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FINAL REPORT
RURAL INDEBTEDNESS ENQUIRY (1946-47)
WEST BENGAL.

**Indian Statistical Institute,
Presidency College,
Calcutta.**

26th March, 1950.

INTRODUCTION

In 1945-46 the Indian Statistical Institute was entrusted by the Co-operative, Credit and Rural Indebtedness Department of the Government of Bengal with the task of conducting a survey of rural indebtedness in the province. It was suggested by Government that the enquiry should be designed to find out :-

"The extent of indebtedness on the eve of the war; "how it has been affected by subsequent developments; "how agriculturists and money-lenders have reacted to them; "what are the tendencies at work for and against the utilisation of income for the liquidation of old debts etc. etc.

"the investigation will have to be designed in a way so that it may bring out not merely the factual position regarding indebtedness before and after the war but also the psychological effect of the relative economic factors on the debts and money-lenders." (1).

0.2. One difficulty in conducting such a survey was that the bulk of the information required related to the past, to which our only approach lay through the memory of the people interviewed, as documents were not ~~sex~~ usually available about past debts and related transactions. In basing our studies on the figures obtained by interrogation, there was considerable risk of under-estimation as many debts incurred and repaid in the past were likely to have been forgotten. In the absence of a better alternative, this was, however, the only course that could be followed.

0.3. It was decided to conduct the enquiry in two stages, collecting, in the first stage, data on a limited number of items from a large number of families and to cover, in the second stage, a smaller sample for more detailed information. In the first stage of the enquiry the entire province (undivided Bengal) was divided into 1247 square zones, each approximately of 64 sq. miles. Out of these 476 were selected at random with the help of random numbers. Each zone, thus selected, was divided on the map into 64 cells of one mile square. One such cell from each zone was again picked up at random, and all households falling within such cells were surveyed according to a brief schedule of basic items, such as sex and age composition of the family, caste and community, occupation, agricultural and other land, total

(1) Extract from "Scheme for investigation of rural indebtedness".

indebtedness etc. The number of families covered was 80,710 and the area coverage was nearly 11,000 square miles of the inhabited rural area of the province, the whole of the Darjeeling district and the very sparsely inhabited forest areas of the Sundarbans being excluded.

0.4. In the second stage of the survey a definite proportion of the families was selected at random from sample units of the first stage, 80710 families in the first stage now giving a subsample of about 10,000 families (a proportion of 12½% from each zone). At this stage more detailed information was collected with regard to occupation, assets and liabilities, history of previous loans and their payment and similar items.

0.5. The first phase of the survey was conducted during the period 15 February to 17 April, 1946 and the second phase during the period

THE FIELD WORK. 2 February to 19 March, 1947. The staff employed consisted of 232 Investigators, 59 Inspectors, 23 Chief Inspectors and Supervisors, and 87 clerical and other overhead staff in both the phases. The field work was conducted under the supervision of Sri N* C* Chakravarti, M*A*, Assistant Secretary to the Government of Bengal and Superintendent of Statistical Surveys, Indian Statistical Institute, assisted by Sri D. M. Ganguly, M.Sc., Deputy Superintendent. The first stage of survey was completed in April 1946 and the second stage in March 1947.

0.6. The field expenditure amounted to Rs.55,990 and the statistical analysis cost Rs.49,492, the total cost of the project being Rs.85,482,

COST OF THE SURVEY. which is a very low figure compared to the work involved. The staff originally employed for the Bengal Crop Survey conducted the work on Rural Indebtedness during periods of slackness in their normal work. The over-head expenditure charges of the present enquiry were thus reduced to a minimum and the "Indebtedness" survey may be said to have emerged as a bye-product from the main Crop Survey scheme - and at marginal cost.

0.7. Reports drawn up on the most important aspects of both the surveys were submitted as the 1st and 2nd interim reports on 7th February 1947 and 16th July 1948 respectively. The partition of the province took place between the submission of these two reports. This raised new difficulties. Originally district notations related to the old boundaries, but it was now necessary to prepare separate estimates for the two parts of the divided province. The present report deals with the West Bengal portion of the material, though occasionally figures for Bengal as a whole have been retained in the tables for purposes of comparison. The zones, families and individuals falling in the West Bengal sample are detailed by districts in the following table separately for the two stages of the Survey.

Table 0.1.
Zones, families & individuals in the West Bengal sample,
by districts.

Districts	First stage, 1946			Second stage, 1947		
	Zones	Fami- lies	Indivi- duals	Zones	Fami- lies	Indivi- duals
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Bankura	19	1625	8437	18	185	965
2. Birbham	14	1973	9399	12	214	1095
3. Burdwan	20	3333	15684	20	335	1710
4. Dinajpur (West)	11	1015	5494	10	97	537
5. Hooghly	9	1519	6328	6	126	594
6. Howrah	7	1516	7850	4	178	914
7. Japaiguri	7	964	4673	8	119	533
8. Malda	10	1896	10005	10	191	1015
9. Midnapur	36	4890	24464	35	557	2819
10. Murshidabad	15	2067	9408	14	239	1245
11. Nadia	12	752	4041	8	85	460
12. 24-Parganas	19	3591	17405	18	306	1570
West Bengal	179	24741	123168	163	2630	13475

The number of zones in the first stage was 179, while in the second stage, it will be seen, that only 163 zones have been recorded. This is due to the fact that in the later stage the primary data from some of the zones fell below the desired standard of reliability and had to be discarded. The number of families interviewed at the two stages were 24,741 and 2,630 respectively.

0.8. The report is divided into four sections, the first of which deals with the extent of indebtedness. The Second Section studies the

relationship between indebtedness and economic and social stratification of the population while the third examines the trend of indebtedness during the period 1942-1947 over which we have sought to formulate yearly estimates. In the fourth and last section of the report we have studied the social, economic, psychological and financial aspects of indebtedness along with the mechanism of loan transactions.

SECTION I* THE EXTENT OF INDEBTEDNESS

1.1. To study the extent of indebtedness, we have not only to examine the prevalence of debt amongst the population, but also its volume or amount.

1.2. The prevalence factor has been measured in terms of the percentage of families in debt. In the following table it will be seen

PREVALENCE OF INDEBTEDNESS. how the percentage of families in debt varies from 1946 to district and also the manner in which it has altered between February and March 1947.

Table 1.1. Percentage of families in debt by districts.

District	No. of zones surveyed		Percentage of families in debt		't'
	First stage 1946	second stage 1947	S.E.		
			First stage 1946	Second stage 1947	
(1)	(2)	(3)	(4)	(5)	(6)
Bankura	19	18	45.42 ± 1.17	36.08 ± 3.24	2.72
Birbhum	14	12	52.10 ± 2.12	29.44 ± 3.00	6.17
Burdwan	20	20	40.51 ± 1.97	39.57 ± 2.28	0.51
Dinajpur	11	10	41.77 ± 3.48	31.96 ± 4.22	1.79
Hooghly	9	6	63.53 ± 1.99	26.19 ± 3.09	10.17
Howrah	7	4	50.86 ± 2.01	31.46 ± 3.11	5.24
Japaiguri	7	8	53.40 ± 4.23	10.08 ± 2.66	4.67
Malda	19	10	24.42 ± 3.86	20.42 ± 2.61	0.86
Midnapur	36	35	65.05 ± 1.01	46.68 ± 1.82	8.83
Murshidabad	15	14	40.93 ± 2.40	29.71 ± 2.75	3.09
Nadia	12	8	58.98 ± 2.89	36.47 ± 4.52	3.83
24-Parganas	19	18	58.60 ± 1.59	18.93 ± 2.08	16.18
West Bengal	179	165	50.02 ± 0.29	50.91 ± 0.79	22.75

1.3. It will be seen that in the province as a whole, 50 p.c. of the families are in debt in 1946, while in 1947, the extent of indebtedness has come down to 31 p.c. The value of 't-statistic' given in col. (6) is 22.7 and shows that the decline is significant in the statistical sense. This improvement in the debt position of the rural families may, in general, be ascribed to the rise in prices, and other effects of the World War II. As regards the variation from district to district, this is considerable, ranging from 24 p.c. to 65 p.c. in 1946 and from 10 p.c. to 36 p.c. in the next year. The values of 't-statistics' in col.(6) show a significant decline in the percentage of families in debt between February 1946 and March 1947, in all the districts except Malda and Burdwan. The sampling error in the district estimates of percentage of families in debt, as can be seen from cols. (4) and (5), lies within

5 p.c. with the exception of 5 districts for the first stage and below 12 p.c. with the exception of 2 districts for the second stage, while for the province these are 0.8 and 2.8 p.c. in the first and second stages respectively. This difference in precision in the estimates based on the two stages of the survey is accounted for by the difference of the sizes of samples.

1.4. The volume of indebtedness is intended to show the degree to which the families are in debt and this has been measured by the average

VOLUME OF INDEBTEDNESS debt per *mit* family. The variation in the size of family loan from district to district and also the change between February 1946 and March 1947 are shown in the following table.

Table 1.2. Average debt per family by districts.

District	First stage 1946		Second stage 1947		Average amount of debt per indebted family in rupees with standard error		't'
	zones fami- lies	zones fami- lies	zones fami- lies	zones fami- lies	first stage 1946	second stage 1947	
	(2)	(3)	(4)	(5)	(6)	(7)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bankura	19	1625	18	183	116.53 ± 20.28	77.27 ± 12.85	1.64
Birbhum	14	1973	12	214	118.09 ± 20.47	102.07 ± 22.24	0.55
Burdwan	20	3333	20	355	147.72 ± 19.89	132.72 ± 18.17	0.56
Dinajpur	11	1015	10	97	111.62 ± 24.24	119.90 ± 45.45	0.16
Hooghly	9	1519	6	126	132.75 ± 10.57	137.90 ± 43.02	0.12
Howrah	7	1516	4	178	142.78 ± 30.28	145.98 ± 54.74	0.05
Jalpaiguri	7	984	8	119	156.56 ± 37.53	80.08 ± 4.56	2.05
Malda	10	1896	10	191	128.76 ± 43.81	60.00 ± 16.61	1.47
Midnapur	36	4890	35	557	119.44 ± 12.55	145.45 ± 28.38	0.77
Murshidabad	15	2067	14	239	122.12 ± 15.44	118.83 ± 19.91	0.15
Nadia	12	752	8	85	116.95 ± 18.07	196.67 ± 44.37	1.66
24-Parganas	19	3391	18	306	129.90 ± 14.22	192.98 ± 47.35	1.50
West Bengal	179	24741	163	2630	127.41 ± 5.69	151.17 ± 9.70	0.53

1.5. The district estimates of the amount of debt per family varies from Rs.112 to 156 in February 1946 and from Rs.60 to 197 in March 1947 while, for the province as a whole, the estimates are Rs.127 and 131 in 1946 and 1947 respectively. The provincial estimate of amount of debt per *mit* family, as can be seen from the values of the t-statistics in col.(8), does not alter between February 1946 and March 1947. In the case of districts also, the same tendency is noticed except in the case of Jalpaiguri. The sampling error in the district estimates of amount of loan per family as can be seen from cols. (6) and (7), lies within 22 p.c. with two exceptions for the first stage, and within 25 p.c. with two exceptions for the second

stage, the corresponding figures in the provincial estimate being 4.5 and 7.4 p.c. in the first and second stage respectively.

1.6. For a more comprehensive idea of the volume of indebtedness, the distribution of the families at different levels of indebtedness is shown in the following table.

Table 1.3. Distribution of the families according to the size of debt.

Size of debt in Rs.	first stage, 1946		second stage, 1947	
	no. of families in debt	p.c. to total	no. of families in debt	p.c. to total
(1)	(2)	(3)	(4)	(5)
1. - 50	6191	50.06	360	44.54
51 -100	2645	21.59	168	20.69
101 -150	980	7.92	99	12.19
151 -200	857	6.93	57	4.56
201 -250	377	3.05	38	4.68
251 -300	415	3.36	16	1.97
301 -350	97	0.78	28	3.20
351 -400	218	1.78	22	2.74
401 -450	50	0.40	8	0.99
451 -500	204	1.65	9	1.11
501 -1000	250	1.86	20	2.48
1000 & above	104	0.84	9	1.11
Total	12368	100.00	612	100.00
No. of families interviewed --	24741		2650	

It can be seen that for about 71.5 p.c. of the indebted families the amount of debt in February 1946 is below Rs.100/- and for only 2.7 p.c. the debt is above Rs. 500/-. In March 1947, the amount of debt is within Rs.100/- for 65 p.c. of the indebted families and only for 3.6 p.c. the debt exceeds Rs. 500/-. Thus in the majority of cases, the size of the debt is not very high.

1.7. With a view to examine the size of the loan transactions, the distribution of the different loans, according to the amount involved is shown in the table below.

Table 1.4. Distribution of loan transactions by amount involved.

Size of loan in Rs.	No. of loans in 1947	p.c. to total
(1)	(2)	(3)
1 - 50	1055	68.91
51 - 100	236	15.71
101 - 150	84	5.59
151 - 200	58	3.88
201 - 250	26	1.75
251 - 300	28	1.86
301 - 350	6	0.40
351 - 400	10	0.67
401 - 450	5	0.20
451 - 500	4	0.27
501 -1000	12	0.80
1000 & above	-	-
Total	1800	100.00
No. of families interviewed	2650	

It can be seen that in about 85 p.c. of the loan transactions the amount involved is within Rs. 100 and in less than 1 p.c. of the transactions does the amount exceeds Rs. 500/-.

1.8. We have so far considered only the interest bearing cash loans, being of a type that is usual and easily understood in its implications.

INTEREST FREE LOANS* There is however a large volume of interest-free loans also, which contribute to the total cash liabilities of indebted families. An estimate of such total cash liability has been aimed at in table 1.5 below.

Table 1.5. Estimates of interest bearing and interest-free cash loans in 1947 by districts.

District	no. of families interviewed	interest bearing loans		interest from advances		total cash liabilities	
		p.c. of families indebted	average amount in Rs. per indebted family	p.c. of families indebted	average amount in Rs. per indebted family	p.c. of families indebted	average amount in Rs. per indebted family
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bankura	185	36.07	77.27	20.22	44.67	36.74	66.20
Birbhum	214	29.44	102.00	15.89	61.52	42.06	94.62
Burdwan	355	39.57	127.76	22.98	79.18	46.87	117.45
Dinajpur	97	31.96	119.90	17.55	69.47	46.59	106.84
Hooghly	126	26.19	157.90	21.43	104.15	35.71	163.62
Howrah	178	31.46	145.98	19.66	59.51	46.65	123.51
Jalpaiguri	119	10.08	80.08	16.81	81.15	52.77	66.36
Malda	191	20.42	60.00	8.70	77.00	27.25	70.17
Midnapur	557	46.68	143.45	21.01	77.82	59.60	150.77
Murshidabad	239	29.71	118.85	10.46	48.92	50.91	103.67
Nadia	85	36.47	196.62	29.41	94.84	52.94	188.18
24-Parganas	306	18.93	194.65	20.26	80.40	36.27	148.75
West Bengal	2630	30.91	131.17	18.75	74.08	45.40	119.90

1.9. It will be seen that interest free cash loans are received by nearly 19 p.c. of the families in the province, while the percentage of families under interest bearing debts is about 51, the percentage of families involved in either of these debts being about 45. Thus about 14 p.c. of the families are indebted only in respect of interest free advances, and 5. p.c. in both. The average amount of interest free advances per family is Rs.74.1, and that of interest bearing loans is Rs.119.9. This reduction in the total liability is due to the interest free loans being much smaller than the interest bearing loans. In the case of districts, percentage of families with interest free advances varies from 9 to 29, and the average amount of such advances per family from Rs.45 to 104.

1.10. Both prevalence and volume of interest free advances are sufficiently large to raise the question as to how such facilities of interest free loans are available in these hard times. There are two possible reasons: it may be that such loans are really offered in consideration of the interest being paid off in personal service or in crops the real value of which is greater than the money value advanced. A second alternative is that among the more prosperous sections such loans may be based on an understanding of give and take.

1.11. There is yet a third type of loan in rural areas, namely crop loans. These are usually advanced in paddy and repayment is also likewise.

CROP LOANS. It may seem unnecessary to evaluate such crop loans in terms of money, for various reasons; ~~the~~ in the first place there is not the same sense of urgency as in the case of cash loans and in the second place, there being no anxiety as to the effect of an adverse trend of crop price, the time factor in repayment is not so important. Nevertheless, to get an idea of the total obligations of a family, crop loans must be considered as an important element. The percentage of families involved in such loans, the quantity of crop advanced per family and the value in rupees are shown by districts in the table below.

Table 1.6. Percentage of families in crop debt and average amount of loan per family by districts.

District	percentage of indebted families	loan per family in mds. of crops	estimated value in Rs.
(1)	(2)	(3)	(4)
Bankura	19.67	7.36	62.48
Birbhum	7.94	9.00	67.95
Burdwan	13.45	11.84	97.06
Dinajpur	16.49	9.94	69.18
Hooghly	11.90	9.58	78.14
Howrah	0.56	20.00	164.00
Jalpaiguri	11.76	9.57	77.90
Jessore	6.78	15.25	59.88
Malda	7.85	4.80	83.8622
Midnapur	17.41	12.44	115.11
Murshidabad	5.44	13.77	88.25
Nadia	8.24	11.14	59.74
24-Parganas	4.45	6.82	60.70
West Bengal	11.06	10.58	89.74

It will be seen that the percentage of indebted families is low though the debt per indebted family is quite high. The average loan per family for the province is 10.58 maunds valued at Rs.89.74.

1.12. Total volume of debt in the province : On the basis of the percentage of families in debt and average amount of debt per family, mentioned previously, for different types of loans, the estimates of total volume of debt in March 1947 in the rural areas of the provinces, come to 15 and 5 crores of rupees in respect of interest bearing and interest free cash loans, the total cash liability being 20 crores of rupees. The estimate of quantity of paddy taken on loan is about 45 lakhs of mds., equivalent to 3.6 crores of rupees in terms of money, giving a total debt of 25.6 crores of rupees.

SECTION II. INDEBTEDNESS IN DIFFERENT ECONOMIC STRATA.

2.1. The impact of a loan cannot be fully appreciated until it is examined against the economic background of the borrowing families. Under certain circumstances the burden of a loan may be relatively negligible, in others quite oppressive, depending on the property or income status of the debtor. The nature of the burden may also depend on the purpose of the loan; thus loans to meet the cost of cultivation would be really productive loans, while those incurred for food and other living expenses are indications of poverty. Again, a loan to meet the social and religious obligations of a family would be in the most expensive category as being of no direct benefit to the family.

2.2. The size of holdings is found to be a very convenient index of economic status of the family in rural areas, and indebtedness in 1947 has been classified below according to the size of cultivable land owned.

Table 2.1. Indebtedness by the size of land owned.

cultivable land owned in acres	no. of families interviewed	cash loans		crop (paddy) loan
		interest bearing	interest free	
(1)	(2)	(3)	(4)	(5)
(a) percentage of families indebted				
Below 2	1701	28.87	18.697	12.25
2 - 5	480	34.79	20.0	11.67
5 - 10	283	39.46	17.3	7.42
10 & above	166	29.52	18.1	3.61
total	2630	30.91	18.75	11.06
(b) average loan per family				
		Rs.	Rs.	Rs.
Below 2	1701	82.87	55.48	8.77
2 - 5	480	128.99	100.05	10.93
5 - 10	283	231.82	104.92	18.95
10 & above	166	404.92	137.73	40.83
total	2630	131.17	74.08	10.58

2.3. As regards the percentage of families in debt it increases for interest bearing loans with every rise in the size of holding upto 10 acres and then decreases. Percentage under interest free loans remain more or less steady throughout, while that under crop loans decreases as area increases.

In the case of interest bearing loans, the rise in percentage of indebted families with an increase in the size of holding reflects the rising credit and also perhaps the need of taking larger loans for productive purposes. Interest-free loans, however, have very little relationship to property status or credit of the debtor and confirm our previous hypothesis about the consideration for the loan being mutuality or free service rather than a monetary one. Crop loans are taken only for consumption purposes and families with increasingly larger holdings are more and more self-sufficient in food.

2.4. Variation of the average loan per family with the size of holding is of course, in conformity with expectation. The more prosperous the family the larger the unit of transaction whether in cash or kind because of better credit with larger holdings.

2.5. We have also attempted an analysis of indebtedness by occupational

OCCUPATION GROUPS
AND INDEBTEDNESS.

groups, the various occupations being specified
as follows :-

(1) Proprietors : Families whose main income is derived from rent or revenue. This group has become somewhat heterogenous containing quite well-to-do rent receiving classes as also very poor and indigent families who rent out their land as ~~tenants~~ they cannot afford to cultivate it for lack of working capital.

(2) Farmers : Families mainly tilling ~~own~~ land in their own possession with hired labour.

(3) Cultivators : Families tilling their own land and sometimes land taken on lease or share cropping system, mainly with their labour and, only ^{partly} with hired labour.

(4) Share croppers : Families who mainly live by tilling others' fields on a share-cropping basis.

(5) Agricultural labourers : Families whose livelihood is derived mainly from wages earned as hired labourers.

(6) Craftsmen : Rural artisans like carpenters, potters, blacksmiths, and weavers.

(7) Liberal professions : Lawyers, school masters, professionals etc.

(8) Trade

(9) Other occupations, those not specified above.

Table 2.2. Indebtedness by occupational groups.

principal occupation	number of families	cash loans		crop (paddy) loans
		interest bearing	interest free	
(a) percentage of indebted families				
Proprietor	35	28.57	14.28	2.86
Farmer	105	40.95	13.33	5.71
Cultivator	797	36.26	18.32	10.51
Share-cropper	190	34.21	23.16	25.89
Agr. labourer	698	30.08	20.63	12.89
Craft	68	27.94	23.53	4.41
Liberal profession	188	29.79	21.28	7.98
Trade	240	22.92	15.83	7.92
Others	309	21.36	14.89	7.80
total	2630	30.91	18.74	11.06
(b) average loan per family				
Proprietor	35	719.90	136.60	2.86
Farmer	105	254.60	78.07	5.71
Cultivator	797	181.00	104.75	10.51
Share-cropper	190	77.66	62.36	25.89
Agr. labourer	698	54.30	35.71	12.89
Craft	68	82.95	87.69	4.41
Liberal profession	188	105.16	90.45	7.98
Trade	240	125.78	95.29	7.92
Others	309	73.47	63.67	7.80
total	2630	131.17	74.08	10.58

It will be seen that the cultivator groups (farmer, cultivator, share-cropper) are more extensively indebted than the others; it will be further noted that even amongst cultivators, the more well-to-do sections are more widely indebted than the poorer sections. In the case of crop loans however, the share croppers (the poorest section of cultivators) show the higher extent of indebtedness.

2.5. The average loan per family in different occupational groups appears to reflect the relative credit positions in the case of cash loans; proprietors, farmers and cultivators come in successive order, trade being fourth in importance. As regards crop loans, farmers, share-croppers and agricultural labourers have high averages.

2.6. We give below the distribution of the total volume of the

DISTRIBUTION OF
TOTAL DEBT AMONGST
DIFFERENT INCOME
GROUPS.

interest bearing debts amongst different
income groups as an indication of the
relative burdens.

Table 2.3. Percentages of total debt borne, by income levels.

annual income in fupeses	p.c. of surveyed families	p.c. of interest bearing debt borne
(1)	(2)	(3)
Below 600	44.26	18.11
600 - 1200	35.02	36.27
1200 - 1800	10.95	22.17
1800 - 2400	5.09	16.47
2400 - 3000	2.09	3.36
3000 - 3600	0.96	1.03
3600 & above	1.63	2.59
total	100.00	100.00

2.7. It will be seen that 93 p.c. of the total debt is incurred by families having an annual income less than Rs.2400 and forming 95 p.c. of the total population. Only 4 p.c. of the total debt is incurred by families constituting 3 p.c. of the population and having an annual income more than Rs. 3000.

2.8. The following table gives the distribution of the total debt for different occupational groups.

Table 2.5. Percentage of total income shared and total debt, borne by occupation groups.

principal occupation	p.c. of surveyed families n = 2630	P.C. of interest bearing debt borne
(1)	(2)	(3)
Proprietor	1.33	2.45
Farmer	3.99	10.93
Cultivator	30.30	47.44
Share-cropper	7.22	6.19
Agricultural labourer	26.54	11.59
Craftsmen	2.59	1.50
Liberal profession	7.15	6.49
Trade	9.13	8.61
Others	11.75	4.80

2.9. It will be seen that the cultivators constituting 30.3% of the population bear 47.4% of the total debt. The next in importance is the agricultural labourer forming 26.5% of the population and having 11.6% of the loan on their shoulders. Farmer and Trade come next in order respectively.

SECTION III. TREND OF INDEBTEDNESS.

3.1. In this section an attempt has been made to analyse the trend of indebtedness during the period 1942-1947. The comparison from year to year is however beset with the difficulties mentioned at the very beginning of the report, namely, the probability of past loans, already repaid, having eluded the memory of the persons interviewed.

3.2. Table below gives the percentage of families, (relative to the total number interviewed in 1947) who could recollect their debts of previous years.

TREND IN EXTENT
OF INDEBTEDNESS

Table 3.1. Extent of indebtedness during 1942-1947 on the basis of interviews in 1947.

district	no. of families interviewed in 1947	Percentage of families returned as indebted in the year					
		1942	1943	1944	1945	1946	1947
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bankura	183	6.01	12.57	13.11	24.04	34.43	36.06
Birbhum	214	6.07	14.49	15.89	25.09	30.84	29.44
Burdwan	335	5.07	8.36	10.75	16.42	27.76	39.57
Dinsajpur	97	7.22	8.25	12.37	15.46	26.80	31.96
Hooghly	126	3.97	6.35	11.90	13.47	24.60	26.19
Howrah	178	6.18	10.67	16.85	19.66	30.90	31.46
Jalpaiguri	119	0.84	5.04	5.04	5.88	8.40	10.08
Malda	191	9.42	7.85	11.52	15.71	19.37	20.42
Midnapur	557	6.46	23.70	28.54	32.32	44.16	46.68
Murshidabad	239	7.59	12.97	15.90	16.74	28.87	29.71
Nadia	85	5.88	7.06	9.41	12.94	22.35	36.47
24-Parganas	306	5.56	8.50	13.07	13.40	18.30	18.93
total	2630	6.08	12.66	16.12	19.70	29.32	30.91

It may be seen that the percentage of families gradually increases from 6 to 31, but it seems very unlikely to us that such low levels of indebtedness did actually prevail in the years prior to 1946. The more remote the past the less the number of returns; this is the case in more or less all the districts. It will be seen, however, that the relative position of the districts in the matter of indebtedness remain more or less steady throughout the period.

3.3. The next table gives the average loan per indebted family based on the returns obtained.

TREND IN VOLUME
OF INDEBTEDNESS

Table 3.2. Average loan per indebted family during 1942-47 on the basis of interviews in 1947.

district	no. of families interviewed in 1947	average amount of loan in Rs. per indebted family in the year					
		1942	1943	1944	1945	1946	1947
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bankura	183	146.64	131.09	121.50	82.23	107.75	77.27
Birbhum	214	191.31	97.48	94.65	99.42	91.50	102.07
Burdwan	335	117.88	102.64	107.50	95.07	102.55	132.72
Dinajpur	97	228.86	186.38	124.00	111.40	137.00	119.90
Hooghly	126	203.40	139.38	106.47	100.47	99.19	137.90
Howrah	178	141.64	116.58	101.50	110.60	114.38	145.98
Jalpaiguri	119	21.00	52.60	55.83	50.43	74.10	80.08
Malda	191	26.78	37.93	41.36	57.07	40.86	60.00
Midnapur	557	85.17	64.92	58.24	57.15	90.18	143.45
Murshidabad	239	120.79	100.22	98.45	99.15	96.41	118.83
Nadia	85	148.40	39.33	133.25	106.82	142.26	196.67
24 Parganas	306	114.05	76.74	67.78	84.12	84.62	192.98
Total	2630	118.56	88.06	81.23	79.96	96.40	131.17

The figures for average loan per indebted family appears to be fairly reliable. This is probably due to the fact that those families which could recollect their loans did so more or less correctly. These figures do not differ much from some other estimates for the same years, based on interviews in these years. For example, the average loan per family for 1943 and 1944 (Rs. 88.1 and 81.2) agree well with the estimates (Rs. 85.5 and 82.1) based on Rehabilitation Enquiry, Bengal conducted in 1944. Accepting these estimates of average loan per indebted family to be sufficiently reliable, at least for a rough study of trend in indebtedness, the period between 1943 and 1945 shows a downward trend in average loan per family with rising trend during 1946 and 1947. The real burden however, considering the rise in prices, shows a tendency to decline. In the absence of any appropriate index for deflation, an attempt to show the trend in the real burden of indebtedness, cannot be made in quantitative terms. The decline during the war years upto 1945 shows that at least a section of the rural population benefitted from the high prices of crops and raw materials.

3.4. What sections actually succeeded in clearing themselves is revealed from a strata-wise analysis of the volume of loan during this period in the following table.

Table 3.3. Amount of loan in Rs. per indebted family in different years by area owned.

land owned in 1947 in acres	no. of fam- lies inter- viewed	amount of loan in Rs. per indebted family in the year					
		1942	1943	1944	1945	1946	1947
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Below 2	1701	61.7	54.5	52.3	51.7	65.1	82.9
2 - 5	480	119.7	93.8	84.5	81.9	102.6	129.0
5- 10	283	313.6	148.0	140.4	137.6	170.6	231.9
10 & above	166	345.2	288.0	248.0	252.4	262.4	404.9
total	2630	118.6	88.1	81.2	80.0	96.4	131.2

Subject to the limitations, explained previously, it will be seen that the classes owning above 5 acres were able, during the war period to pay off their loans to a very large extent, though since 1945 an increase is again noted. The general conclusion that can be drawn, therefore, is that during the war period indebtedness of the poorer sections was more or less at the same level while the richer sections were definitely able gradually to reduce their loans to a large extent.

3.5. Estimates of the total volume of indebtedness for undivided Bengal

TREND IN THE VOLUME
OF PROVINCIAL DEBT.

obtained in some of the years during
1930-1946, are shown in Table 3.4.

Table 3.4. Estimates of total volume of debt for undivided Bengal during the period 1930-1946.

description of the enquiry	year	p.c. of families indebted	average loan in Rs. per family	estimated value of loans in crores of Rs.
(1)	(2)	(3)	(4)	(5)
Provincial Banking Enquiry	1930	-	147.0	100.00
Famine Enquiry	1943	29.0	85.5	25.40
Famine Enquiry	1944	56.7	82.1	46.70
Rural Indebtedness Enquiry	1946	53.7	148.1	79.60

3.6. Before commenting on the difference between the various estimates given above it is necessary to give a brief account of the methods employed and the population covered in the different enquiries.

3.7. The Provincial Banking Enquiry Committee of Bengal (1930) estimated the total indebtedness in the following way. 37,6,698 members of co-operative societies were examined and data about their assets and liabilities were obtained. The average debt per indebted family was found for such persons to be Rs.147/-. The Committee concluded from this.

"The question naturally arises whether they form a fair sample of the whole body of agriculturists. At one end of the scale there are people who are so well off that they do not desire to incur the risk of unlimited liability by enlisting themselves as members. At the other end there are persons who are so poor that they are refused membership.

It is therefore not unfair to assume that the co-operative population represent the median agricultural population. The average obtained for co-operative is, therefore, a reasonably accurate estimate of the average for the whole body of agriculturists".

The estimates therefore of this body is based mainly on certain arbitrary assumptions which destroy the basis of any precise comparison.

3.8. In the Rehabilitation Enquiry 42 affected subdivisions were surveyed, villages and families within these subdivisions being selected at random. Multiplier used for provincial estimate was the census number of households in rural Bengal in 1941 which was (extrapolated for 1944) 1.00 crores approximately. Further, the data about debts etc., for 1943 were actually obtained by interrogating families during 1944. Informations regarding periods already past being given from memory, a small proportion of actual debts may have been missed in the information supplied but this is not likely to have been appreciable. The designs of the last two surveys have been already given.

3.9. From the descriptions given above^{of} the different methods of enquiry covering the different sections of population it is evident that the various estimates exhibit rather a confused picture of the various effects not merely in the difference in periods they refer to but also the differences in the areas covered by the enquiries. Another important point that has to be remembered is that the purchasing power of a rupee in 1930 must have been considerably different.

3.10. Thus, on the basis of these estimates of total volume of indebtedness no valid quantitative comparisons can be made. Broadly, these indicate that the level of indebtedness was high round about 1930, and declined between the years 1930 and 1943. Since 1943, again, it has shown a tendency to rise. This rise is however in the nominal volume.

3.11. This indication of decrease in volume of indebtedness from 1930 to 1943 may be accounted ~~for~~ to some extent, if we consider the effects of the Money Lenders Act and the Bengal Agriculture Debtors' Act. The former led to the settlement of many debts by Money Lenders at large concessions, and the latter led to the scaling down of many debts by the Debt Settlement Boards.

3.12. Another fact responsible for the decrease in volume of loan, is that in many cases, the village Mahajans gave up the profession of money lending due to legal difficulties in recovering loans, and rural families had to acquire money by selling assets. This is brought out from the figures of the Registration Department given in table 3.5.

Table 3.5. Number of sales and mortgages registered during 1940-43.

year	no. of registered deeds of transfer (in 000)		no. of mortgage expressed as p.c. of number of sales
	sale	mortgage	
(1)	(2)	(3)	(4)
1940	65	16	24
1941	87	15	17
1942	88	10	11
1943	169	18	10

It may be noted from the above figures that during 1940-43 the number of mortgages which reflect the trend of secured debts lagged far behind the number of sales executed. The majority of sales are likely to have been transacted with Mahajans to whom the families were indebted or with whom the land was mortgaged. In such cases, it is quite natural to assume that the Mahajan must have deducted his arrear dues from the price, thus, in effect, liquidating a part of the outstanding loan.

3.13. The estimates of total volume of indebtedness in West Bengal based on the two stages of the present investigation, conducted in the years 1946 and 1947, are respectively 23.32 and 19.93 x crores of rupees. Having no other estimates for this part of Bengal, it is not possible to attempt any comparison.

SECTION IV. THE ECONOMICS OF RURAL FINANCE.

4.1. In this section we have dealt with the reasons for incurring loans, the sources of loans, the rates of interest and the inter-relationship of these factors, giving a picture of what we may call the Economics of Rural Finance. In our previous sections we have studied loans in relation to the family, but in this section the emphasis is on the loan as a unit of financial transaction, irrespective of its burden on the family. We have, at the same time, tried to trace the evolution of the economics of rural indebtedness from 1942 to 1946 and this has been done on the basis of the returns obtained in 1946 of the loans outstanding in each successive year since 1942. For the 2630 families surveyed in West Bengal the number of loans recorded was 1509, but because of the obvious defects in the returns of past loans, as already indicated in para 0.2, our results in this field must be taken to indicate only rough trends rather than a precise measure of the changes during the period.

4.2. The common reasons for the incurrance of debts by the rural

CAUSE OF
INDEBTEDNESS.

population are found to be :

- | | |
|-----------------------------------|----------------------------|
| (1) food | (5) arrear of rent |
| (2) house repair | (6) repayment of old loans |
| (3) social and religious expenses | (7) cultivation |
| (4) litigation | (8) other causes |

Items (1), (2) & (3) may be said to bear directly on the living expenses, and item (7) on the occupational expenses, while items (4), (5) & (6) may belong to either category. Item (8) covers all the miscellaneous causes. The following table analyses the causes of indebtedness in different occupational groups.

Table 4.1. Causes of indebtedness and occupational status of debtors.
(Percentage distribution of amounts).

Principal occupational groups	food	house	social	liti-	arrear	culti-	repay-	others	t o t a l
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		re-	&	ga-	rent	va-	ment		
		pair	religious	tion		tion	of old		
							loans		
Proprietors	54.90	-	22.17	-	9.96	12.97	-	-	100.00
Farmers	35.38	8.43	17.92	0.47	8.78	2.46	1.41	25.15	100.00
Cultivators	44.01	0.60	10.27	0.40	8.41	12.07	0.21	24.03	100.00
Share Croppers	55.98	1.96	17.78	-	1.04	5.34	-	17.90	100.00
Agri. Labour	71.70	5.71	5.82	0.27	4.18	3.15	0.28	8.29	100.00
Craftsmen	53.58	10.91	17.04	-	2.73	3.95	-	11.79	100.00
Liberal Profession	60.56	4.73	5.08	-	2.57	6.86	0.19	20.01	100.00
Tradesmen	42.92	2.55	6.47	5.54	17.61	3.15	-	21.76	100.00
Others	53.39	2.78	8.78	-	10.96	4.86	0.45	18.80	100.00
Total	48.86	2.81	10.72	0.75	7.99	8.02	0.39	20.46	100.00

4.3. For the rural population as a whole food is the largest single factor behind indebtedness, social and religious functions coming next in importance. It may be seen that the poorer groups, specially the agricultural labourers are driven to debt most frequently for food. As for other reasons, litigation is not a significant factor for any group excepting trade. House repair seems to be an important reason for the craftsman as also the farmer. As between living and occupational expenses the former amounts to 62 per cent and the latter to 17 per cent of the total debt, the remaining 21 percent being ascribable to other causes.

4.4. There was a view prevalent at one time that the chronic indebtedness of our rural population was caused mainly by heavy social and religious expenses and a penchant for unprofitable litigation. This view was refuted by the Provincial Banking Enquiry Committee, Bengal who stated that "an examination of the sources of indebtedness shows that litigations and social and religious ceremonies contribute, but little, to rural indebtedness. The agriculturist is, as a rule, improvident but the reasons for his improvidence have to be looked for elsewhere than litigation and festival. The real cause of his improvidence is poverty. Very little surplus is left to the agriculturist after meeting his bare necessities and hence he is often compelled to discount his future security to be relieved of his present necessity." Our own data generally confirm these conclusions, except that social and religious ceremonies are not so unimportant a cause of indebtedness as the Banking Enquiry Committee suggested. The table below gives the percentage distribution of the amount of loan by the year of incidence and the reason of loan.

Table 4.2. Percentage distribution of the total amount of loan by cause of incurrence and year of incidence.

Year of incurrence of loan	food	house repair	social & religious	litigation	arrear rent	culti- vation	repay- ment of old loans	others	total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1941	33.39	3.67	14.57	0.37	14.51	7.07	-	26.42	100.0
1942	64.48	0.25	5.42	-	5.20	2.02	-	22.63	100.0
1943	67.51	5.22	9.82	0.55	4.70	4.54	-	7.66	100.0
1944	43.12	5.39	13.39	1.14	8.97	6.51	-	21.48	100.0
1945	36.67	0.09	4.98	1.52	16.20	12.92	0.10	27.52	100.0
1946	51.74	2.33	11.25	0.76	4.29	9.24	0.88	19.51	100.0
total in 1946	48.86	2.81	10.71	0.75	7.99	8.02	0.39	20.47	100.0

It will be seen that during the war years loans for food have been on the increase, reaching the peak in 1943, declining in 1944 after a year of bumper crops and increasing again in 1946. Apart from this no significant trend can be recognized in the history of other cause of indebtedness.

4.5. An analysis of the sources of loans reveals the machinery of rural finance, indicates the relative importance of the various agencies and SOURCES OF RURAL CREDIT. reveals the inter class relationship in the association of different classes of debtors and creditors

In the following table sources of loans have been shown under different classes of creditors for successive years in the period 1941 to 1946. Under each source of loan has been shown the percentage of the total loan coming from that class.

Table 4.3. Amount of loans from different sources as percentage of the total from all sources.

Year of incurrence	money-lenders	pro- prietors	culti- vators	tra- ders	profe- ssions	co- opera- tives	Govt.	others	total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1941	18.73	20.15	18.94	11.46	1.74	15.93	0.32	12.73	100.00
1942	14.61	21.76	27.45	22.45	0.34	3.90	7.80	1.69	100.00
1943	13.10	18.35	26.99	7.35	1.92	2.25	29.18	0.86	100.00
1944	14.23	18.64	35.48	7.24	0.23	1.55	11.71	10.92	100.00
1945	20.21	25.17	25.45	11.72	0.99	4.90	4.26	7.30	100.00
1946	17.40	19.74	40.91	11.37	2.17	2.01	2.98	3.42	100.00
total	16.95	20.30	32.21	11.20	1.64	4.83	7.17	5.70	100.00

In 1941, the professional money lenders, proprietors, and cultivators were the most important sources of rural credit, with traders and cooperatives following. In 1942, money lenders and cooperatives had lost their importance, while traders and cultivators as also Government became more important; other

sources practically dried up in 1942. In 1943, Trade also lost in importance though money lenders and proprietors still have their share, while Government suddenly became important (apparently because of the famine) and, together with cultivators furnished, the major portion of rural credit. The importance of the cultivator as an agency of rural finance continued to increase to the end of the period except for a slight set back in 1945. Taking the period as a whole, it is seen that the bulk of the loans have been supplied by the money lenders or the proprietor classes, but by the cultivators themselves, showing the rise of a new class of rich peasantry who combine agriculture with money lending. Another notable feature is the steady decline of cooperative loan activities.

4.5. In 1941, money lenders have already been reduced to a position of minor importance amongst the rural agencies of finance, though in 1930 they furnished, according to the Provincial Banking Enquiry Committee, 89% of the total credit. It may be that the Committee's figure, based, as it was, on the survey of a single village (Karinganj) was not a ~~representative~~ representative one. But it may also be that there has been a real shift of the ~~xxx~~ pivotal point from the village Mahajan to the cultivator who has prospered during the war. Recent legislation has placed the professional money lender in a position of disadvantage relative to the cultivator-mahajan who is often the local Jotdar and also an employer of labourer. It is quite conceivable on the other hand, that a number of professional money lenders now return themselves as cultivators, or, farmers.

4.6. The following table gives an idea of the usual association between debtors and creditors as classified into occupational groups.

INTER-CLASS RELATIONSHIPS.	The figures indicate the percentages of the total debt returned against particular class of debtor and creditor.
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Table 4.4. Percentage distribution of the total amount of loan in 1946 by occupations of debtors and creditors.

occupation of debtors	sources of loan						Govt.	others	total
	money-lenders	pro-prietors	cul-tivators	tra-ders	pro-fession-tives	co-ope-ratives			
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Proprietors	0.82	1.35	0.16	0.11	0.36	-	0.01	-	2.45
Farmers	1.17	2.81	4.71	1.14	0.36	0.27	0.16	0.31	10.93
Cultivators	6.75	9.84	16.11	4.71	0.28	3.67	2.77	5.31	47.44
Share Croppers	0.47	1.18	2.87	0.47	0.09	0.17	0.68	0.26	6.19
Agri. Labour	2.12	1.26	4.33	1.07	0.16	0.30	1.98	0.37	11.59
Craftsmen	0.01	0.04	0.49	0.36	0.03	-	0.23	0.34	1.50
Profession	2.75	0.46	0.99	1.07	0.25	0.26	0.26	0.45	6.49
Traders	2.47	2.27	1.66	1.15	0.08	0.06	0.49	0.45	8.61
Others	0.30	1.09	0.89	1.12	0.39	0.10	0.59	0.25	4.80
Total	16.95	20.30	32.21	11.20	1.64	4.83	7.17	5.70	100.00

These figures show that the agriculturists are not only the most important financial agencies of the village but that they are also the main suppliers of loans to the agriculturist class. Of the total debt incurred by cultivators (47.75%) one third (16.11%) come from the cultivators themselves. The statement of the Provincial Banking Enquiry Committee that "There is not much loaning among agriculturists themselves" no longer holds good. Of 33.21% of the total loans, which was advanced by the cultivator group, 16.11% went to cultivators, 2.87% to share cropper, 4.33% to agricultural labour and 4.71% to farmer thus making 29.11% leaving only 5.01% as loan issued to other classes. As regards the non-agricultural classes amongst debtors, the main source of credit available to them are still the money lenders, proprietors and traders. Of the loans (8.61%) incurred by traders, 2.47% comes from money lenders, 2.77% from proprietors and only 1.66% from cultivators. Similar is the case for the professional classes debtors who get 2.75% from money lenders and only 0.99% from cultivator out of a total of 6.49%.

4.7. The following table has been prepared to see if different classes

RELATIONSHIP BETWEEN
THE PURPOSE AND
SOURCE OF LOANS.

of creditors have any preference for particular purposes for which loans are asked.

Table 4.5. Relationship between reason of loans and sources of loans.
(Percentage distribution of amount).

reason of incurrence	sources of loan								total
	money-lenders	Pro-prietors	ulti-vators	tra-ders	profes-sion	co-operatives	Govt.	others	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Food	41.38	49.36	48.09	48.38	60.00	75.67	58.84	36.09	48.85
2. House repair	1.81	-	3.03	6.86	1.56	-	10.16	0.14	2.91
3. Social & religious expenses	17.95	4.16	15.70	6.99	3.25	3.03	2.71	10.41	10.72
4. Litigation	0.12	1.88	0.43	1.76	-	-	-	0.18	0.75
5. Arrear rent	1.99	29.30	3.30	1.65	2.50	8.25	-	0.36	7.99
6. Cultivation	11.87	3.58	6.25	10.10	13.50	3.07	14.75	12.39	8.02
7. Repayment of old loans	0.85	-	0.71	0.18	-	-	-	-	0.39
8. Other causes	24.03	11.72	22.49	24.08	19.19	10.00	13.54	40.43	20.47
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

On the whole, there is no association between particular sources with particular purposes of loans, except perhaps that proprietors advance a large part of their total loan (29.30%) against requirements of arrear rent; such loans may however arise from a mere transfer of the dues from the rent category to the loan categories without actual transfer of cash. For the rest, food covers roughly half the amount advanced by most of the individual sources with an overall percentage of 48.8.

4.8. There is an enormous variation in the interest charged for

RATE OF INTEREST. loans in rural areas, as will be seen from the following analysis.

Table 4.6. Percentage distribution of amounts of loans from different sources according to rate of interest.

source of loan	interest free	rate of interest							total
		1-10	11-20	21-30	31-37	38-56	57-75	76-97	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Money-lenders	15.36	15.31	33.04	9.96	23.41	-	2.92	-	100.00
Proprietors	24.14	6.22	39.49	8.37	20.33	0.06	1.39	-	100.00
Cultivators	15.77	17.31	29.52	7.25	26.70	0.40	2.73	0.32	100.00
Traders	21.40	9.63	30.17	8.61	25.30	0.27	4.57	-	100.00
Professions	1.31	11.25	46.62	11.88	26.44	-	2.50	-	100.00
Cooperatives	7.46	46.69	44.50	-	0.42	-	0.93	-	100.00
Government	3.42	91.27	4.04	0.93	0.34	-	-	-	100.00
Others	29.05	27.29	20.61	10.14	10.71	0.84	1.36	-	100.00
total	17.26	21.06	30.88	7.53	20.61	0.22	2.34	0.10	100.00

The most frequent ranges of interest are 1-10%, 11-20% and 31-37%, the usual rates in these ranges being 6.25, 12.50, and 37.50. Normally one would expect the frequency in successive ranges to increase up to a point

and then decrease; this is actually the case except for the range 21.30% which shows a sudden drop in frequency difficult to explain. As regards the source of loan and the rate of interest, cooperatives and the Government charge the lowest ~~int~~ rates. They are not however very generous with interest free loans. The commoner agencies of rural credit seem to be quite liberal dispensers of interest free loans, but there is the possibility, in most cases, that payment may be exacted in kind though not in cash, as already mentioned in para 1.10. As to the rate of interest, when this is charged, there is nothing to choose between the rural sources of credit, the professional 'money lenders' and other money-lending sections among proprietors, cultivators or the traders. It is not possible to say whether there has been a rise or fall in the rate of interest. The only basis of comparison would have been the rates of interest quoted by the Provincial Banking Enquiry Committee, but these show a very high degree of fluctuation, different ranges being quoted for different districts and valid comparisons are not feasible.

4.9. Turning to the purpose of the loan as a possible influence on the rate of interest it is found that apart from food and cultivation which seem to attract relatively high rates of interest, there is no direct association between the purpose and the rate of interest of the loans. This is probably due to the fact that rates of interest depend on the debtor's standing rather than his purpose in seeking the loan. In the table below the loans issued against each purpose are classified according to the ranges of interest.

Table 4.7. Percentage distribution of amount by reason of borrowing and the rates of interest charged.

reason of loan	interest free	rate of interest in Rs. per cent per anna							total
		1-10	11-20	21-30	31-37	38-56	57-75	76-87	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Food	11.67	24.04	29.50	6.19	26.02	0.21	2.37	-	100.00
2. House repair	15.66	28.81	25.49	2.62	27.42	-	-	-	100.00
3. Social & religious expenses	18.93	6.88	39.92	10.99	17.26	-	6.02	-	100.00
4. Litigation	8.49	4.12	13.97	54.79	9.59	9.04	-	-	100.00
5. Repayment of arrears rent	33.10	17.90	46.71	1.22	0.76	-	0.31	-	100.00
6. Cultivation	6.40	35.71	19.49	22.05	14.24	-	2.11	-	100.00
7. Repayment of old loan	60.21	10.47	26.18	-	3.14	-	-	-	100.00
8. Others	27.51	16.61	29.17	4.79	19.52	0.24	1.65	0.51	100.00
Total	17.26	21.06	30.88	7.53	20.62	0.22	2.33	0.10	100.00

4.10. The relatively high level of interests charged in rural areas

NATURE OF SECURITY. is associated with a general lack of securities against the loans, as will be seen from the following table.

Table 4.8. Percentage distribution of amount of loan by source of loan and nature of security.

source of loan (0)	no security (1)	nature of security						total (8)
		culti- vable land (2)	home- stead land (3)	orna- ment (4)	uten- sil (5)	imple- ments (6)	others (7)	
1. Money-lender	77.85	13.59	0.19	5.93	0.24	0.91	1.29	100.00
2. Proprietor	80.91	13.77	-	4.06	0.10	-	1.16	100.00
3. Cultivator	67.74	17.10	-	8.95	2.54	-	3.67	100.00
4. Trader	53.74	17.86	8.41	15.77	2.49	0.82	0.91	100.00
5. Liberal Profession	59.69	11.25	15.62	10.69	2.75	-	-	100.00
6. Co-operative	80.88	15.26	1.70	1.59	-	-	0.57	100.00
7. Government	86.03	4.33	2.85	0.36	-	-	6.43	100.00
8. Others	70.66	21.91	-	5.24	2.19	-	-	100.00
Total	72.54	15.08	1.52	7.05	1.33	0.25	2.23	100.00

It will be seen that 72.5% of the total loans are unsecured. Amongst the different financing agencies, it will be noted that the traditional money-lender and the proprietor lend without security more frequently than the newly risen financiers from amongst the cultivators, the trade and the liberal profession. Cooperatives and Government are shown to have issued a high percentage of unsecured loans, but this is misleading as, in these cases, the security of some one other than the borrower is needed though this fact is not shown in the returns. According to the Provincial Banking Enquiry Committee "80 per cent of the number of loans advanced by the money-lenders is unsecured and 20 per cent secured, but the proportion that the value of the secured loans bear to that of the unsecured loans would be 9 to 10". This remark is not however borne by facts. This is probably due to the fact that the proportion of smaller loans which do not call for a security are much larger today than in the old days; the average size of a loan today, does not exceed Rs.100/-.

Table below gives the percentage distribution of the amount of loan by reason of borrowing and the nature of security.

Table 4.9. Percentage distribution of amount of loan by reason of borrowing and the nature of security.

reason of borrowing	no se- curity	nature of security						t o t a l
		culti- vable land	home stead land	orna- ment	uten- sill	imple- ment	others	
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Food	64.77	20.27	1.85	7.46	2.51	0.19	2.95	100.00
2. House repair	57.77		21.85	9.10	0.36		10.92	100.00
3. Social & Religious expenses	81.07	15.68	-	1.15	0.38	1.43	0.29	100.00
4. Litigation	24.66	68.49	-	6.85	-	-	-	100.00
5. Repayment of arrear rent	87.96	1.28	-	9.48	-	-	1.28	100.00
6. Cultivation	72.34	16.99	-	9.07	-	-	1.60	100.00
7. Repayment of old loan	58.11	15.71	-	26.18	-	-	-	100.00
8. Others	84.72	7.16	-	6.1	0.24	-	1.07	100.00
Total	72.54	15.09	1.52	7.05	1.33	0.24	2.23	100.00

It will be seen that of the three major reasons of loan the 'food' loans are secured in 35.23% of cases, 'cultivation' loans in 27.66% and 'social' loans in 18.93% of cases. This reflects the credit position of the families taking food loans are worse off while those taking loans for social expenses are better off and therefore while security is more generally demanded of the former it is excused in the case of the latter in a greater number of cases. It is interesting that only 24.66% of the loans taken for litigation is unsecured. Apparently creditors have less reliance on litigant borrowers.

General Conclusions

The last authentic report on indebtedness is that of the Banking Enquiry Committee referring to the year 1930. Ours has been the first systematic enquiry since then. Several conclusions emerge from this report, which it is interesting to compare with the findings of the Banking Enquiry Committee.

Both the extent and volume of debts today is definitely smaller than in the thirties, notable changes having appeared during the war years. This cannot however be interpreted as a sign of prosperity. The poorer sections of the population have failed to reduce their debts; only the richer sections have done so. A tendency towards outright sale of assets has appeared during the last decade or so. Further, generally speaking credit is not so readily available in the village as in the past.

These effects are obviously due to the operation of the Money-lenders Act and the Bengal Agricultural Debtors Act which has wiped out the indigenous financial agencies (Professional Money-lenders etc.) without creating adequate substitute. The main financier in the village today is a section of the cultivator class, but in this case the scale of operations is nothing like that of the Mahajan.