

## STATISTICAL NOTES

### AN ESTIMATE OF THE RURAL INDEBTEDNESS OF BENGAL

By SAILENDRA NATH SEN, M.A., *Statistical Laboratory, Calcutta.*

#### INTRODUCTION.

1. As the title indicates, we have attempted in the following note to make an independent estimate of the Agricultural Indebtedness for the province of Bengal. A reliable estimate is essential for any scheme designed to alleviate the condition of the agricultural population of our province. It will be remembered that the report of the Bengal Provincial Banking Enquiry Committee estimated the indebtedness at Rs. 100 crores in 1930. Our own estimate is Rs. 210 crores which is more than double the other estimate. The basis on which we have to work is very slender, and all that we claim for our estimate is probability. We have to use certain multipliers whose values are a matter of conjecture, but we have had the opportunity of referring to some judicial officers and *Kanungoes*, so that our estimates are to some extent based on the experience of local officers. The exact values of these multipliers can only be determined by intensive village surveys with proper precaution that the samples are random and not biased. The official estimates, *e.g.*, by the Fettelement Officers, unfortunately do not often satisfy this fundamental condition of randomness.

2. The Provincial Banking Enquiry Committee had utilised the method employed by Mr. Darling with regard to the province of the Punjab. This method assumes that the members of the Co-operative Societies constitute a representative sample. It is however easy to see that a selective influence is at work here. For instance, in the United Provinces a house-to-house enquiry over a large number of villages gave 36 as the percentage of unproductive debt to the total debt incurred by the villagers while the debt statements by the members of the Co-operative Societies for the same villages yielded the low figure of 16. In Bengal for members of the Co-operative Societies, the secured and the unsecured debts are in the proportion of 9 to 10. This is not only against all experience but is also contradictory to the statistics obtained in all other provinces. It is due to the employment of this method that the Bengal Banking Enquiry Committee has, in our opinion, underestimated the total agricultural indebtedness.

We shall use the alternative method of estimating the total indebtedness from the total value of registered mortgages effected per year. This latter information is easily obtained from the Annual Reports of the Registration Department. The method is admittedly rough. It involves the use of a large number of multipliers which must be ascertained more or less by guess. But if a representative house-to-house enquiry is made under the supervision of statistical experts, and with proper attention to randomness, it will be possible to obtain accurate estimates of these multipliers.

A house-to-house enquiry in India is also beset with peculiar difficulties. The villagers are prone to exaggerate their indebtedness. The officials, again, are nowhere looked upon with confidence; and it is difficult in India for non-officials to collect information from villagers who naturally would resent such intrusion into what they consider their private affairs. There might, moreover, be innocent mistakes due to illiteracy and ignorance.

3. For the purpose of the estimate we require the following informations:—

- (a) the proportion of the recorded mortgage debts which can be referred to the agriculturists,
- (b) the proportion of debt which is secured by mortgage, in case of (i) agriculturists, and in case of (ii) non-agriculturists,
- (c) the average period for which such mortgages remain outstanding (i) in case of agriculturists, and (ii) in case of non-agriculturists,
- (d) the proportion of families free from debt among (i) the agriculturists and among (ii) the non-agriculturists,
- (e) the rise in the sale price of land.

4. We may consider these factors one by one.

(a) The official evidence regarding the proportion of debts secured by mortgage is worse than useless. Estimates are available varying from 10 to 75 per cent. even for the same area, and are of course unreliable. In what follows we take 40 per cent. as a reasonable estimate of the proportion of debt secured either by bond or by land mortgage, and 25 per cent as the proportion secured by the mortgage of land alone. These are quite in keeping with the ratios obtained in other provinces as a result of house-to-house enquiry. It is well known that a large amount of debt is "unsecured," since small debts are quite common and are often given without any security. These ratios are also corroborated by the evidence of certain judicial and settlement officers with whom we had the opportunity of discussing the problem. This with regard to agriculturists. As regards landlords, who are generally much more well-to-do, we take the proportion to be 50 per cent as a reasonable assumption.

(c) As regards the average period for which mortgage debts run, we take it to be 6 years following the Banking Enquiry Committee. This estimate is again corroborated by intensive studies in other provinces. The estimate appears to be a reasonable one also in view of the fact that the period of limitation for legal relief in such cases is 12 years, after which no suit can be entertained by the law courts.

(d) We assume that on the average 30 per cent of the agriculturist families are free from debt. The late Major Jack's figure 55% (1900-11) is probably too high in view of the recent slump. Our assumption is again corroborated by the experience of other provinces as also by the Settlement Reports.

5. We assume further that the average debt of the landlord per capita is Rs. 600/- The figure for Bihar (as revealed by an intensive survey) is Rs. 800.

We note also the following informations given in the Census Report for Bengal (1931).

(i) Number of Landlords, etc.	...	...	678 thousands.
(ii) Number of Agricultural workers	...	...	8,799 thousands.
(iii) Number of persons in average family	...	...	5.1

6. The total debt of "non-agriculturist" proprietors is Rs.  $600 \times 678,000$  [see 5(i)]. Of this we have assumed [para. 4(b)] that 50 per cent is secured by mortgage. Hence the total of landlord's debts secured by land mortgage is Rs.  $600 \times 678,000 \times \frac{1}{2}$ , i.e., Rs. 20.34 crores.

From pages 66 and 69 of the Bengal Provincial Banking Enquiry Report we find that the total debt secured by land mortgage outstanding at the end of the year 1928 was Rs. 73 crores. Subtracting from this Rs. 20 crores we get Rs. 53 crores as the total of agriculturists' debt secured by mortgage. The total number of persons depending on agriculture is obtained by multiplying the number of agricultural "workers" by 5.1 which

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gives us  $5.1 \times 88$  lacs, that is, 4.48 crores. Hence the average debt secured by mortgage on land is (Rs. 53 crores + 4.48 crores) = Rs. 11.8 per head roughly. There is no reason to believe that the total amount of mortgage debt outstanding has changed very much since 1928.

Multiplying Rs. 11.8 by 5.1 (the average number of persons per family) we get Rs. 60/- as the average debt secured by mortgage per family. If we assume that 25% of the total debts is secured by mortgage, we multiply Rs. 60/- by 4 and obtain Rs. 240/- roughly as the total debt per family.

For the whole province therefore the total indebtedness would amount to Rs.  $241 \times 88$  lacs, i.e., Rs. 212 crores or roughly, Rs. 210 crores.

7. Corroboration by Settlement Reports. In the various Settlement Reports for the Bengal districts, the officers-in-charge, by intensive sample surveys of villages, have given certain estimates of rural indebtedness. These estimates are now out of date since the reports nearly all refer to years not later than 1927. Still if we make allowance for the accumulation of interest and contraction of fresh debt, it is found that these estimates bear out our own estimate fairly well, indicating that it is probably not very far from the actual fact.

Average registered debt per head per year has been estimated by Mr. Momen (Jessore, 1920-24) at Rs. 2/-, by Mr. Jameson (Midnapore, 1911-17) at Rs. 2-6-8, and by Mr. Sachse (Mymensingh, 1908-19) at Rs. 2-8-5. Multiplying by six, (since we have assumed that the average duration of secured debt is six years) we get the average debt outstanding on registered instruments to be Rs. 12/-, Rs. 14/7/- and Rs. 15/- per head. A reasonable estimate would therefore be Rs. 14. We thus obtain Rs.  $14 \times 100/40$  or Rs. 35 as the total debt per head. Finally for a family of 5.1 members, the debt would amount to Rs. 180/- per family roughly. This is also borne out by Mr. Ascoli in his report for the district of Dacca (1910-17). He states that the total debt per 'indebted' agriculturist family is Rs. 256/- on the average. As only 70% of all families are assumed to be indebted, we see that the total debt per agriculturist family (indebted or otherwise) would be on the average Rs.  $256 \times 70/100$  or Rs. 179.

The agreement between the various estimates suggests that the condition of the agriculturist, so far as indebtedness is concerned, is on the whole similar throughout the province. The truth or otherwise of this statement can be ascertained only by intensive village surveys on a randomised design on a large scale.

If we take Rs. 60/- (33 per cent.) as the net increase due to new debt and accumulation interest we reach the same figure Rs. 240/- as the average indebtedness of an agricultural family.

Our estimate of the total indebtedness is Rs. 240/- per family and Rs. 212 crores for the whole province. The Bengal Banking Enquiry Committee had given an estimate of 100 crores. Even if the truth lies somewhere between these two limits, the enormity of the agricultural indebtedness is beyond doubt. It is also clear that any measure intended to relieve the situation must also involve financial projects of the order of many crores of rupees.

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