully aroused and they will still depend greatly on men. If Indian women are to be improved, their sense of responsibility must be fully roused, and this can best be done by giving them their own concerns to manage. They must be sole masters and not be hindered by special customs and the presence of men. They must in fact learn to depend on themselves. In the second place, there are special problems for women, anxieties and difficulties which can best be tackled by themselves alone, at present at least. Lastly, even in Western countries, by recognizing this principle it has been definitely understood that by separate systems a separation of ideals and interests is not at all meant. As the President of the International Co-operative Women's Guild is reported to have said:—

"A woman's co-operative movement may therefore be an organic member of the whole movement and work in closest harmony with

it. It has never been possible for a woman's movement to be organized if led by men. Women had always to prepare the way for their sisters. Propaganda and the education of women must be organized on different lines from those of men. Man is not a house-wife; he does not know the little world of the household although he lives in it, and many things which are of vital importance to woman appear trifles to man, because he does not understand them. The house-wife can only be understood if the bridge between domestic economy and co-operation is built with a definite end in view."

85. *Education.*—It is unnecessary for me to stress the importance of educating the people in co-operative matters. In this, the department will do well to work in close collaboration with the Agricultural department.

86. *Training.*—A proper training college for co-operative officials seems as necessary as an Agricultural college is for demonstrators and other officials of the Agricultural department. If supervision is taken over by the department, the supervising staff should be a well-trained band of men, carefully chosen. Even Deputy Registrars and Sub-Deputy Registrars can well have a course of training for at least about three months each, particularly in marketing problems and the working of non-credit societies. I have often noticed that really keen Deputy Registrars are often groping in the dark as to how best to break fresh ground in non-credit work. They are often obliged through ignorance to adopt a "hit-and-miss" policy, involving many avoidable failures before success is eventually achieved.

87. *The need for a progressive policy.*—Finally, I venture to plead for a policy of steady, but cautious, expansion in all directions. Mr. Jack, in his *Economic Life of a Bengal district*, very wisely observes as follows, and his remarks apply with equal force to the movement in this Presidency: "The Government policy in respect of the movement has been announced as a policy of slow and cautious expansion, aiming avowedly at a distant millennium. It is urged in favour of slow expansion that the virtues of the movement lie in teaching the cultivator co-operation and a sense of responsibility and that, if the movement were pushed at a gallop, these virtues would be likely to be lost sight of in the cloud of dust. There is substance in these views no doubt, but a substance which it is sometimes difficult to separate from the shadow. Caution and slowness are comparative terms; and it is not easy to say how many years of waiting and watching are needed to justify their use. In Faridpur at the present rate of progress, which has not enabled one hundredth part of the ground to be covered in ten years, it would require a thousand years to eliminate the professional money-lender by co-operative effort. Indeed, the movement has not as yet got any real hold upon the district, nor is it likely to get any real hold until pioneer societies have been established far more widely than at present."

88. *Land mortgage banks.*—I have little to say on this subject. There were 64 primary land mortgage banks in this Presidency at the end of 1933-34, and several new banks have been subsequently registered. The need for steady, though cautious, expansion is very great.

The bank charges interest at the rate of 6½ per cent. With a lowering of the interest on debentures, the lending rate may be reduced to 5½ per cent or even less. Long term credit of this sort should bear as low a rate of interest as possible. Here also, as in the case of co-operative credit societies, I suggest that repayment of loans in kind may be accepted, the banks arranging through loan and sale societies for the immediate sale of such produce.

I suggest that, for the time being at least, loans may be granted solely for repayment of prior debts, especially after they have been conciliated. Even if debt conciliation boards are not constituted, I believe that primary land mortgage banks, with the help of the co-operative staff lent to them, can do much in the way of persuading creditors to agree to forego a substantial portion of their dues in return for payment in cash.

Very severe tests have to be passed by the borrower before he is given a loan. It is no doubt a good thing that the Central Land Mortgage Bank is cautious in sanctioning loans; I venture, however, to suggest that there is perhaps too much caution. For one thing, to limit loans to only 40 per cent of the market value of the hypotheca is perhaps erring on the wrong side. The Mysore Committee has recommended that the limit be raised from 50 to 70 per cent. I would recommend the raising of the limit in Madras to 60 per cent. Again, I do not see any reason why good dry land of itself should not be accepted as proper security, even if not backed by wet land.

I would suggest that the limit of lending be raised normally from Rs. 5,000 to Rs. 7,000. This will make land mortgage banks capable of supplying finance to debt conciliation boards, whose limit as regards applicants is a debt of Rs. 10,000. The period of repayment may be extended to 30 years.

I visited several land mortgage banks. What struck me forcibly was the enormous number of rejected loan applications, as compared with sanctioned applications. I examined several cases in detail. I confess I was sometimes puzzled why some applications were rejected. In some cases, the titles were sound, the repaying capacities were good and the value of the hypotheca sufficient. They had been strongly recommended by the primary banks and sub-deputy registrars, and legal opinion held definitely that the title was good. Yet these applications were rejected, while others of no better position, as far as I could see, were sanctioned. I venture to suggest that greater care be bestowed by the Central Land Mortgage Bank on the scrutiny of loan applications, which have been strongly recommended by primary land mortgage banks, the

legal adviser and sub-deputy registrars, and that only the really unsatisfactory cases should be rejected. It is also necessary that detailed reasons should be given by the Central Land Mortgage Banks, or primary land mortgage banks, for rejection and that copies of such findings be given to the disappointed applicants. Otherwise, it is difficult for them to find out exactly in what they are lacking and how they can improve before they can apply again with success.

CHAPTER IX.—A SCHEME FOR CO-ORDINATED AND PLANNED ACTION.

89. *Concentration centres.*—In every taluk, there are from five to ten natural marketing centres, each centre being within fairly easy reach of a group of surrounding villages, from which ryots bring in their produce periodically for sale. These are the centres where facilities for rural help may profitably be concentrated. I very strongly recommend that the following, among other, facilities may be made available at these centres:—

- (i) A good warehouse for storing produce.
- (ii) A loan and sale society.
- (iii) A co-operative credit society for the supply of cheap, short-term, controlled credit for productive purposes, chiefly, cultivation expenses.
- (iv) A co-operative stores.
- (v) Other non-credit societies for the peasant population, most suited to local conditions.
- (vi) A well-stocked agricultural depot under a demonstrator to supply ryots with implements, seed, manure, graft plants, poultry eggs for hatching, bee-hives, and so on.
- (vii) A small farm of 2 to 3 acres for demonstration purposes.
- (viii) A well-informed price information bureau.
- (ix) A stud bull.
- (x) A veterinary dispensary.
- (xi) A dispensary in charge of an official of the Public Health department.
- (xii) A boring inspector and a boring set for putting down wells.
- (xiii) An inspector of industries.
- (xiv) A school for adults for the spread of knowledge pertaining to agriculture, co-operation, industries (especially cottage industries), public health and so on, with facilities for a certain amount of practical training. Model appliances should be available for demonstration.
- (xv) A wireless loud speaker.

In working such centres, officials of the various Government departments should, I submit, co-operate closely with each other. The activities so co-ordinated will soon make such centres popular and useful. Intensive village propaganda is needed and, if necessary, special institutions like co-operative societies may be started in villages, but controlled from the

centres. The wireless will prove invaluable in attracting people, and as an instrument for amusement and imparting instruction is likely to be unrivalled, especially before the novelty wears off. Periodic lantern lectures, special lectures by well-known people (officials and non-officials), and so on are required to relieve monotony. Exhibitions, fairs, competitions and the like can be gradually introduced. In fact, there is no limit to the spread of activities in and around centres, once they have been given a fair start. In order to co-ordinate activities, one experienced officer with a few assistants may be appointed for the whole Presidency. Such centres have to keep in close contact with debt conciliation boards and land mortgage banks.

90. *Spread of education.*—It is not necessary that agricultural knowledge could be imparted only by officials of the Agricultural department, industrial knowledge by officers of the Department of Industries and so on. I suggest a wide pooling of knowledge by pamphlets and mutual exchange of views so that all touring officers and subordinates can spread useful knowledge on all subjects pertaining to the welfare of the villager. The officials of the Revenue department for instance can do a great deal during their tours in imparting knowledge and instruction relating to agricultural improvements, cottage industries, village sanitation and co-operative principles.

91. *Official and non-official co-operation.*—Officials and non-officials can usefully co-operate in rural uplift. I suggest the formation of rural uplift committees in every district headquarters, with branches in every taluk. These should include officials of the Revenue, Public Works, Forest, Public Health, Veterinary, Medical, Agricultural, Co-operative and Industries departments. Non-officials and representatives of local bodies, should include leading men as well as women. Special attention should be paid by such committees to education of the villager in matters relating to health and welfare. Mere lectures and discussions will be of no use. Villages have to be regularly visited and special attention is needed to impart knowledge to women. Once the women of villages are interested, improvement will soon follow in all directions. District committees can be co-ordinated by means of a central committee at Madras. The work of arranging for suitable broadcasting programmes should be one of the important duties of such committees.

CHAPTER X.—LAND REVENUE, FORESTS AND IRRIGATION.

92. *Land revenue policy.*—As is well known, rates of assessment on ryotwari land are arrived at on certain settlement principles, the most important of which is that the share to be taken as the Government demand shall not exceed half the net produce. In arriving at an estimate of the net produce, deductions from the gross values of produce are made for cultivation expenses. Liberal allowances are made

CHAPTER XI.—MISCELLANEOUS REMEDIES.

for vicissitudes of season, cartage and merchants' profits and so on. Grain outturns are converted into money rates by the application of the average prices of staple food crops for the twenty previous non-famine years. At a resettlement, which ordinarily occurs once in thirty years, the rates are revised mainly with reference to the average prices of staple food crops in the 20 previous non-famine years. The economic condition of the ryot is investigated into and the new rates can be adjusted so that he can pay them. The maximum increase in assessment at resettlement is limited to 18½ per cent, where enhancements are proposed on the basis of rise in prices only.

Viewed as a rent the land revenue assessment cannot be said to be excessive. As a tax it may be regarded as rather heavy, especially in bad years. If, however, the expenses of the ryot are to be reduced by a reduction in land revenue, so that he may have a bigger margin of profit to pay off his debts with, the fact must be faced that Government will have less money to spend on the people, as the bulk of the revenue of local Governments is derived from tax on land.

93. *Rent on zamindaris.*—The commuted money rents in many zamindaris are very high, sometimes going up nearly to Rs. 30 an acre. These high rates are in my opinion a hardship on the ryot, especially when, as I am told, communal facilities like irrigation works, grazing grounds and the like are, in certain zamindaris, left in a neglected state. I believe there is need for a careful re-examination of the commutation rates with a view to revising them where they are found to be pitched too high.

94. *Irrigation.*—The best form of insurance against vicissitudes of season and famines is to increase and enlarge the sources of regular supply of water for irrigation. Big irrigation projects are few. They cost much money and are consequently expensive to the agriculturist.

Tanks can with profit be repaired and enlarged. Many tanks have been abandoned, because ryots have been unable to contribute to their reconditioning. I suggest that works on as many of these as possible be taken up, by offering more liberal terms to the ryots, even recovering, if necessary, contributions from them in small instalments spread over a number of years.

The most desirable form of irrigation work by far, however, is the well. A good well will irrigate from 5 to 10 acres of land. While touring in Anantapur and Bellary districts recently, I was struck by the prosperity and greenness of small bits of land blessed with wells, as compared with the general atmosphere of famine-stricken barrenness. I suggest that a definite policy in the construction of wells be taken up, especially in districts susceptible to famine. The work should be systematically taken up, taluk by taluk,—the possibilities first surveyed and explored, and then the wells put down, partly perhaps by direct Government help and largely by loans granted to ryots on easy terms.

95. *Communications.*—My inspections and enquiries clearly show that village communications are quite inadequate. Local bodies, which derive a large income from cesses contributed by the ryot population, are, I am afraid, often negligent of the interests of the villager, especially in the provision and maintenance of village communications. The general complaint is that villages, in which the president of the board or his friends and relations have no concern, are completely neglected and no amount of petitions or deputations about them are of any avail. Inadequate village communications contribute much to the expenses and hardships of the ryot. Varakavi-pudi village in the Nellore district, for instance, is 14 miles from Nellore town. There are 8 miles of road and 6 miles of sand in between. The village is a wet one. Cart-hire for these 14 miles, much of them over heavy sand, actually comes to Rs. 6 or Rs. 7 for two carts which carry one *putti* of paddy. The position is the same for five other villages nearby. Numerous petitions have been sent to the president of the district board, but nothing has come of them. District union and panchayat boards should be largely responsible for rural welfare. Their neglect of their duties in this respect may be taken serious notice of by the Government. Of what real advantage to the ryot are first and second class roads, when he has to traverse with his country cart miles of neglected cross country to get to them? Why should the ryot pay local boards so much in cess, if even his elementary requirements are not considered?

96. *Weights and measures.*—A bill for the standardization of weights and measures in his Presidency seems to be urgently called for. The work of the stamping party has to be not only enlarged, but also modified, so that it may cover every corner of the country, as well as ensure perfect immunity from tampering of stamped weights and measures. All officers of the Revenue, Co-operative and Agricultural departments, not below the rank of a revenue inspector, should be authorized to inspect weights and measures and launch criminal complaints.

97. *Transport.*—I venture to suggest that motor transport of agricultural produce may be encouraged by a reduction in taxation of lorries and if possible of the import duty on them.

Railway freights for agricultural produce are generally pitched too high. There have been some concessions of late, particularly for paddy; but I believe an all-round substantial reduction in freights for all agricultural produce is urgently needed. Some districts raise food crops far in excess of their requirements, while others do not raise enough. Unless the movement of produce throughout the country is fluid and free, proper adjustment of supply and demand is not possible. I venture also to recommend a flat rate per mile irrespective of distances to be covered. Chapter VII of Mr. C. R. Srinivasan's report on *Rice production*

and trade in the Madras Presidency is well-worth study in this connexion. To quote from page 70 of his report: "As an illustration let us take the case of the parboiled rice from West Godavari which sells at Rs. 6 per bag of 164 lb. at Madras. The price per bag of paddy at Godavari can then only be Rs. 2-13-0 as shown below:—

Charges incurred per bag before the rice arrives in Madras.

	RS.	A.	P.
Commission at Madras ...	0	1	0
Freights and incidental charges ...	1	2	0
Cost of gunny ...	0	3	0
Milling charges ...	0	4	6
Profit of the miller or merchant ...	0	1	0
Brokerage, weighing, etc. ...	0	0	6
Total ...	1	12	0

Therefore, the price of 164 lb. of rice or its equivalent 246 lb. of paddy will be Rs. 6, minus Rs. 1-12-0, or Rs. 4-4-0 in Godavari and hence the price of one bag of paddy of 166 lb. will be Rs. 2-13-0. Any reduction or complete elimination of expenditure under any of the abovementioned items would tend to increase the share obtained by the producer of the price paid by the consumer. During the last two or three years the expenditures under most of the above items have already been reduced to the absolute minimum and would not offer scope for any further reduction. The only item that can possibly be revised is railway freight as has been shown already."

98. *Emigration.*—Emigration is mostly confined to labourers who go to work in estates in Ceylon, the Federated Malay States and so on. The slump has naturally reduced such emigration. I suggest that all possible efforts are needed to stimulate emigration.

99. *Insurance.*—There are no insurance companies for the poor man. A great step forward will undoubtedly be taken if insurance companies can be persuaded to do business in small policies suitable for the small farmer. Such policies will soon become popular if properly advertised and pushed.

100. *Education.*—Finally, I wish to touch on the very important subject of education. Elementary education obviously needs to be rapidly extended in villages. In this extension, I think, a definite *agricultural twist*, as some one puts it, ought to be given to it. Special attention is needed to make rural economics, with practical out-door training, a compulsory subject. Since primers are needed to teach reading and writing, they should also be treated as a means of imparting useful knowledge in rural life and especially in agricultural economics.

Schools, I submit, should be as near the abodes of children as possible. The latter cannot be expected to walk even a mile or two in a hot and uncertain climate to get to a central school. The present hours of teaching are too long. A labourer and small farmer

expects his children to earn for him. He is therefore unwilling to permit them to spend the whole day in school. If only school hours for children are reduced and so fixed as to interfere as little as possible with agricultural and other operations in which children can be employed, school attendance will greatly increase. The following striking extract from an economist of Mysore has much truth in it: "Raise the economic efficiency of the villager—that is the most fundamental thing to be done . . . Parents of the boys have just confirmed my opinion. At least in sixty families I heard the master of the house complaining against the education that was being given to his boys in Government schools. Said they: 'You engage the boys for the whole day for four years in the primary schools and for six years in the middle schools. We at home give them special treatment in the shape of exempting them from our professional and accessory work, just because they are engaged working all the time with you. At school, whatever you teach or do not teach, you certainly teach the boys one thing—to sit on benches with minimum physical activity and to use the hand mainly for one thing, namely, writing. What happens? After the four or six years' course the boy returns home to join his parents in work; he enters life (as I have already said a very high percentage of rural families cannot afford to send and maintain their children in towns for years together, nor do they like it). The rough agricultural work which has to be done the boys do not like. They have lost their respect for labour and consider it as mean. Their physiques are weak on account of continuous disuse. They always yearn to take up some clerkship or some village schoolmastership or, to go to town. Such of them that get such places cannot maintain themselves with the pittance they get as pay.' And the climax of the tragedy comes up when the illiterate, uncivilized father is forced to send remittances to supplement the meagre earnings of his educated son."

We are spending much money on Universities. In the Madras Presidency, two new Universities have lately sprung up. If they are to prove really useful to this country, special attention should be devoted to practical research and welfare work in villages; and agricultural economics should, I believe, be made compulsory even for University students.

101. *Conclusion.*—In conclusion, I wish to record my thanks for the strenuous work done for me by my clerk, R. Rangasayee, and my stenographer, K. Narayana Rao. My grateful thanks are also due to all those gentlemen, official and non-official, who have tendered and collected evidence for my report.

I have the honour to be,
Sir,

Your most obedient servant,

W. R. S. SATHIANADHAN,
Special Officer.

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