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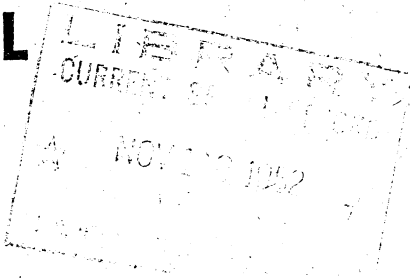
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To promote the investigation, study and improvement of the Economic and Social conditions of agriculture and rural life through:—

- (a) periodical conferences for the discussion of problems;
- (b) the publication of papers, separately or collectively; or in a periodical which may be issued under the auspices of the Society;
- (c) co-operation with other institutions having similar objects, such as the International Conference of Agricultural Economists and the Indian Economic Association, etc.

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A HUNDRED YEARS AGO

[The following extract from the Report on the Deccan Riots (1873) is illuminating. It clearly reveals the effect of the early British Legislation on moneylending. It marked the beginning of transfer of lands from agriculturists to moneylenders. The riots led to the enactment of the Deccan Agriculturists' Relief Act. The Arthur Commission reviewing the working of the Act in 1902 observed: "It is a contest of dishonesty, in which that side is likely to gain the upper hand which is prepared to go furthest in perjury and in the production of false evidence. Witness after witness has testified to this demoralisation. Distrust has been engendered on both sides. The honest sowkar and honest cultivator suffer alike, since in their dealings with one another they have to allow for the judgment of a court which will presume dishonesty on both sides. Hence it is that an Act whose main object was to put the relations between agriculturists and moneylenders on a better footing, is actually having an opposite effect."

Three-quarters of a century after the Deccan Riots Committee and the Deccan Agriculturists' Relief Act, we are still busy conducting rural credit surveys and enacting Moneylenders and Debt Relief Acts. Must history repeat itself so monotonously!—Editor]

HISTORICAL REVIEW OF INDEBTEDNESS

The earliest record shows that indebtedness was common among the Deccan ryots when their country came into our hands. Mr. Commissioner Chaplin, reporting on the newly acquired Deccan districts in 1822, writes:—

"The ryots in many villages, though usually frugal and provident, are much in debt to sowkars and merchants owing to the oppression of the revenue contractors; many of these debts are of long standing, and are often made up of compound interest and fresh occasional aids which go on accumulating so as to make the accounts exceedingly complicated; a ryot thus embarrassed can seldom extricate himself. His exertion may be compared to the hellish torments of Sisyphus, who had no sooner rolled his burthen to the summit of the hill than it fell back upon him with redoubled violence. . . . The Miras¹ fields of ryots are sometimes mortgaged for these debts."

Mr. Chaplin indeed mentions that "Miras holdings are, sometimes mortgaged," but in another place he estimates the selling value of miras land at not more than 2 or 3 years' purchase, and states that land yielding Rs. 200 of gross produce can seldom be mortgaged for more than Rs. 100. The usual and recognized method for recovery of debt was for the sowkar to send a Mohosul, that is, a servant whose maintenance had to be paid daily by the debtor, or to place a servant in "Dharna" at his door (which is the process called "Tuquaza" by Mr. Chaplin) or to confine the debtor in his house or otherwise subject him to restraint and even severer measures. It is plain that such methods could not be put in force against any but the

1 Miras tenure comprised a right of occupancy at the customary rate and other privileges distinguishing it from the ordinary tenancy-at-will.

humbler class of debtors, and doubtless the ordinary dealings of the sowkar and ryot were based rather on the ascertained result of experience teaching each his own interest than on any power of compulsion in the hands of the creditor. The ryot's constantly recurring necessity could not be relieved unless he maintained his credit by good faith, and on the other hand the sowkar had no support from without to look for in exacting more than a fair profit, which, considering his risks, would be also a large profit. Honesty was the ryot's best policy, and caution was a necessity to the moneylender.

The condition of the ryot as regards his relation to the moneylender when British rule commenced may be summed up as follows:—

- (1) There was a considerable burden of debt, and many of the ryots were living in dependence upon the sowkar, delivering to him their produce and drawing upon him for necessities.
- (2) The ryot's property did not offer security for large amounts; his cattle and the yearly produce of his land being the lender's security, the mortgage of miras land was rather a means by which the sowkar got a firmer hold upon the produce than upon the land itself. For immovable property was not sold for debt, and the miras title would have no value for a non-agricultural landlord.
- (3) Rates of interest were very high, and much of the debt consisted in accumulations of interest.
- (4) The causes of indebtedness were chiefly the revenue system, and sometimes expenditure on marriages or such occasions.
- (5) The amount of individual debt was usually moderate.
- (6) The sowkars were usually men of substance maintaining establishments employed in dunning and looking after debtors.
- (7) The creditor received little or no assistance from the State in recovering debts, but had great licence in private methods of compulsion.

RELATIONS OF SOWKAR AND RYOT

First Period of British Rule

Under British administration this licence was curtailed, and courts presided over by the Collectors were open to suitors, but the sowkars did not at first have recourse to them; this and other causes referred to by Mr. Chaplin in his report caused a contraction in the sowkars' dealings. In a district such as this, however, with a rack-rent assessment, the ryot's necessities compelled him to keep on terms with his sowkar, and the ordinary Kunbi debtor even of the present time does not often repudiate debt; it does not appear therefore, that the contraction of credit which followed the introduction of British rule was more than temporary, while the fall in prices with the high rate of assessment maintained must have made the ryot's need of the sowkar even greater than before. We have not been able to find any record bearing on the subject for the years immediately following Mr. Chaplin's report, but it is certain from subsequent information that the burden of debt grew rather than declined before the introduction of regular courts and procedure.

Second Period under Regulation

In 1827 the first regular procedure for the administration of civil justice was introduced into Bombay Presidency by Regulations II, III, IV, and V. Regulation IV provided the procedure, and Regulation V limitations for civil suits. They contained clauses which will be referred to and may be noticed here. In Regulation IV the cattle and implements necessary for the support of agricultural debtor were declared exempt from seizure on account of debt. Regulation V limited the rate of interest recoverable in a Civil Court to 12 per cent. per annum. When the new courts came into operation, the ryot had no title in his land except in the case of miras tenure, and the revenue demand was still crushing. These circumstances left but little security to the sowkar for debt not speedily realized, and the courts afforded the means for speedy realization; we find accordingly that they soon began to be resorted to.

Extracts from Record of 1843

The first full record bearing on the subject is the result of an inquiry made in 1843 by the Revenue Commissioner of the Northern Division. The substance of the Collector's reports are given in the appendix.² The Collector of Poona, after premising that it is well known that all enactments to fix a lower than the market rate of interest have had the effect of enhancing it, proceeds to state that money in this country is frequently borrowed on mere personal security at from 35 to 60 per cent; and when it is considered that the borrowers seldom possess any property, it appears to him rather surprising that they should be able to procure credit at all than that the rate of interest should be so high. Messrs. Frere and Rose, the Collector's Assistants, also submitted reports. Mr. Frere states there are few villages in the two parganas under his charge in which there is one ryot unburdened with debt, and scarcely a single village in which three persons could be found not involved for sums above Rs. 100. These debts, he says, are contracted on occasions of marriages and other rites, the interest charged varying from 25 to 60 per cent. Mr. Rose observes that the usurious character of the village Bania is notorious, and he attributes the poverty of the Deccan ryots in a great measure to his rapacity; he is afraid, however, that it will be difficult to remedy the evil effectually, as the ryots consider the Bania almost necessary to their subsistence, and their thoughtlessness and ignorance would render it easy to frustrate any attempt to check or put a stop to his exorbitant gains. The interest agreed upon in cases where the ryots are concerned is generally enormous and the agreements are often fraudulently procured.

The Collector of Ahmednagar wrote that the measures which Government had from time to time adopted for the relief of the agricultural ryots had only made the moneylenders more rapacious and unrelenting. Bonds were renewed at exorbitant rates, the interest and principal being entered in the fresh bond and he instances a case in which a loan of Rs. 61 was made to run up in 14 months to Rs. 189, and a decree was given against the debtor.

The Collector of Kaira stated that money was advanced at 12 per cent. interest, besides a premium deducted from the loan, of from 1 to 6 per cent.

² Not printed.

"The moneylenders favour the ryots with loans at 12 per cent. interest as allowed by our Civil Regulations, besides which they generally receive a premium (which is deducted from the loan) and varies from 1 to 6 Rs. per cent. according to the credit of the borrowers."

"There are in this zillah about 50,000 cultivators of Government land, one-fourth of whom, or 12,500, are in a condition to dispense with sowkar aid by being possessed of sufficient funds of their own; but the remaining three-fourths, or 37,500, cannot, I imagine, carry on their affairs without the assistance of moneylenders. Of this latter number about two-thirds, or 25,000, are regular in the payment of the sums borrowed from the sarafs, and consequently no suits are filed against them, nor are they obliged to pay higher interest than from 6 to 9 per cent; whilst the rest of the ryots, about 12,500, are so strained in their circumstances as not to be able to discharge their debts punctually, and are therefore required to pay 12 per cent. interest on sums borrowed, besides a premium of from 1 to 5 Rs. per cent., which is always added to the loan, and the bond passed is for the total amount inclusive of the premium, which, however, is not mentioned therein. Again, when the time for payment arrives, and they are not prepared to answer the demand, the sowkars insist on a fresh bond being passed for the amount of the debt with interest thereon, besides whatever other sum the ryots will consent to be added for the credit and forbearance, the whole again running on at 12 per cent., interest till liquidated. . . The average number of attachments in this zillah is about 1,000 annually."

It will be observed that in this correspondence the attendance of the officers reporting was usually fixed upon the question of usury. The Collector of Kaira indicates that the debtor class were beginning to feel the pressure of legal processes; he states that 1,000 attachments³ had been issued during the year, and that the debtors renewed bonds with premium "for forbearance." The Collector of Ahmednagar also mentions the conversion of a usurious loan into a decree, and the Collector of Surat notes that the law regarding enforcement of decrees was worked, by combination of the sowkar class, to the prejudice of the judgment-debtor; but the Collector of Khandesh does not suppose that the moneylenders resort much to our courts.

On the whole it is evident that the burden of debt was not as yet aggravated to any degree of severity by the operation of the law. This was to be expected, for the ryot generally had no title in his land except that conveyed by the miras tenure, and his agricultural stock and implements were protected from legal seizure. Other points that call for notice in this correspondence are: (1) That, the moneylenders are spoken of as "the village Bania," "the village sowkar" and in similar terms, indicating that as yet the long established moneylender of the community was the only sowkar with whom the ryot had to deal. (2) That expenditure on marriages, caste rites, and similar occasions is generally assigned as the cause of indebtedness. (3) That those districts which at present time are most debt-ridden furnish the most unfavourable reports.

³ In 1873, 4,926 attachments were issued from the Subordinate Courts in Kaira.

We have seen that about the time when this inquiry was made the period of prosperity which followed the introduction of the survey and settlement and of a sounder and more liberal system of revenue into the Deccan, had already commenced. The favourable features of that period have been noticed above. Strong inducements existed for the ryot to increase his agricultural operations and the sowkar found enhanced

**The evidence of
the records from
1850 to 1858**

security and a ready machinery in the record relating to this subject from 1850 to 1858, two features which had already become marked characteristics of the relations of sowkar and ryot under the altered conditions of our revenue and judicial systems. These are the growth of small capitalists engaged in moneylending, and the unequal operation of our laws to the disadvantage of the ryot. The appendices deal fully with the relations of the sowkar and ryot from 1848 to 1858 but in illustration of the above remarks the following passages are extracted. The Superintendent of the Ahmednagar Revenue Survey, Captain G. S. Anderson wrote:

“The Country has not hitherto derived that benefit from the Marwaris which it would do from respectable and permanently resident capitalists. . . . The people are much preyed upon by needy adventures, and there is a great deal of reckless and fraudulent trading carried on, which appears to me not only to entail much injury and oppression on the ryots, but also subjects the traders themselves (at least the honest portion of them) to loss. In this manner a ryot becomes so entirely involved, that it is not in his power to extricate himself by any honest exertion of his own, and he either remains in a slavish state of poverty and indebtedness, or should he show signs of resistance to the Marwari’s continued exactions, he is dragged into court, and ruined, to deter others from proving disobedient.”

Again Captain (now Sir G.) Wingate wrote in 1852:

“The facilities which the law affords for the realization of debt have expanded credit to a most hurtful extent. In addition to the ordinary village bankers, a set of low usurers is fast springing up, by whom small sums are lent for short periods at enormous rates of interest to the very lowest of the population, who have not credit enough to obtain advances from the more respectable of the village bankers. All grades of the people are thus falling under the curse of debt, and should the present course of affairs continue, it must arrive that the greater part of the realized property of the community will be transferred to a small monied class, which will become disproportionately wealthy by the impoverishment of the rest of the people. No greater misfortune could befall any nation than this, by which the many are made miserable in order that the few may be pampered. And yet this is the inevitable tendency of the existing relations between debtor and creditor in our presidency.”

In 1858 the Revenue Commissioner, Mr. Inverarity, submitted to Government a report from the Collector of Ahmednagar in which the following passage occurs:—

“The aid given by our courts is all on the side of the Marwari, who alone knows how to turn that aid to his own advantage. The

position of the litigants is not, therefore, simply of debtor and creditor, it is the fraudulent Marwari, backed by civil courts, versus the helpless ryot, signing any bond without even a true knowledge of its contents, and powerless to oppose any decree that may be passed. This matter keeps up a constant irritation sore throughout the society, and the whole onus is thrown by the people on the civil courts, whereas it is the law which is at fault in assuming debtor and creditor in this country to be equal, while they are rather in the position of master and slave. The question is one of vital importance both to Government and the people. Even the passive society of the East cannot bear so great a burden without making from time to time conculsive efforts to shake it off. These efforts must increase in frequency and strength, unless the Legislature seriously takes by the evil and applies the knife to it."

On the Revenue Commissioner's letter the Governor in Council recorded the following resolution:

"His Lordship in Council entertains no doubt of the fact that the labouring classes of the native community suffer enormous injustice from the want of protection by law from the extortionate practices of moneylenders. He believes that our civil courts have become hateful to the masses of our Indian subjects from being made the instruments of the almost incredible rapacity of usurious capitalists. Nothing can be more calculated to give to widespread discontent and disaffection to the British Government than the practical working of the present law. The attention of the Legislative Council on the subject should be requested, and copy of the Revenue Commissioner's letter forwarded for their consideration.

The subject was then again for a time dropped.

It had become well known that the Regulation restricting the rate of interest recoverable to 12 per cent. was evaded by the moneylenders by the deduction of discount, or more properly of interest taken in advance, from the consideration given to the debtor. The usury law had the natural effect of placing the debtor in a worse position by the introduction of a practice which has survived its cause, by which the debtor is compelled to co-operate in a fiction to evade the law; for the bond acknowledges receipt of a considerable which has not actually passed. In 1855 accordingly an Act was passed repealing the restriction on interest.

As another natural result of the enhanced value of agricultural investments caused by the survey settlement, we find the practice of raising money on mortgage of land gradually making way and private transfer to sowkars occasionally resorted to. Such transfers were doubtless made in liquidation of debt, and not for the purpose of raising money, as no cultivator would part with his land altogether for such a purpose. It must be presumed, therefore, that the moneylender in such cases compelled the transfer by threat of imprisonment or other alternative having terrors for the debtor. The following figures show the growth of moneylenders'

Repeal of Limitation of interest, 1855

Acquisition of Land by Sowkars

property in land in the district of Poona as exhibited in the accounts of 24 villages, and illustrate the above remarks, as do also the results of the Commission's enquiries given in the appendix.

In the 24 villages mentioned the number of occupancies held by sowkars in the years 1854, 1864 and 1874 with their area and the assessment payable at each period were as follows:—

	1854	1864	1874
Number of Khatas	164	203	272
Area in acres	4,001	5,292	10,075
Assessment	1,924	3,721	7,134

In noting these figures it must be remembered that during the latter part of the period embraced, there was but little unoccupied waste, and the increase in sowkar holdings implies a corresponding decrease in those of the cultivating class. It will be observed that the increase in the assessment is greater than that in area, showing that the better class of lands was passing into the sowkars' hands, and further that the increase in the number of khatas indicates an increase in the number of sowkars, the particular feature of our subject which was dwelt upon above. The rate of increase in the area of land held by sowkars was much greater in the district of Ahmednagar than in Poona.

Although the property of the moneylending class in land was thus increasing, the sale of occupancies under decree was rare; this was probably due to several causes. In the first place the people had not acquired full confidence in the title given by the survey settlement, probably hardly had confidence as yet in the stability of our rule; the only land sold was miras, which was held by a recognized title familiar and reputed to be safe. It was not often the interest of a creditor to sell his debtor out of his holding; as the ryot's agricultural stock and implements were productive if left in possession of his land, the creditor securing the fruits of his labour, than he would be as a mere tenant. The sale of immovable property for debt was opposed to usage and public opinion, and unless the land was directly made security, the courts would be reluctant to have it sold whenever the claim might be satisfied by other means more consonant with native usage.

The returns of the judicial work of Poona and Ahmednagar clearly show how far the method of disposing of business in the courts before 1859 was favourable to defendants, by comparison with the more strict procedure introduced in 1859. The suits in subordinate courts adjusted without judicial action averaged a proportion of 1 to 4 to those actually heard. Thus in the Munsif's courts of Ahmednagar in 1850, 2,395 suits were adjusted or withdrawn against 9,048 decided. In 1859 as many as 5,538 suits were adjusted or withdrawn against 15,622 decided. In the Poona Munsif's courts, 2,055 suits were settled in 1850 against 6,838 decided, and in 1859, 1,869 were settled against 8,191 decided. The rate at which the growing work was disposed of in this district is well indicated by the proportion of suits left undisposed of at the end of the year. In Ahmednagar District in 1850 suits to the number of 16,560 were filed,

and at the end of the year 3,473 remained in the file; in 1858, 25,257 suits were instituted but 10,400 remained on the file at the end of the year. In Poona District 13,008 suits were filed in 1850 and 2,400 were left on the file at the end of the year. In 1858 there were 13,742 suits filed and 5,395 undisposed of at the end of the year.

It is to be regretted that returns cannot be obtained for the years previous to 1850 showing how the period of returning prosperity in the Poona District was illustrated by the work of the civil courts; but the figures for Ahmednagar which embrace the years of the introduction of the survey settlements into that district, show very clearly the connection between the improvement of agricultural securities following the settlements and the expansion of litigation on account of debts. The first three years of the period in our return (1850-1-2) saw the survey settlements introduced into Ahmednagar (the district at that time included a portion of the present Nasik Collectorate) and will be remarked that an immediate considerable impetus was given to litigation. There was a temporary reaction in the expansion of agriculture in 1854, the people having taken up more land than they could cultivate, and accordingly we find the work of the courts is reduced during that year and the next, only however to increase again until the number of suits in 1859 had reached 25,136 as compared with 15,633 in 1850.

The returns show that the imprisonment of the debtor was a favourite method of procuring settlement of debt. It has been stated that the sale of land was rarely resorted to, and the realization by the sale of the debtor's house was noticed as an innovation; imprisonment would therefore be more often used. During the three years from 1850 to 1853 there was an average of 530 civil prisoners in Poona Jail as compared with an average of 204 in the years from 1860 to 1863 and in Ahmednagar an average for the same periods of 49 as compared with 29.