CHAPTER III

METHODS OF REHABILITATION OF DEFAULTING MEMBERS

It has been seen in Chapter I that there are generally three categories of defaulting members, viz; (1) the members whose loans are beyond their capacity to repay, (2) the wilful defaulting members and (3) the Muslim evacuee members who have migrated to Pakistan. The default in the last two categories of defaulting members is of temporary nature and is due to certain accidental reasons, which have already been discussed in the previous Chapter. The detailed suggestions for recovery of loans from these two types of defaulting members have been made in the next Chapter. Here it will be sufficient to point out that in case of wilful defaulters, their loans can easily be recovered after making necessary amendment in the Cooperative Act, while in case of Muslim debtors an agreement should be arrived at between the two State Governments of West and East Punjab for the recovery of their loans. It is, however, the first category of defaulting members, whose default is of permanent nature and who also form the largest majority of defaulters. It is their problem of rehabilitation which is the real problem of the present day cooperative credit movement. The various methods for rehabilitating such defaulting members are discussed below:

1. In Chapter II it has been stated that in the case of wilful defaulters the reason of non-payment of their debts is the inadequacy of the present Cooperative Act, which has made the recoveries of loans from defaulters very difficult, while in case of Muslims debtors it is due to their physical migration to Pakistan.
Rehabilitation of Bankrupt Cultivators

The problem of rehabilitation of the bankrupt cultivators may be divided into two viz. (a) Scaling down of their existing debts to bring them within their repaying capacity and to issue them fresh loans for productive purposes and (2) to make them credit-worthy so that they may not become defaulters again.

Scaling down of Debt due to Societies: It has been stated that one of the main causes of increase in the number of defaulting members and the consequent stagnation of the movement was the sudden decrease in the income of the agriculturists due to heavy fall in the prices of agricultural commodities during the period of Great Depression. This had a double effect. On the one hand it reduced the capacity of the borrowers to repay, and on the other increased their burden of debt in terms of money. In other countries the Governments came to the rescue of the movement by advancing funds to the cooperative institutions for writing off their bad debts and for reducing their rates of interest; as well as by holding up the prices of agricultural commodities, but no such action was taken in this country. No doubt in credit societies a small reduction in the rate of interest from 12\(\frac{1}{2}\)\% to 9\(\frac{3}{4}\)\% was brought about in 1933 and some remission in the accumulated interest, in case the rest of the amount was fully paid by the members, was also given. But that was not enough to bring any substantial relief to the members. Later on in 1938 a scheme for the rehabilitation of the cooperative credit societies in a part of the state was also started under which substantial concessions were given to the members. But that was purely the work of the Cooperative Department as such, and the Government did not give any substantial help in working of these schemes. Lack of timely help by the Government resulted in a heavy strain on the reserves of the societies as well as of the central banks. Many credit societies had to be liquidated, because even after exhausting all their reserves they still remained with a heavy net loss.
With the rise in the prices of agricultural commodities after 1939, which raised the income of the agriculturists, most of the members were enabled to repay their loans. But a large number of them have even now failed to repay them inspite of the heavy rise in the prices. It is clear that the loans of these members are beyond their repaying capacity and shall have to be scaled down and made payable in easy instalments. The procedure for scaling down these debts will be similar to that adopted in the past with such modifications as may be found necessary to avoid previous pit falls. Concessions should be given only after a careful assessment of the repaying capacity of the defaulting member and in consultation with all the members of the society. It will be advisable to have on the spot enquiries by the Officer-in-charge before the scheme for the conciliation is finally approved, so that no undue\(^1\) concession is given to any member and the society does not suffer an unnecessary loss. But if all the defaulting members are to be rehabilitated within a specific period in this way, the amount to be written off will be substantial and may not be within the capacity of the cooperative institutions to bear. In such a case the state will have to come forward to help the cooperative institutions as is being done by the Governments of Assam and Bihar. It may however, be pointed out that the problem of scaling down of debts of the defaulting members will not be very difficult as this scheme of rehabilitating the defaulting members has been in progress in this State for the last 20 years. The total amount of irrecoverable debts including interest from all the defaulting members including wilful defaulters is approximately Rs.11 lakhs\(^2\) which is not a large sum.

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1. The details about the precautions to be taken and how societies in which members whose loans are beyond their repaying capacity form the largest majority are to be rehabilitated have been dealt with in Chapter IV.

2. For details see Chapter IV.
Scaling down of debts due to outside agencies: The question of scaling down of the members' debts owed by them to the outside agency on the other hand is most important. It is in fact the crux of the whole problem. Unless this problem is solved, the rehabilitation of the members will only be nominal and not real. It will be rather against the policy of prudent finance to advance them further loans, so long as they are heavily indebted to an outside agency. In fact it has been one of the causes for the failure of the societies in the past. It will therefore be necessary to clear their present borrowings from outside agency and to have a strong check in future, if both the societies and members are to be rehabilitated in the real sense. An idea of their dealings with the money lenders may be had from the table reproduced below from the Punjab Banking Enquiry Committee's report:  

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of District</th>
<th>A &amp; B</th>
<th>C</th>
<th>S. No</th>
<th>Name of District</th>
<th>A &amp; B</th>
<th>C</th>
<th>S. No</th>
<th>Position of Agricultural Credit Societies on 31.6.1981</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Karnal</td>
<td>30</td>
<td>70</td>
<td>8.</td>
<td>Hoshiarpur</td>
<td>10 to 15</td>
<td>12 to 18</td>
<td>2.</td>
<td>Classified 6,569</td>
</tr>
<tr>
<td>5.</td>
<td>Gurgaon</td>
<td>30 to 40</td>
<td>70 to 80</td>
<td>11.</td>
<td>Ferozepur</td>
<td>33</td>
<td>55</td>
<td>5.</td>
<td>% of A&amp;B to 40%</td>
</tr>
<tr>
<td>6.</td>
<td>Jullundur</td>
<td>16</td>
<td>29</td>
<td>12.</td>
<td>Amritsar</td>
<td>Nil.</td>
<td>40</td>
<td>6.</td>
<td>% of C to 53%</td>
</tr>
</tbody>
</table>

It is clear from the table given above that 10 to 30% of the members in A and B class and 30 to 80% of the members in C class were indebted to outside agencies in 1930. The position becomes still gloomy if we remember that firstly these figures relate to a time when there was no restriction on the borrowing of the members from the society itself thus enabling them to borrow as much as they required from the societies. Secondly the borrowings from the outside agencies are liable to  

1. Committee Report P.345
be under-estimated as the members are likely to be reluctant to disclose their dealings with the money lenders. There are no reasons to suppose that the position has improved since then. In view of this, the question of such members, as well as of non-members whom we have to bring in the cooperative fold will have to be tackled urgently before we could reach our goal of providing finance to all the agriculturists from the cooperative credit societies. The Gadgil Committee which seriously considered this matter, has rightly remarked 1 "Unless agricultural economy is freed of the incubus of a heavy accumulated debt, it will not begin to function normally, and as long as the charge on the current income of the producer on account of the interest and repayment of old debt is not placed on a reasonable level, the system of new finance will have no chance of successful operations. Therefore the adjustment of debts must be brought about in order to allow for the normal functioning of the economy of the producer and as a necessary preliminary to the reorganisation of agricultural finance". So the Committee recommended that all debts of agricultural producers should be adjusted and paid off immediately in lumpsum. The work of adjustment should be completed within two years as the passing of the time is likely to breed new forces that may disturb the results and may retard progress. The proposals of the Gadgil Committee were endorsed by the Saraiya Committee. But despite the strong recommendations made by the aforesaid two committees no serious attempt at the solution of the debt problem has been made in any state except in Bombay.

No doubt certain measures were taken in this direction by the Punjab Government in the post depression period to relieve the agriculturists from the burden of old debts by a series of legislations such as the Punjab Regulation of Accounts Acts 1930, the Punjab Relief of Indebtedness Act, 1934 and the Punjab Debtor's Protection Act, 1936

*During field inquiries also efforts were made to know the members' borrowings from the money-lenders. But these could not be ascertained due to reluctance on their part to disclose their outside dealings to a stranger.
to which some reference has already been made. These measures were however of purely voluntary nature and no compulsory scaling down of debts was to take place. On the other hand no steps were taken to strengthen the other alternative agency through which the agriculturists could get fresh loans. The cooperative movement at that time was passing through a serious crisis, and the Government did not come forward to help it by either showing any preference for the recovery of debts from the members or by giving substantial funds to scale down their old debts. So it is clear that these measures did not aim at a permanent solution of the chronic problem of agricultural indebtedness but were in the main designed to meet the situation arising from a sudden and steep fall of prices. Actually the work of adjustment was considered quite apart from the problem of rebuilding the financial structure.

Although after the passing of these laws in 1935, the non-agriculturist money lender stopped heavy advancement of loans against personal security due to lesser chances of recovery through the courts, the loans against the security of gold and silver increased substantially, while moderate loans against personal security were also given, which the agriculturist was forced to take in the absence of any other alternative agency. The agriculturist money lender who was now in a stronger position than the former exploited the situation all the more. He even made baseless propaganda against the movement as stated earlier. He advanced heavy loans against the mortgage of land (which was not possible in the case of non-agriculturist money lender due to the presence of the Land Alienation Act till recently). He also advanced heavy loans against the personal security, because of being an influential man in the village, he could well manage to recover them without resort to the civil courts. Though no definite estimate can be made about the amount of indebtedness of the members and non-member to the outside agencies, yet it is felt that the amount must be quite
considerable. In view of the foregoing analysis, the problem will have to tackled from three angles. (a) Compulsory scaling down of the debts to the repaying capacity of the borrowers; (b) setting up of an alternative efficient financing agencies to take up the adjusted debts and to provide them short term and long term finances and (c) a vigorous control of the private money lender as well as of the cultivator.

Unless all the three questions are tackled simultaneously, it will not be possible to find a satisfactory solution of the entire problem. This problem has been pending for the last so many years and should not be postponed any further. We shall take up the two questions here while the third i.e. of setting up appropriate efficient financing agencies for long and short term finances will be discussed in the later chapters.

Compulsory scaling down of debts: The debts of all the agricultural producers should be compulsorily scaled down within a specific time, irrespective of whether the borrowers apply for it or not, on the lines of the Bombay Agricultural Debtor's Relief Act as was recommended by the Gadgil Committee. For debt adjustment work, a special machinery should be set up by the State which should be charged with the task of scrutinising and determining the fair amount due from the debtors. The adjusted debts should be paid off immediately by transfer of the same to the land mortgage banks. The agency taking over the debts will recover the dues from the debtors in instalments spread over a period not exceeding 20 years.

Control of the money lender: It was stated above that in spite of restrictions upon the money lender, he has been advancing loans to the agriculturists substantially, firstly because there was no alternative agency to cater the needs of the cultivator and secondly the restrictions upon him were never effective. Certain restrictions have, no doubt, been imposed on the money lender e.g. registration, licensing, a maximum rate of interest,
the maintenance of accounts in specified forms etc., but these restrictions are only of a formal character and are easily avoided by him, e.g. by writing more than the original sum, or compelling the cultivator to sell his produce through him and giving him lower rates etc. The position in this respect is all the more unsatisfactory in case of the agriculturist money-lender who does not keep any accounts. The Gadgil Committee recommended that an effective Government machinery for the enforcement of the above rules should be set up. But in view of the fact that the number of money lenders is very large and scattered in villages having no accounts, it is doubtful if a such an effective machinery could be set up. Besides that, even if such an effective machinery was possible it will be very expensive while allowing a free bargain between the weak and the strong will naturally result in the exploitation of the weaker. So the best course would be to prohibit the money-lender from advancing direct loans to the agriculturist. It will have many advantages. (1) The money advanced by him will either flow to the other productive channels, - a great need of the time - or it will be deposited in the cooperative credit society. (2) The illiterate cultivator who borrows more than his needs will be protected and there will be virtual check over his borrowings. (3) The business of the society will increase, and will enable it to perform its functions efficiently and economically and (4) The filthy propaganda which the money lender now makes against the society will be checked.

The only objection which can be raised against such a course, is that the societies may not be able to provide finance for all the genuine needs of all the agriculturists. This, however, appears to be a

1. Of course it will not be possible to control the money lender completely, till the working of the societies becomes efficient. But even upto that time of attaining complete efficiency some control over those cultivators who borrow more than their capacity to repay is essential. This can be possible if the money lender lends through the cooperative society only.
false notion. It is not the funds in the societies that are deficient but it is because of their defective working that they have not been able to cater for the full needs of the agriculturists so far. To remove the present defects in the working of the societies, and to make them work efficiently and honestly suggestions have been made in the next chapter. To provide more finance to the existing and new members certain societies have already got surplus funds and can meet their additional needs. To others the central banks most of which have got enough surplus funds can provide the additional needs, while more funds are also to be provided by the Reserve Bank of India under the rediscounting scheme of agricultural paper and the central Government under the First Five Year Plan. The proof of this course whether the cooperative societies will be able to provide finance to all the agriculturists in the state has already been seen in Bombay, where cooperative financing agencies completed their target of providing finance to all agriculturists as fixed by Nanvati Committee (1946). It needs no emphasis that the scaling down of debts and the reorganisation of the alternative cooperative credit agency must proceed simultaneously as the compulsory scaling down of debts is likely to throw the whole of the present credit machinery out of gear and the agriculturists will have to face great difficulties in getting further advances.

Measures necessary to make: What has been stated so far was only to relieve the cultivator from the heavy burden of past debts to enable him to have a new and free life of productive activity, while at the same time to facilitate the normal functioning of the reorganised multipurpose society. But this was

1. The total advances made by cooperative agencies in Bombay upto June, 1946 were Rs.2.15 crores. The Nanvati Committee fixed the target of increasing this amount to Rs.10 crores to the end of June 1953 to provide finance to all the agriculturists in the State at Rs.1 crore annually. So the total amount to be advanced at the end of June, 1951 was to be Rs.7.15 crores, while the societies actually advanced Rs.7.19 crores to that date.
only a negative approach and the positive approach lies in making him
credit-worthy to rehabilitate him in the real sense. Mr. E. C. Jone has
remarked thus, "The fundamental problem is to increase the income of
the farmers improve their capacity to repay and raise their standard
of living."1 The Gadgil Committee observed "That the financial re-
construction could not be successful unless all the problems of agri-
cultural economy were tackled as a whole; the attempt to raise a sound
system of finance should be only a part of general programme of re-
construction to place the agricultural producers in a state of normal
solveny."2 The cultivator at present suffers from so many ills with
the result that he has been living in a state of constant poverty for
the last so many decades. So unless all his problems are tackled at
the same time, it will not be possible to lift him up from the state
of ignorance and poverty. His problems and some of the methods for
their solution are:

1. Consolidation of holdings: The scattered holdings of the cul-
tivator throughout the village is one of the important impediments in
raising his income. Not only his holdings are small, but they are
even scattered. The extent of such scattered holdings can be seen from
the following table. It will be observed that more than 80 percent of
the owners hold more than one plot:

Table No. XVIII

<table>
<thead>
<tr>
<th>No. of Plots held by cultivators in Punjab (I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Survey conducted* by the Board of Economic Enquiry, Punjab)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>S.No</th>
<th>Particulars</th>
<th>%</th>
<th>S.No</th>
<th>Particulars</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cultivators having 1 Plot</td>
<td>19.5</td>
<td>4.</td>
<td>Cultivators having 11 to 15Plots</td>
<td>9.8</td>
</tr>
<tr>
<td>2.</td>
<td>&quot; 2 to 5 &quot;</td>
<td>23.9</td>
<td>5.</td>
<td>&quot; 16 to 25 &quot;</td>
<td>15.5</td>
</tr>
<tr>
<td>3.</td>
<td>&quot; 6 to 10 &quot;</td>
<td>13.5</td>
<td>6.</td>
<td>&quot; more than 25 &quot;</td>
<td>17.8</td>
</tr>
</tbody>
</table>

* Reproduced from Dr. C. D. Agrewal's Book "Reorganisation of Agricu-
tural Credit (P.19).

1. "Agricultural Credit" in the Year Book of Agriculture (U.S.A.) 1940
2. The Gadgil Committee Report (P.85).
The disadvantages of fragmentation are obvious. A part of the land is wasted owing to fragmentation being so excessive as to prevent agricultural operations while another part is lost in numerous boundaries. Even where cultivation is possible, fragmentation involves endless waste of time, money and effort; it restrains the cultivator from attempting improvement in his land; prevents him from adopting scientific methods of cultivation; discourages him from carrying on intensive cultivation and enforces uniformity of cropping. It especially restricts the growing of fodder crops in periods of harvests when it is customary to turn cattle on to the stubble as soon as the crop is cut; there being no field boundaries to keep them on the land of their owner. So long as every one grows the same crops, ripening at the same time, little harm results, but such a practice becomes unsuitable if any variation in cropping is sought to be introduced. The fact is that the open scattered fields do not give the cultivator complete freedom over his cropping and he cannot devote his land to what he considers best and most profitable. Moreover the land being divided into small blocks lying at longer distances from one another, he cannot possibly sink a well for irrigation, live on his land and adopt improved methods of cultivation.

The attempts to combat all the evils of fragmentation which stood in the way of the cultivator, were made as early as in 1920 by the Cooperative Department. The consolidation of his holdings on voluntary basis, was taken up which made a rapid progress in the following years, the details of which has been given in chapter VIII. Up to the year 1948, 7.07 lakhs acres of land out of a total area of land of about 193 lakhs acres in the East Punjab were consolidated through this Department. Some of the economic benefits which accrued to the cultivators from this work were, increase in his income, intensive cultivation, bringing up of waste land under cultivation, and sinking of wells for irrigation.
Side by side with the Cooperative Department, this work was also taken up by the Revenue Department in 1935 on voluntary basis. However, in actual performance of this work certain difficulties were experienced and therefore the Consolidation of Holdings Act was amended in 1936, under which powers were given to the Consolidation Officers for preparation of schemes, settlement of disputes among right holders and for appointment of advisory committees. As the work carried out by both these departments on voluntary basis was not enough to cope with this huge problem, the Act was again amended in 1948. Under the revised Act the consolidation of holdings was to be carried out compulsorily. Since 1st April, 1949 all the work has been entrusted to a separate department under the Director of Consolidation of Holdings. Since then the work is being done in all the districts vigorously. The total land consolidation since 1949 can be seen from the following table:-

**Table No. XIX**

Progress in the work of Consolidation of Holdings since 1949.

<table>
<thead>
<tr>
<th>Year ending</th>
<th>Number of Villages</th>
<th>Acres Consolidated (in 1000 acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30th Sept., 1950</td>
<td>167</td>
<td>1,27</td>
</tr>
<tr>
<td>&quot; 1951</td>
<td>273</td>
<td>1,52</td>
</tr>
<tr>
<td>&quot; 1952</td>
<td>1,159</td>
<td>9,44</td>
</tr>
<tr>
<td>&quot; 1953</td>
<td>975</td>
<td>7,72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,574</strong></td>
<td><strong>19,95</strong></td>
</tr>
</tbody>
</table>

In villages where this work has been completed improvement in land has been made and intensive cultivation has been taken up.

To check this evil in future, the law of inheritance will have to be amended. At present every heir has got a right to get a proportionate share of each piece of inherited land and not a share of the whole equivalent to his portion. This continuous partition of each field among heirs leads to further fragmentation and scatteredness of the holding throughout the village area.
2. **Economic Holdings**: Mere consolidation of holdings will not solve the problems of the cultivator. The holdings of an average cultivator are so small that he cannot take advantage of all economies and adopt scientific methods to raise his income. A special enquiry made in 2,495 villages in the State, before Partition, disclosed the following results:

**Table No. XX**

The extent of small Holdings in undivided Punjab in 1939.
(Survey conducted by the Board of Economic Inquiry Punjab)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Cultivators having Holdings</th>
<th>Percentage</th>
<th>S.No.</th>
<th>Cultivators having Holdings</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 1 acres</td>
<td>20.2</td>
<td>5.</td>
<td>10 to 15 acres</td>
<td>7.3</td>
</tr>
<tr>
<td>2.</td>
<td>1 to 3 &quot;</td>
<td>28.6</td>
<td>6.</td>
<td>15 to 20 &quot;</td>
<td>3.6</td>
</tr>
<tr>
<td>3.</td>
<td>3 to 5 &quot;</td>
<td>14.9</td>
<td>7.</td>
<td>20 to 25 &quot;</td>
<td>2.2</td>
</tr>
<tr>
<td>4.</td>
<td>5 to 10 &quot;</td>
<td>16.9</td>
<td>8.</td>
<td>25 to 50 &quot;</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td>50 and above</td>
<td>2.4</td>
</tr>
</tbody>
</table>

It will be seen that 60% of the cultivators have less than 5 acres of land, while about 80% have less than 10 acres. The Planning Commission observes, "Uneconomic holdings are at the root of many of the difficulties of Indian agriculture. With the growing pressure on land, their number is increasing. Agriculture cannot be developed as an efficient industry unless the unit becomes much larger than at present. To solve this problem the Commission evolved the concept of Cooperative Village Management as an ultimate solution. The possibilities of such a course has been discussed under the head 'Cooperative Farming' and there we have concluded that it is very difficult to have cooperative farms and the only possible solution is the collective farming. However collecting farming will not be possible on a large scale under the present circumstances as it will need resort to compulsion. Its

1. First Five Year Plan - First draft P-97.
2. See Chapter VIII.
operation is therefore limited to the new area to be brought under cultivation. Under the present circumstances the only possible solution is to provide him with irrigation facilities to make his holdings economic. Besides that he should be provided with technical guidance and sufficient finance to take to intensive farming and to subsidiary occupations.

3. Intensive Farming: Intensive cultivation is not the only possible solution under the existing circumstances but in certain fields individual farming is more useful and effective, as in the case of fruits, vegetables, poultry, dairy farming and rearing of pigs which do not lend for large scale farming. Dr. C.R. Fay remarks¹ "Agriculture with its idiosyncrasies and local variations does not except in rare cases, lend itself to collective control, because the individual ownership and cultivation of the land are, so far as we can judge from experience and observation, most essential to effective production." Another advantage in intensive cultivation is that it provides vast opportunities for the study of plant life in detail, which can be of great value in the development of agriculture. So the peasant must change his old custom of sowing only the cereal crops and must take to vegetables, fruits and dairying in order to put his holding to the most profitable use. There was marked change in Europe after the First World War, from the single crop cultivation to the direction of mixed intensive cultivation and market gardening, the line traditionally suited to small farmer, and the personal attention of the owner, but our cultivator still resorts to the same old practices. At present he lacks technical guidance which should be provided by the Government before we can expect intensive cultivation from him. It would also require solution of two more problems for inducing him to resort to intensive farming. (1) A cultivator will

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¹ Dr. Fay Cooperation Home and Abroad, P-202.
not grow more than he can sell or use and therefore demand for such products will have to be created. For this he should be persuaded to change his own diet which will not only be economical but more nutritious also. The demand for such products in the urban areas is already increasing, but lack of transport facilities in the villages is at present a great impediment in fulfilling this demand. So necessary steps should be taken for the development of communications.

(2) Intensive farming requires larger capital investment at the initial stages, which should be provided by the village Cooperative Society.

4. Irrigation Facilities: Intensive farming is only possible in the irrigated areas, where the water supply is sure and in plenty. Irrigation facilities will therefore, have to be provided at places, where the water supply is at present uncertain. The Government is already constructing a hydro-electric dam to provide electricity for tube-wells and water through canals. But at present where consolidation of holdings have already been completed and electricity has been provided, agriculturists are feeling great difficulty in obtaining long term finance to dig wells and set up electric tube-wells. The Government of India has placed some funds at the disposal of the State Government under the Five Year Plan to advance these loans to the cultivators for the construction of tubewells. These funds are however, not enough to cope with the whole problem. The State Government should, therefore, take immediate steps for the setting up of a CentralLand Mortgage Bank to provide them with long term finance.

5. Technical Guidance: At present our farmer is greatly handicapped for lack of technical guidance to improve as well as to increase the yield of his existing crops. In some of the western countries agriculture has far advanced technologically, making more use of capital as compared with Indian agriculture. Here the most primitive
cultivation appliances are still in use. Technological advances and improved methods discovered in the field of agricultural sciences during the last two hundred centuries have hardly been adopted for lack of finance and technical guidance. As estimated by Dr. Burns "In case of rice, yields can be increased by 30 per cent, viz. 5 per cent by using improved varieties, 20 percent by increasing manure and 5 percent by protecting from pests and diseases. There should even be no difficulty in increasing the present average out-run by 50 percent viz. 10 per cent by variety and 40 per cent by manuring. In wheat the yield is expected to rise to 1200 lbs. per acre for irrigated and to 600 lbs. in unirrigated over an average yield of 640 lbs. in the last ten years. An improvement of 20 per cent in Jowar and gram, 25 per cent in Bajra, Maize and Brassicace oil seeds, of 10 per cent in groundnut, and castor-oil-seeds and so on in case of sugarcane, cotton, jute and fibres etc. can be effected."¹ Our soil has been exploited for centuries without adequate manuring and proper care, and the yield per acre can be increased by better cultivation, adequate manure and proper care. So far value of good seeds has not been realized by our farmer or if realised at all, there has been no proper agency to supply him such seeds. So there is urgent need for such an efficient administrative machinery, which should provide him the technical guidance, and an agency to provide him all the supplies needed for such improvements. This problem has now been realised by the Grow More Food Enquiry Committee (1952) and the Planning Commission. The Community projects under the First Five Year Plan have already been started while steps are being taken for the extension service. As to how this administrative machinery of extension service should work and supplies should be made available, suggestions have been made in later chapters².

¹ Burne W., Technological Possibilities of Agricultural Development in India; 1944, p.V - VI
² For the functions of administrative machinery see chapter XIV and for providing supplies etc. see chapter XIII.
6. Land Reforms: A cultivator who cannot enjoy the full fruits of his labour, will not work hard to produce more and make permanent improvement in the land. A tenant paying rent in kind, ploughs the land less often than the owner, manures it less, and consequently gets a smaller yield. He has fewer implements and renews them less frequently. Some investigations reveal that a tenant obtains 25 per cent less \(^1\) out-turn than do the owner. When the cultivator finds that the fruits of his labour would be enjoyed by the landlord, he loses all interest in improving his position by greater efforts and improved methods of cultivation. Certain Acts for protecting the tenants-at-will have recently been passed but those acts have not been comprehensive enough to protect them. In fact that have worsened their position than before. Most of the landlords have extricated the tenants from their lands to save it from the effects of present Acts which has made their condition all the more miserable. For instance in the year 1950, in a single district of Ferozepore more than two thousands ejectments notices were served on tenants-at-will, who before partition were lease holders. Instances of forcible acquisition of land are also not wanting and during my tour to that district it was found that the condition of those people was most pitiable. So it will have to be admitted that the new Tenancy Acts, have failed to protect them. Much of the land is lying uncultivated particularly due to this and so a more comprehensive land-reform policy is essential if the poor tenants are to be protected and their income is to be increased.

7. Subsidiary Occupations: A cultivator cannot have even the most frugal living from his tiny holdings inspite of the great labour he may spend on intensive cultivation. He must resort to subsidiary occupations. Inquiries show that the work on the farm does not give

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1. See The Wealth and Welfare of Punjab by Calvert, P-89
2. Rangnekar - "Agricultural Finance in India", P.94.
employment to the cultivator in irrigated area for more than 200 to 220 days and for about half the period in the non-irrigated areas. In Japan more than one third of the farming population keeps itself afloat by rearing of silk worms. In Italy and France also sericulture plays a similar part. So resorting to subsidiary occupations is most essential for the cultivator. The present caste system is a great hinderance to our agriculturist to take up to such industries such as silk rearing, weaving, hosiery or toys etc., as they think it to be the work of the menials. Therefore the possible solution under the present circumstances is that they should resort to dairy farming, poultry farming vegetables and gardening and hand machine sugar making in the irrigated area. In the non-irrigated areas the problem of starting cottage industries is much more important, and at the same time very difficult also. The communication system in such areas is most unsatisfactory and the people are most backward. Intensive cultivation is almost impossible and the only solution is cottage industries. Therefore, in such area the state should take the initiative for the development of cottage industries.

8. Stabilization of Agricultural prices: The need of stabilisation of the prices of agricultural commodities at a level which can give a fair price to the producer hardly requires any emphasis. Although there is no likelihood of a fall in prices of these commodities to such a low level in the near future, yet it is essential that the Government must guarantee minimum prices to enable the agriculturist to increase production. The Prices Sub-Committee (1946) rightly endorsed this view, when it recommended, "The agricultural producer in India can be more readily induced to cooperate in a drive for expansion of production and increase in its efficiency if he has the feeling of security that his surplus produce will in any event fetch a price not lower than a given minimum. We, therefore, recommend that such a guarantee should be an essential part of any policy of
agricultural development.\textsuperscript{1}

Q. \textbf{Avoidance of Waste:}\ There is much waste in the resources of the cultivators which if avoided would naturally add to his income.

(a) \textbf{Cattle:}\ Due to poor quality and heavy mortality of cattle, there is much waste which can be easily prevented. To check disease and heavy mortality of cattle Veterinary First Aid Centres should be set up in the villages - one for every two to three villages - and veterinary hospitals should be opened\textsuperscript{at} convenient places in the towns. For the improvement of cattle, pedigree bulls should be supplied by the State free of cost and useless cattle should be removed to Gosadans. The setting up of a few centres for the provision of pedigree bulls to the agriculturist under the key village schemes and Gosadans for the useless cattle by the Planning Commission are steps in the right direction.

(b) \textbf{Marketing:}\ There is a waste due to a large number of unnecessary middlemen, who help in the disposal and supply of his goods. This can be avoided by setting up Cooperative Supply and Marketing Unions at marketing centres which would save the unnecessary charges of the middleman.

(c) \textbf{Social Expenditure:}\ There is a waste in the unnecessary expenditure incurred by the cultivator on unproductive purposes such as marriages, other social ceremonies and litigation. Such expenditure can easily be avoided by creating public opinion against it and by the formation of suitable social organisations.

(d) \textbf{Loss of Labour:}\ There is a waste in the form of high death rate, which removes many from productive employment, who are of the

\textsuperscript{1} Prices Sub-Committee Report, P.35
\textsuperscript{2} The points discussed under waste have been dealt here briefly as these have been discussed in detail in their respective chapters. For instance the problem of cattle improvement has been discussed under Cattle Breeding Societies, Marketing under Cooperative Marketing Societies and so on.
best ages and who have gathered skill and experience. There is also a waste due to preventible illness and the inefficiency that results from frequent suffering. This can be avoided by establishing cooperative public health and medical aid societies and by propagation of more knowledge about health and hygiene. There is a waste of female labour primarily due to customs and prejudices which should be got rid of by setting up suitable cottage industries in the villages.

10. Thrift: Thrift is another important element, which can help the farmer in raising his standard of living. Capital plays an important role in this age of money economy. Unless some capital is saved from the current income for further investment no further progress is possible. In this connection Mr. Calvert has remarked \(^1\) "The first cause of Indian poverty has been the absence of thrift; only by thrift could there be accumulated capital required to improve the land and make it more productive". So some sort of saving whether compulsory or voluntary is absolutely essential. So far the element of thrift has been unknown to the masses, and its absence has been one of the main reason for the failure of many societies. As regards the voluntary savings the ways of mobilizing them have been discussed in the next chapter. Here something may be said about the compulsory savings which may be in the form of compulsory contributions. These agriculturists should bear at least half the cost of running adult night schools in villages and some proportion of human medical aid and veterinary services. As these funds will be utilised for their own benefits, there should be no grudge against such a compulsion. Objection can be raised that the farmer is already living on a subsistence level, and may not be in position to save anything. But in reply to this it can be said that when he can waste much of his money on unproductive purposes such as litigation, marriages, and social ceremonies,

\(^1\) Wealth and Welfare of the Punjab, P, 205.
he must make some sacrifices for his own improvement also and for his future generation. Moreover, this will also induce him to work more.

11. **Indian Philosophy:** The present attitude of the cultivators of cutting down wants instead of working hard will have to be overcome if their income is to be raised. There is a serious drawback among the rural masses that they generally look to the Government for doing every thing for them and place little reliance upon themselves. So the spirit of self help must be nursed into a position of dominance. The Fiscal Commission has rightly observed that "No measure for improvement will achieve successful results, unless Governments can make agriculturists change their old-time outlook and arouse enthusiasm in them for new knowledge and new ways of life. There should be created in them a burning desire for a higher standard of living - a will to live better......In other words the problem is psychological not technical." Agriculturist must be made to feel how vital is the part he has to play in the nation's economy. This requires intelligent guides among the rural masses, who can change their psychology. Such guides should be provided by the Government by reorganising the Rural Development Administrative Machinery as suggested in Chapter XIV.

12. **Removal of Illiteracy:** As stressed at many places illiteracy is the root cause of most of the ills of the cultivator and unless it is removed, it will not be possible to bring in him any permanent improvement. Mere preaching and social programmes will not be enough to bring lasting results. His rustic head will have to be scratched in to instill in him the desire for better life. Prof. B.B. Mukerjee has rightly observed, "The crux of the problem is that so long the level

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of education is not raised and if this loan of ignorance is not lightened it is impossible to achieve lasting results by mere demonstration. The people must desire themselves to make effective use of the results and to improve their general education. In other words they must be taught how to think for themselves and how to act as an intelligent and progressive community." Unfortunately the Planning Commission has not given so much importance to this matter as it deserves. But it needs no emphasis that the Commission must revise its policy in this regard, as it has already been seen that wherever prosperity preceded education it brought with it more vices than the benefits. For instance in the Ferozepur District, drink, gambling, litigation, bribery and extravagance all increased after irrigation facilities were provided there in the twenties of this century. Hence there was a large increase in the indebtedness of the agriculturists'. It is therefore imperative, that the Planning Commission should give due importance to the problem of illiteracy and appoint a special Committee which should suggest ways and means to remove adult illiteracy. But so long that Committee is not appointed the State Government should help the village Panchayats on contributory basis to start adult night schools one in each village.

13. Check on Population: Increase of population among the illiterate masses is another problem at the present stage which is no less important. The Planning Commission has also taken serious view of this factor and has discussed about its serious repercussions in the form of further subdivisions of holdings and impossibility of increasing social services or standard of consumption without birth control. But practical methods are still to be devised. This matter was thoroughly discussed by me with the people during my tour to villages. The practical suggestions offered by them are, (1) The age of marriage should be raised from 14 to 18 years in case of girls and 17 to 25 years in the case of boys. The Marriage Act should be strictly enforced.
through the rural field staff and the Village Panchayats. Panchayats should have the right to impose fines on those who contravene the Act. (2) The knowledge of birth control should be disseminated through the rural field staff and distribution of suitable contraceptives medicines should be made through Public Health and Medical Aid Societies. Some people are now conscious about the consequences of having more children, but at present they are helpless being ignorant of the scientific methods of birth control. (3) Change should be made in the law of inheritance of property. At present any person who can eke on a small piece of his land, marries, without any hitch. Such a change of law will deter them from marrying unless they are able to earn something.

14. Cooperation the only hope: It has been seen that certain factors, such as the malpractices of private money lenders and traders, bad social customs of the cultivator, his small and scattered holdings, with scanty means of irrigation, paucity of capital to start agricultural enterprise on any intensive scale and its lack of technical knowledge to take advantage of scientific methods of production, are so much arrayed against him that he must combine with others to form himself into an organisation to fight against all these forces. As Sir Darling remarked: "Not only nature, religion and temperament are arrayed against the farmer, but also the whole agricultural and social system of the country... The opposing forces are too strong. No one could overcome them single handed. Combination and organisation are therefore a necessity and if this is the experience of the west, the necessity is twice as great in the East." In fact cooperative society is the only means to raise him up.

Conclusions: To sum up we may say that there are three kinds of defaulting members i.e. (1) Muslim evacuee members (2) wilful defaulters and (3) members whose loans are beyond their capacity to repay. The loans of Muslim defaulting members can be recovered only after

1. 'Punjab Peasant in Prosperity and Debt', P.177.
some settlement has been arrived at between the two State Governments, while wilful defaulters loans can be recovered easily after the amendment of the present Cooperative Act. It is however the last category of defaulting members whose default is of permanent nature and who form the largest majority of defaulters. It is therefore, their problem which is the real problem of the Cooperative Credit Movement. Their problem is two sides; Firstly scaling down of their existing debts and to advance them fresh loans for productive purposes and secondly to make them credit worthy by raising their incomes. To tackle the first problem the three necessary steps are (a) Scaling down of their existing debts within the society and outside the society to be paid in easy instalments (b) Strict control of money lender to check his mal-practices as well as the unnecessary borrowings of the cultivators and (c) reorganisation of the working of cooperative societies to supply loans to all the agriculturists. To make him credit worthy, the various methods are viz; the consolidations of his holdings, provision of irrigation facilities, technical guidance for intensive cultivation, land reforms, subsidiary occupations, stabilisation of prices, avoidance of waste in cattle disease; marketing of produce and social expenditure, change of his psychology, check of population and lastly the setting up of cooperative organisations to help him in all these matters. But all these measures will not solve the whole problem unless the level of his education is raised. In fact education must precede every other effort, which creates in him the desire for a better life. Unfortunately the Planning Commission has not given due consideration the problem of to/adult education but it needs no reiteration that the Commission must revise its policy in this regard as nothing will be achieved unless people themselves realise their problems and have a desire for improvement. Even Cooperation will not work without education.