

The Great Economic Depression and Rural Credit Relations in Bengal, 1928-1947

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Abstract : *Indebtedness as a chronic problem had begun to develop from the closing years of the 19th century when man and land ratio declined sharply. By the third decade of the 20th century, it posed as a real threat to the rural economy. The unstable jute market during the first two decades of the twentieth century and depression of 1930s had shattered the rural economy of Bengal. Markets of jute and paddy, the two lifelines of peasant economy, collapsed completely. Prices of these commodities fell far below their production cost. Conversely, the prices of essential non-farm commodities did not fall proportionately. As a result, the peasants had lost purchasing power. As the depression resulted in the contraction of credit, the mortgages were quickly replaced by direct sales of lands. The rich peasants and mahajans availed of the opportunity of the declining prices of agricultural commodities. Every indebted peasant was trying to survive by transferring lands. Under the circumstances of rising indebtedness and deteriorating relations between debtors and creditors, the government had to enact necessary laws to cope with the situation. Series of laws were enacted and while these acts could solve some problems, but at the same time created some new. To overcome the effects of depression the government enacted Bengal Agricultural Debtors Act of 1935. The authority took the amicable settlement of debt through the establishment of local Debt Settlement Board as the only way out to solve the problem of rising indebtedness. This measure had proved to be abortive by making the peasants agricultural wage earners.*

Key Words: *credit, debt, Debt Settlement Board, depression, interest, land, landlord, mahajan, mortgage, sale.*

The movements of price of agricultural produce have serious consequence on any agrarian economy especially of any monsoon-based country like Bengal.¹ Due to general poverty that prevails among the poor agriculturists of Bengal a local money-lending class, known as *mahajan*, financially supported agriculture. It seems that credit is essential for conducting any agricultural operation in Bengal. It appears from the survey conducted W. Rattray in the late 19th century from Dhaka and by J.C. Jack in the beginning of the 20th century that most of the peasants suffered from indebtedness.² Undoubtedly, indebtedness was a common feature in monsoon based agricultural country like Bengal and it worked like a capital necessary for carrying out agricultural operation. An attempt has been made in this paper to show how did the great depression affected the rural credit relations and what measure was undertaken to solve the problem with what consequences.

The rise in prices also affected peasants in as much as the fall in prices. The fall in the prices of agricultural commodities during the period from 1928 to 1937 in Bengal had possibly more pernicious effect on the peasant economy than the rise in prices. When the great depression set in, the prices of agricultural commodities decreased. Between 1929 and 1935, a sharp fall in prices by 60 to 70 per-cent occurred in many of the Bengal districts. The prices of jute showed a steady rise since the beginning of twentieth century. The peak year for jute price was 1925 when it rose to about Rs. 16 per *maund*, but in 1933 the price of jute fell as low as Rs. 3 per *maund*. However, the magnitude of the problem of depression may be better understood by the price movement of rice and jute.

Table - 1
Index Number of the Prices of Rice and Jute, 1928-1937
1929=100

Year	Rice	Jute
1928	111.9	107.3
1929	100.0	100.0
1930	73.1	54.9
1931	55.8	54.4
1932	45.9	50.0
1933	55.1	43.9
1934	55.1	43.5
1935	53.3	62.2
1936	58.9	71.3
1937	57.6	77.8

Source : *Season and Crop Reports of Bengal 1928-1937.*

The Table 1 shows that the prices of rice fell by 54 percent in 1932 compared with the prices in 1929. The prices tended to rise, but even then, the prices of rice for 1937 remained lower than those for 1929 by about 43 percent. The condition of jute was even worse. Compared with the prices of 1929, the prices of jute fell by about 57 percent in the years 1933 and 1934. There was a sharp fall in the prices of all other agricultural commodities as well.

The fall in prices of agricultural produce during the years of depression brought about a perilous situation in the economy of the country. It drastically reduced the income of the agriculturists in money terms. It was officially remarked that:

Not that the cultivators are getting lesser produce, but what he used to get by selling a *maund* of jute, he could not get by selling three *maunds*. what he used to get by selling one *maund* of paddy, he got by selling three *maunds* ... Owing to this fall in prices, the agriculturist is finding difficulty to meet this expenditure from his income, as the price of articles he has to purchase, namely, cloth, umbrella, oil etc. have not gone down in the same proportions.³

In consequence, the old debts of the agriculturists along with their interest piled up and new debts were eventually incurred for subsistence. The depression had its inevitable impact on the politics of the period under review. The boycott movement started in 1930 when the economic depression of India reached its climax. The movement remained active until 1931 when the Gandhi-Irwin Pact was concluded.⁴ The boycott movement was directed against all foreign cloth in general and all British goods in particular. In consequence, the Indian imports of general merchandise and foreign cloth declined during the period under review. Moreover, the British goods remained unsold and their capital locked up until the boycott movement came to an end. G. D. Karwal, a contemporary writer, remarked that: 'Business slackened, industry received set-back and unemployment increased, that is, the depression greatly depressed.'⁵

The recession brought marked polarization in the agrarian economy of Bengal. As it resulted in the contraction of credit, the mortgages were quickly replaced by direct sales of lands. The rich peasants and *mahajans* availed of the opportunity of the declining prices of agricultural commodities and grabbed the best plots they could lay their hands on in sales. The Tenancy Law protected only the upper strata of the tenantry, while the tenant-at-will remained unprotected. On the other hand, the money-lender and rich peasants, who acquired new lands through depression, found cultivation unprofitable. Therefore, in many places of Bengal, the moneylenders leased out their land to the persons from whom they bought it. The debtor-cultivators, who tilled the soil more as a profession than as business, had neither the desire nor the resources to fall back upon. So the depression in consequence brought down the proprietor-cultivators to the rank of tenants. The peasant-proprietor as productive entrepreneur ceased to exist. In some cases the moneylenders were unable to lend, because they had already been tied up with the borrowers of the pre-depression period. So the Board of Economic Enquiry assumed:

Money-lenders as a whole had failed to collect any interest, much less any part of the capital of their outstanding loans, during the last three years. Some of them might have sued

their debtors in the civil courts, but owing to the absence of purchasers at a reasonable price execution proceedings dragged on indefinitely, and if the land sold it was difficult to get possession or to find other cultivators to take settlement.⁶

With the fall in prices of agricultural products, the situation, which was already serious, became critical. Agrarian discontent became marked and the relations between proprietors and tenants and between moneylenders and debtors became strained. As we see it from the Land Revenue Administration Report (1918-19): 'Strained relation between landlords and tenants were noticeable in certain parts of the Presidency. This is generally attributed to enhancement of rent, illegal exactions, money lending or disputes between co-share landlords.'⁷ But due to the steep fall in prices of agricultural produce, agriculturists suddenly found their assets reduced to a larger scale in money terms with a corresponding increase in the burden of their debts. This had important bearing upon the later peasant movements of Bengal. In February, 1928, the Muslim and *Namasudra bargadars* of Manikganj subdivision of Dhaka district went on a strike refusing to cultivate the lands of *Saha* landlords. The *Saha* caste of Manikganj was mainly composed of prosperous money-lenders and traders. During 1929 there was a friction between Hindu moneylenders and Muslim tenant-debtors of Narayanganj subdivision in the district of Dhaka, who refused to cultivate the land of the former. However, the depression affected the relations between landlord and tenant and moneylender and debtor in many districts of Bengal. This was manifested by the anti-moneylenders agitations. From 1920s onward the political activities and peasant movements continued as a parallel stream and sometimes under the leadership of the same persons. In Kishoreganj subdivision of Mymensingh district, the Youth Comrades' League (the Youth Organ of the Workers and Peasant Party) had been active since 1929 to organise the peasantry against the landlords and moneylenders, who were incidentally almost entirely Hindus. The peasant-debtors of Pakundia of Kishoreganj attacked one Iswar Chandra Shil, a potential moneylender, and demanded their *tamsuk* papers' (debt-bonds) lying with him.⁸ Similar

events occurred periodically at Egarosindhu, Jangalia. Majidpur, Bahadia, Malpara, Sukrabad, Mirzapur, Jamalpur, Govindpur and Pakundia of Mymensingh district.⁹ A crowd of peasant-debtors surrounded the house of Krishna Chandra Roy, who was an influential and wealthy landlord-cum-moneylender of village Jangalia, and demanded the return of their *tamsuk* papers to which the landlord answered by opening fire, killing at least eight persons on the spot. This incident infuriated the already disgruntled peasants, who in reaction, killed Krishna Chandra Roy and tore the deeds of debt and mortgaged land before dispersion.¹⁰

The predominant feature of the peasant movement of Kishoreganj was snatching of debt-bonds when the *mahajan* declined to surrender. Violence ensued only when the *mahajan* resisted very strongly. Within a few days of the movement, the *mollas* (religious leaders of the Muslims) from Dhaka and Noakhali arrived at Kishoreganj and exerted their influence by twisting up the peasant-debtor movement into communal one. But very soon it was officially recognised that the movement was not communal as both the Hindu and Muslim moneylenders were equally attacked.¹¹ Strikingly, the first victim of the peasants' rage was a Muslim moneylender. But the press of Dhaka and Calcutta considered this movement to be communal which had an important bearing upon the movement. The newspapers of Bengal almost entirely owned by the Hindus blindly supported the moneylenders who happened to be mostly Hindus. This led to aggravation of the situation and turned the debtor's movement into a communal riot. The fact was that initially a peasant-debtor movement had been started under the inexperienced and immature leadership of the Young Comrades' League, but external pressure turned the movement into a communal conflict.¹² However, strong police interference at Kishoreganj in July, 1930 suppressed the movement temporarily. But again in March, 1932, the Muslim peasants of Kishoreganj renewed their movement against the moneylenders. They formed an association of their own, which aimed at freeing the Muslim peasantry from the clutches of the Hindu *mahajans*. The peasantry of Kishoreganj demanded the remission of interest of their debts and in case of refusal some of the properties of *mahajans* were burnt.¹³ This led to

serious communal disturbances when the house of a Hindu *dafadar* cum *mahajan* was set on fire.

There are some important aspects of the peasant-debtors movement of Kishoreganj sub-division and Dhaka District which require further analysis. Firstly in most cases of the movement of Kishoreganj anger mainly concentrated on Hindu moneylenders than on Hindu landlords, probably because rent burden was not so excessive as the debt and interest demanded by the creditors. Tanika Sarkar argued that:

... the landlords were perhaps vested with some amount of customary legality in the peasant mind whereas *mahajans* appropriating the lands of the indebted peasants had been attacked as an unacceptable, alien imposition since the days of the 1857 revolt. As a result anti-landlord outbreaks in Bengal were a far more infrequent occurrence than anti-*mahajan* riots.¹⁴

Suranjan Das had also termed this riot as communal.¹⁵ But it is evident from the information supplied by the Report of the Bengal Banking Enquiry Commission that both in Dhaka and in Mymensingh the ratio of moneylenders to the population was remarkably higher than other districts. The ratio of the moneylenders of Dhaka per one *lakh* population was the highest in Bengal e. g. 280 compared with 21 in Pabna and 12 in Bogra. The ratio of Mymensingh was the second highest at 175 of per *lakh* population. The usual rate of interest charged in Dhaka varied from 12% to 192% while in Mymensingh it ranged between 24% and 225% per annum.¹⁶ Both Dhaka and Mymensingh were mainly jute growing districts of Bengal where peasant economy depended upon the fluctuation of jute prices. The great economic depression vitally affected the jute-growing districts and consequently their state of indebtedness. The indices of jute prices during depression clearly explain the magnitude of the problem of indebtedness in the districts mentioned above.

Ameliorative and Palliative Measures Against Chronic Indebtedness:

The great depression resulted in hardship, poverty and tension among the

rural population. This was manifested by a long series of peasant unrest. The situation, however, demanded immediate steps for the solution of the problem. As a palliative remedy for reducing the large volume of indebtedness, the Central Banking Enquiry Committee recommended the policy of debt conciliation on voluntary basis. Meanwhile the India Act of 1935 extended the franchise right even to the agriculturists which added a new dimension to Bengal politics. The causes of peasants' grievances were given enough priority by the political parties. Nearly at the same time, Voluntary Debt Conciliation Board was established at Chandpur in Comilla district on experimental basis in consequence of serious peasant movement. The Chandpur Debt Conciliation Board succeeded to a limited extent in scaling down the outstanding debts of the agriculturists.¹⁷ Being encouraged by such success and more being instructed by the central authority, the Government of Bengal constituted the Bengal Board of Economic Enquiry Committee to suggest ways and means for mitigating the grievances of the peasantry. According to the recommendation of the Board of Economic Enquiry the *Bengal Relief of Indebtedness Bill* was prepared on the line of the Central Provinces and Punjab Debt Conciliation Act.¹⁸ However after prolonged debates in the Legislative Council, the Bill was enacted as Bengal Agricultural Debtors Act in 1935. However, the legislation aimed at ameliorating the distress of the indebted peasantry by scaling down their debts and restoring the agriculturists to pre--depression status. The Bengal Agricultural Debtors Act prescribed establishment of Debt Settlement Boards in every union composed of local leaders. The representatives of both the creditors and debtors were accommodated in the Debt Settlement Boards with a neutral chairperson at the top. In many cases, the headmasters of the local high school acted as the chairpersons of the Debt Settlement Boards. There were two types of Debt Settlement Boards such as the ordinary and special. The special Debt Settlement Boards enjoyed certain special powers that the ordinary Boards were not allowed to exercise. The local situation and operation of the Debt Settlement Boards created a complex circumstance that necessitated repeated amendments to the Bengal Agricultural Debtors Act.

It is well known that most of the debts of the agriculturist were covered by usufructuary mortgage. The Debt Settlement Boards could not progress significantly as in most cases the creditors were in possession of land of the cultivating *raiyyats* by virtue of usufructuary mortgage. In 1938, the Bengal Tenancy Act was amended which declared all mortgages given before or after 1928 as void. The amendment also provided that land would come back to the owner after 15 years as most of the principal of his debt as well as interest cleared off. To replace the Debt Settlement Boards, a new machinery was provided by the amendment of Bengal Moneylenders Act in 1940. In order to give further relief to borrowers by lowering the interest rates and also to make better provisions for regulating money lending, the amendment provided an alternative machinery for dealing with the credit of rural population. It was also provided in the amendment that the rest of the work of the Bengal Agricultural Debtors Act would be performed under the Bengal Moneylenders Act.

The establishment of the Debt Settlement Boards under the Bengal Agricultural Debtors Act from the middle of 1936 onwards hurriedly caused the moneylenders to take alarm and throughout the period from 1937 to 1941 facilities for credit had become progressively constricted. The contraction of rural credit may be explained under the general economic theory of demand and supply. During economic depression, the fall in prices resulted in the reduction of income of the agriculturists, but it did not reduce their demand for credit, as it was always necessary for cultivation and also for their family expenditure. The depression on the other hand resulted in the accumulation of rents and debts which had also affected the capital of landlords and moneylenders, who were the principal credit suppliers. In these circumstances, the demand for credit was higher than its supply. So theoretically, credit was bound to shrink. W. S. Wordsworth remarked during his speech in the Bengal Legislative Assembly ‘The difficulty terribly increased while the debts of the agriculturists have increased, their need of credit has increased while their conditions have made them less credit-worthy.’¹⁹ It cannot be denied that the operation of debt legislation without making any substantial change of the structure of debt and credit certainly

had an adverse reaction on peasant economy of Bengal. According to Neil Charlesworth 'economic and social reality, not legislative dictate, that shaped the character of credit system'.²⁰

The introduction of the Bengal Agricultural Debtors Act initially produced tension between creditors and debtors and also between landlords and tenants. To give wide publicity of the Act and to encourage debtor and creditor to come under the terms of the Act, the Government of Bengal launched active propaganda which aimed at quick disposal of cases. It was neither possible for the Government to replace rural money-lending system by an organised credit machinery nor to keep the agriculturists without credit. So the initiative of the Government was directed to quick scaling down of debts of the agriculturists and to set rural economic life in order. It was anticipated that mass propaganda could be carried on by displaying magic lantern slides and charts which might have positive appeal to the illiterate cultivators to come to the Debt Settlement Boards.²¹ Such magic lantern slides demonstrated the fact that the compromise and settlements would enable the debtors to pay off their liquidated debts gradually without alienating their lands. But individual propaganda for convincing each individual was also taken up by the special officers by meeting persons casually either alone or in small group when agriculturists assembled either for gossiping or for social meeting.

However, the special officers of Debt Settlement Boards, Jute Restriction Officers, Health Officers and Sanitary Inspectors were employed to demonstrate lantern slides. But there was a risk in such propaganda that if the agriculturist-debtors were allowed to nurse the idea that the main object of the Bengal Agricultural Debtors Act was to enable them to get away with their debts. Besides active official propaganda, the news of the activities of the Debt Settlement Boards of every district were published in different newspapers. The chairman of Jashi Debt Settlement Board of Faridpur started a weekly Bengali newspaper, entitled as '*Khatak*', in 1938 which continued to be published upto 1940. The '*Khatak*' devoted all its columns primarily to matters concerning Debt Settlement Board. On the other hand, departmental propaganda was conducted by means of lantern

slides which were effective in their own way. But with a view to creating more interest among the agriculturists, some films were produced and sent out to rural areas for free demonstration. These films were written by the officers of debt conciliation boards and among the films '*Matir Maya*' or 'The love of Land' was very popular.²²

The Bengal Agricultural Debtors Act alone was insufficient to meet the shattered economic condition of rural Bengal. So far as the agricultural population was concerned, the amendment of the Bengal Tenancy Act in 1938 was one of the most pressing demand of the time. It received the most serious attention of the major political parties. The Congress attributed the sad plight of the agriculturists to the 'long apathy and exploitation of a foreign Government and to the oppression of the landlords who are the creation of that Government.'²³ But the Government of Bengal had a different attitude towards the problem and also about the involvement of political parties for tenant's cause. B. P. Singh Roy, the Minister for Revenue Department, remarked on the Bengal Tenancy (Amendment) Bill in 1938 that:

With the Muhammedans generally, however, the movement is more economic than political, while with the majority of the Hindus represented by the Congress the motive power is political rather than economic. Whereas the Muhammedan leaders of the *proja* movement want to secure for the *raiyats* such rights as transferability of the occupancy holdings without payment of landlord's transfer fee, abolition of landlord's right of pre-emption and his right of enhancement of rent, the Congress advocate abolition of Zamindari system on the ground that it would accelerate the process of leveling down and bring Government in direct conflict with the masses. This according to the Congress is the surest means of further spreading to the disaffection against Government and of embarrassing them.²⁴

The condition of agriculture and agricultural credit of Bengal varied from district to district, so the results of the amendment of the Bengal

Tenancy Act in 1938 would certainly be different as the local situation allowed. The usufructuary mortgage had hitherto been regarded as a very large percentage of the usufructuary mortgages for small amount of money was sale and 'the percentage is perhaps larger in *char* areas and places where the majority of creditors are *Moslem* and many of whom still retain their ancient religious aversion to usury.'²⁵ The collector of Dhaka explained that the proposed amendment would affect the moneylenders who held mortgage merely as security for their advances or loans to cultivator. The inhibitory effect of this measure would be so enduring as to scare away capital from land to a considerable extent. It was officially considered that a period of fifteen years was long enough for an investment in land to be recovered with a reasonable interest on it, and the moneylender was not likely to lose sight of this fact. So they would be unwilling for making any advances to the agriculturists.

Many cultivating tenants of the districts of Noakhali, Mymensingh, Dhaka, Tamruk, Midnapore and Maharajadhiraj Bahadur of Burdwan, President, Standing Committee of the all Bengal Landholders' Conference, and the British Indian Association submitted representations against the proposed amendment to the clause of usufructuary mortgage under the Bengal Tenancy Act. But the Government of Bengal, either forced by the pressure of the political parties or being terrified by the non-payment mentality of the peasantry, were very much willing to give concession to the lower strata of the agrarian community.²⁶ So the Bengal Tenancy Act was amended in 1938 which completely abolished the landlord's fees on transfer and reduced the rate of interest on arrears of rent from 12.50 to 6.25 percent. It provided that if any *raiyat* or under-*raiyat* had given his land in usufructuary mortgage, whether before or after 1928, he would be able to get that land back after 15 years at most with the principal of his debt as well as interest cleared off. It abolished the right of private landlords to use certificate procedure for the realization of rent.

To replace the temporary relief activities of the Debt Settlement Boards, a new machinery was provided by the amendment of the Bengal Money-lenders Act of 1940. Prior to 1918, borrowers were virtually at the mercy

of the moneylenders. The moneylenders, under the existing laws, could realise interests on loans at stipulated rates. In order to relieve the borrowers, the Usurious Loans Act of 1918 was enacted by the Central Legislature of India. This statute, however, did not prove much beneficent to the aggrieved borrowers and their clamour for relief continued whereupon the Bengal Moneylenders Act of 1933 was passed by the Bengal Legislative Council. According to the provision of the Act, interest in excess of 15% on secured loans and in excess of 20% on unsecured loans were made illegal. But such rates of interest too were found excessive and in course of time some defects were noticed in the Bengal Moneylenders Act of 1933. In order to remove the defects and also for making better provisions for the control of moneylenders and regulation of money-lending the Bengal Moneylenders Act was amended in 1940.

Besides the above consideration, the Bengal Money-lenders Act was amended as a corollary of other legislative protection to rural debtors. Moreover, the exclusion of debts incurred on or after the 1 January, 1940, from the operation of the Bengal Agricultural Debtors Act was aimed at enabling the incapable debtor to pay his debt within the specific period according to the circumstances.²⁷ Finally, in order to bring unscrupulous and dishonest creditors under firm control new regulations were provided for regulating moneylending business. In brief, the Bengal Moneylenders Act of 1940 exempted the borrowers from repayment of any sum in respect of principal and interest which together with any amount already paid or included in any decree in respect of a loan exceeded twice the principal of the original loan. Furthermore, the Act restricted the payment of interest outstanding on any date of computation to a sum not greater than principal outstanding on that date. The rate of interest was brought down to 10% simple for unsecured and 8% simple for secured loans.

The Bengal Agricultural Debtors Act, which dealt with the settlement of debts incurred by the agriculturists prior to 1 January, 1940. was controlled by the provisions of the Money-lenders Act of 1940 in respect of interest recoverable under the award. Curiously enough, the British administration had now taken shelter under an age-old Indian law. The principle of

Damdapat was accepted by the Debt Settlement Boards in making awards.²⁸ The principle of maximum interest rates imposed on different classes of people of India had laid down by Manu and other Hindu law givers was known as *Damdapat*. According to this law of *Damdapat* interest should not exceed the principal.²⁹ In fact, a dual system was introduced in the administration of rural credit of Bengal. The Debt Settlement Boards were empowered to deal with both the Acts.³⁰ It was anticipated that if the Debt Settlement Boards failed to explain and use both the Bengal Agricultural Debtors Act and the Bengal Money-lenders Act to the parties who would be more willing to go to the civil courts.

The Operation of the Debt Settlement Boards and Its Impact on Credit Relations:

The operation of the Debt Settlement had started in 1937 and continued upto 1944 and in the year 1945 these Boards ceased to work at the recommendation of the Rowland Committee. However, upto 30 September, 1944, the Debt Settlement Boards of Bengal received 33,94,614 applications of which 55.2 percent were filed by the debtors and 44.8 percent by the creditors. The total number of applications disposed of including dismissal and transfer were 28,83,608. The total amount of debt mentioned in these applications was Rs. 78,40,26,458. Of this, the debt determined under Section 18 of the Bengal Agricultural Debtors Act was Rs. 32,17,19,132 and the amount awarded including the amount certified under Section 21 was Rs. 18,65,64,173. The total amount of debt determined under clause 37 of the Bengal Agricultural Debtors Act was Rs. 1,17,405 and the total amount awarded in these cases was Rs. 70,926. It seems that out of total debt claimed 58.9 percent was reduced during determination and 76.2 percent during award.³¹ The insolvency provision of the Bengal Agricultural Debtors Act was not seriously applied. Out of the total volume of debt, only 0.06 percent was settled under the insolvency provision. There are four surveys of rural debts during 1940. The Indian Statistical Institute surveyed the volume of indebtedness in 1943 and 1944 as a part of their famine rehabilitation survey. The Agricultural Statistics by Plot to Plot Enumeration of 1944-45 provides us with the information that Rs. 150 crores of debt

were incurred by the agriculturists and non-agriculturists.³² Karunamoy Mukhejee regarded that 'the crop survey estimate is too high and prima facie unbelievable.'³³ Certainly a huge amount of debt must have been liquidated by the Debt Settlement Boards in between 1938 and 1942. The Debt Settlement Boards were established in July, 1936 and between 1936 and 1942 the total debts settled by Debt Settlement Boards were Rs. 52 crores. If we suppose that the principal debt was Rs. 100 crores as it was estimated by the Banking Inquiry Committee, it seems that Rs. 48 crores remained outstanding on the eve of the famine. So H. S. M. Ishaque's estimation of rural debts was very high. H. S. M. Ishaque pointed out that 'in terms of actual purchasing power of money and in relation to the annual income of the province, the average indebtedness may be considered to have decreased rather than increased.'³⁴ In 1946 the Bengal Debt Survey estimated the total rural debt at Rs. 79.7 crores. The Indian Statistical Institute estimated the debts of rural families were 30 percent in 1943, 57 percent in 1944 and 54 percent in 1946. The Increase in 1944 was a result of the great famine. However, between 1936 and 1943 large amount of debts were either written off or conciliated by Debt Settlement Boards and fresh debts were also incurred. Sugata Bose remarked: 'Considering that prices quadrupled between 1930 and 1945, the value of rural debts in real terms had shrunk drastically.'³⁵ Practically from monetary point of view the total volume of indebtedness during this period was influenced by the universal jute boom, economic depression and great famine of 1943.

It is very much pertinent to ask what were the results of the operation of Debt Settlement Board? Had it been able to relieve the agriculturists of Bengal from their chronic indebtedness? A survey of the legislative measures undertaken by the Government of Bengal leads one to conclude that these measures conferred to some extent temporary benefit on the Bengal agriculturists, but ultimately it failed to achieve its real objectives. The Government of Bengal was always hopeful about the success of the Debt Settlement Boards. Press release issued from time- to time gave the public an idea of successful working of the Debt Settlement Boards. The object of this propaganda was to encourage more agriculturists' debtors to come

to the Debt Settlement Boards for the settlement of their debts. But diametrically opposite to this idea is that the Bengal Agriculturist Debtors Act had, in fact, benefited the moneylenders and landlord class by making an avenue of settling their long outstanding debts which otherwise would have been impossible to collect. Finally, it was reported that:

... the act has been successful one and has accentuated a resuscitation of the moribund peasantry of this province fore doomed to be born in debt, to live in debt, crippled in human dignity, and the breathe their last to be shrouded with debt. Their secular conditions have materially improved. Nevertheless, there has been one of unique success in achieving its professional objects.³⁶

It has been alleged that the Bengal Agricultural Debtors Act was being used in the interest of certain landed interests and businessmen who took recourse to the Debt Settlement Boards for getting a notice to compel postponement of any civil court proceedings being taken against them at the instance of the creditors. Besides, in the absence of proper machinery for supplying cheap credit to the agriculturists, the project of scaling down of debts proved to be very much onerous. The primary object of the Bengal Agricultural Debtors Act was to afford relief to the Bengal agriculturists from the burden of their debt which was beyond the paying capacity of the debtor. In these circumstances, it received sympathy from both the Government and the political parties as an emergency measure. But the legislative measure was pursued without opening up any channel for profitable and increased source of income. In consequence the already frozen credit contracted to a serious extent. With the formation of Debt Settlement Boards village moneylenders of some localities had totally stopped credit transaction. It caused disruption in the village money-market. As a matter of fact, in the absence of any provision for supplying rural credit the Bengal Agricultural Debtors Act was regarded as a 'machinery of tyranny and repression not only by the creditors but the debtors also for whose benefit it was meant.'³⁷ Another consequence of the Bengal Agricultural Debtors Act was the shift of capital from village to urban area. The activities

of the Debt Settlement Boards made the creditors suspicious that resulted in driving the money-lenders from rural areas.

However, it is worthwhile to note that the working of the Debt Settlement Boards greatly affected the supply side of credit, while the demands of the agriculturists for credit remained unchanged. The traditional credit system pursued by the village moneylenders was disrupted by the operation of the Bengal Agricultural Debtors Act. There were other important effects of the operation of Debt Settlement Boards. In consequence of Debt Settlement Board's operation, the moneylenders felt shy to lend to the agriculturists anticipating that they might again undergo scaling down of their interest and principal after some time. Moreover, whenever credit was available, the moneylender had demanded excessively high rates of interest, because with the scaling down of debts old credit system was not replaced by a new and organised credit institution. It was sometimes alleged that Debt Settlement Boards was not always impartial. Because, it was mainly composed of the members of the Union Board which was the club of rural politics. This, in fact, created an excitement among the rural elites, which had led to rural factionalism. The Debt Settlement Boards made debtor and creditor relations strained. From thenceforth, creditors looked on the debtors with incredulity. Sometimes this led to tense relation between them. As a large number of Hindu creditors of East Bengal migrated to India after 1947, their debtors shook off the unpleasant duty of paying any further installments.

With a view to strengthening the debt conciliation process several legislative measures had been enacted which ultimately affected the hereditary possession of land. As most of the debts of the agriculturist-debtors were covered by the usufructuary mortgage. By the amendment of the Bengal Tenancy Act in 1938 an embargo had been put on usufructuary mortgage restricting its period upto fifteen years. Furthermore, a strict provision was included in it that declared all mortgages after fifteen years to be void. Meanwhile the operation of Bengal Agriculturist Debtors Act and the amendment of the Bengal Money-lenders Act in 1940 had changed the rural credit situation. According to the Floud Commission, one consequence has been a marked increase in the number of mortgage,

indicating that the cultivators are being forced to part permanently with land, in order to raise the amount they require.³⁸

As mortgage fell off directly due to the influence of Bengal Agricultural Debtors Act and Bengal Money Lenders Acts, sale was effected as a means of procuring finances for agricultural and domestic purpose. This along with other circumstances in between 1939-1944 revealed a qualitative change in the nature and forms of land transfer. Now what are the consequences of such land transfer? Among the grievous consequences of land alienation by the agriculturists was the growing proletarianisation in the rural area. Landlessness increased very fast resulting in a large number of agricultural labours in rural Bengal. It has been argued that such transfer did not necessarily mean the transfer of property, because the general assumption is that the old peasants continued to cultivate such lands. But the concept of such continuity is impractical, because in most cases land transfer meant physical dispossession of property.

Table- 2

Table on Sales and Mortgages in Bengal 1930-1942

Year	Number of Sales	Number of Mortgage
1930	1,29,184	5,10,974
1931	1,05,701	3,76,422
1932	1,14,619	3,38,945
1933	1,20,492	3,13,431
1934	1,47,619	3,49,400
1935	1,60,341	3,57,297
1936	1,72,956	3,52,469
1937	1,64,819	3,02,529
1938	2,64,583	1,64,895
1939	5,00,224	1,54,780
1940	5,02,357	1,60,152
194f	6,34,113	1,51,553
1942	7,49,495	1,06,088

Source : *Report on the Administration of the Registration Department for the Years, 1930 - 1942.*

However, land transfer led to a rapid increase in the *bargadari* system which became one of the most disquieting features of the agrarian economy of Bengal. It also resulted in the fragmentation and subdivisions of land, which again made holding unproductive. Finally, the loss of occupancy rights through land transfer was one of the important consequences of land transfer.

Notes and References

1. This article is mainly based on two original works done by the author at different times. Some of the materials of this article have been culled from his Ph.D. thesis entitled as *Rural Indebtedness in Bengal*, while others have been used from his Research Project sponsored by the Bangladesh University Grants Commission entitled as “*An Analysis of the Origin, Mechanism and Operation of the Bengal Agricultural Debtors’ Act of 1935 in Bangladesh: A Quantum Study.*”
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 21. Government of Bengal, B-Proceedings, Co-operative Credit and Rural Indebtedness Department, National Archives of Bangladesh, Bundle No. 11, June, 1944, Proceedings Nos. 633-51.
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