CHAPTER 5
RELEVANCE OF DARLING’S THESIS IN THE CONTEMPORARY PERIOD

5.1 M L Darling’s Contribution on Indian Economic Literature

In March 1849, with the annexation of the kingdom of Lahore, the whole of the Punjab came under the British rule. This annexation was a significant turning point in the history of the Punjab and may be regarded as the beginning of a new phase in the Punjab. The political changes had a bearing on the economic set up of the province which was inextricably linked up with the direction and nature of agricultural changes. Several historical works dealing with the agricultural conditions in the Punjab were found to be relevant to the subject of research. Particular mention can be made of ‘The Punjab Peasant in Prosperity and Debt’ written by M.L. Darling. In this book M.L. Darling has made a notable contribution to the literature on Indian economy. He has presented a vivid and thoroughly researched picture of the peasants’ attitude towards the supply and use of capital.

Malcolm Lyall Darling (1880 -1964) served in Indian civil services from 1904 to 1940. He was the registrar of Co-operative societies, adviser to the established Reserve Bank of India in 1935. He retired as Financial Commissioner of the Punjab. Government of India recalled him after ten years of independence to report on the Indian Co-operative movement. Darling drafted the reports of the Punjab Banking Enquiry Committee (1930), the Punjab Land Revenue Committee (1930) and Indian Labour Organization’s Enquiry into labour conditions in Pakistan in 1955. Darling’s father was a clergyman and grandfather, a Scot physician. His family had Indian connections. His father refused the offer of an Indian cadetship. His grandfather served as a surgeon for the care of the East Indian men. His guardian Alfred Lyall and Uncle James Lyall were few of the last Indian civil servants chosen under the system of patronage. His brother, G. K. Darling was a senior member of the Board of Revenue, the United Provinces, in 1938. Due to his sense of vision Malcolm stood out of the Indian bureaucracy’s repaginated ranks. He not only had a goal, but also had the means. Co-operation was his universal specific. In 1917 for the first time, he came into contact with Co-operative movement. He favoured the functioning of Co-
operative movement in India. M.L. Darling, the cooperator, emerged as Darling, the author. He wrote 11 books over a period of 45 years. Darling’s success as an author was merely the continuation of a family tradition as both his grandfather and uncle James Lyall were good writers. The secret of his outlook, in terms of the explanation of interest in co-operation, was the result of the impact of names of T.H. Green and Arnold Tonybee. Both, Darling and F.L. Brayne, campaigned for rural reconstruction (Darling, 1929). His three important books whose focus is on economy are:

1. The Punjab Peasant in Prosperity and Debt (1925)
2. Rusticus Loquitur (1929)

In case of the Punjab, the sources of collection of material included surveys that covered conversations with at least 10,000 peasants, annual reports on the working of the Co-operative societies, and the seasonal notes of Punjab agriculture department of October, 1928. Darling was more sympathetic than the majority of his official counterparts to the prospects of Indian self-Government. He was equally sympathetic towards native peasantry. Darling’s mind was not trained in a particular discipline like T. H. Green, a social philosopher, J. M. Keynes, a great economist and E. M. Forster, a great writer of English Literature. His economic ideas can be traced in the thought of Keynes, social and philosophical ideas reflect the philosophy of Green and his feelings and sensitivity can be traced to the ideas of Forster (Bajaj, 1980). His multi-dimensional approach, his assumptions, insight and care for details and his study and analysis of the extremely complex data on the problem merit a study of his perspective.

In 1918, he conducted an enquiry in the Punjab, covering a sample of 55,000 members of approximately 2,100 Co-operative societies. Necessarily, only co-operators were included in his investigation. He found that in the case of the sample covered by his survey, debt constituted 12 times the land revenue paid by them. On this basis he concluded that the total debt of all proprietors in the Punjab was ₹ 550 million. Then, he proceeded to estimate indirectly the total debt of the province, which he put at ₹ 750 million. This sum actually amounted to 19 times the land revenue of the Punjab. Then, Darling took a heroic step to estimate the aggregative debt of British India by multiplying the total land revenue of the country and it
amounted to 17 times. Thus, he gave a figure of ₹ 6 Billion for the aggregate debt of British India.

Darling concludes that for the province as a whole, debt is twelve times the land revenue, which means that the total debt of the proprietors of the Punjab is about 55 crore of rupees. His figures refers to 43,733 proprietors, 80 % of whom were found to be in debt. Mortgage debts i.e. on the security of the land were found to be 45 % of the total. He found further that in 1921 the total mortgage debt of the Province was ascertained to be 34 ½ crore of rupees. On this basis, assuming that this represents 45 % of the total debt, the total debt was estimated to be some 77 crore of rupees (Marxist Internet Archive).

Darling’s work on the Punjab peasants embodied the result of years of first-hand investigation and study. It not only threw new light on the problem of increasing prosperity of Indian ryot, but also made extremely fascinating reading. He describes in detail the characteristic features of the various Punjab districts and of the various types of cultivators. He succeeds in discerning fundamental similarities and observing diversities, and hence, bearing in mind the vast predominance of agricultural interests in India, manages to draw a striking picture of the fundamental factors underlying the whole problem of Indian economic improvement. Nevertheless, until the late 1930s, many Punjab peasants became heavily indebted during periods of both prosperity and depression and gradually lost their only asset- land which always is a desirable and precious asset to a peasant, through alienation or mortgage.

In Darling’s thesis, the economic life of a peasant had been represented very vividly and one can have a good idea of the situation of peasant’s life at that time. Darling (1925) observed that the Punjab, which was one of the most prosperous provinces was probably the most indebted. Rise of prices of agricultural production had naturally resulted in the rise of price of land and the land owners started borrowing more freely and had more temptation to sell or mortgage a part of land to get money or to pay the debt, incurring heavy interest. Under these conditions, transfer of cultivable land from agriculturists to the money-lenders was increasing over the years at an alarming rate (Sharma, 1971). At the time of depression in 1930s, Co-operative societies actually reduced their lending and even their members had to

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1 Source: http://www.marxists.org/archive/dutt-clemens/1926/08/x01.htm
seek refuge with the money-lender (Mukerjee, 2005). Little was done to curb the exploitative power of money-lenders on their role as mortgagee. Besides that, an amendment was introduced in the land Alienation Act to the effect that a creditor couldn’t buy the land of his debtor until three years after the satisfaction of the debt in full (Chowdhry, 1984).

Another disturbing feature about land mortgage during the war was that it was often the only way of getting a loan. Money-lenders had stopped giving unsecured loans at any rate of interest. As one failed to get a loan from a Co-operative society or a friend, mortgage was the only way of getting ready cash. In such a situation, productive investments were virtually impossible to visualise for the vast majority of India’s peasants. Worse, even basic consumption needs were hard to meet and along with this an external ecological crisis such as a drought was enough to tilt the balance and endanger survival itself, especially, when the state provided little or no social security (Singh, 2008).

At that time, during the lean years, the land-owner had to borrow to pay the land revenue and to maintain his improved standard of life since he had no savings because of his extravagance (Darling, pp136-141). But, it was only the surplus producing farmer who could benefit from the increase in prices. The majority had to suffer because expenses, including those on rent and land revenue, far outstripped the income from agriculture. The same situation prevails in the current period as well, as we have studied in the previous chapter that there is a huge income expenditure gap in case of all the categories except large farmers. Still, they all are not able to save for future. As a result, inequality increases.

Darling also criticized peasantry for their dependence upon the village bania as a supplier of seeds instead of going to agents of agriculture department. M. L. Darling’s study was based on the people of the Punjab residing in villages of the province. He did a detailed survey about the position of agriculturists of the province. He appreciated the efforts of both Co-operative societies and the agriculture department for introducing improved techniques of production. Darling analyzed causes of negative response on the part of cultivators as regards to the use of improved ploughs.
Superficially the book is extremely remarkable. Though, primarily a study of agricultural debt, the author also deals with the life of the peasant. The thesis has been compiled with great thoroughness in the collection of data. At the same time, it has been written in a very attractive style along with sidelights on village life. Darling understood that the problem of peasant indebtedness could be tackled by the promotion of Co-operative movement in the Punjab and this constituted a ‘pious hope’ generated on the part of Darling.

5.2 Punjab’s Situation in Late 1930s

Though being an officer in Co-operative department, he had not only applied his attention to the technicalities of co-operation, but also extended his research over the whole range of agricultural economics in the Punjab (at the time of implementing Land Alienation Act). Under the influence of the team of Mr. Darling, the Board of Economic Research in the Punjab did valuable rural investigations. British people paid attention to the problems of peasants and each official worked meticulously and collected the reliable data which is still available with us in the form of official records of that time. This also shows the importance of data at different times in the past. Mr. Darling argued and claimed that all the facts which had come to his knowledge had been faithfully related without adding any further justification that seemed necessary to their understanding. He sheltered himself behind the words of Malthus\(^2\), that ‘when a man faithfully relates facts which have come within the scope of his own observation, however confined it may have been, he, undoubtedly, adds to the sum of general knowledge and confers a benefit on society’. He collected data from as many reliable sources as possible i.e. from district gazetteers, official reports, personal enquiries, etc. He surveyed 43733 proprietors and out of all these, only 17% were free from debt and average debt was ₹ 463. Total debt was 12 times the land revenue paid by all concerned, whether indebted or not. In calculating average debt those entirely free of debt had been excluded. On the other hand, in calculating debt in terms of land revenue, all were included. According to the Punjab Famine Report of 1878-79, in Gurdaspur very low proportion of proprietors were free from debt (around

\(^2\) Thomas Robert Malthus (1766-1834) was interested in everything about populations. He accumulated figures on births, deaths, age of marriage and child bearing, and economic factors contributing to longevity. His main contribution was to highlight the relationship between food supply and population. Humans do not overpopulate to the point of starvation, he contended, only because people change their behavior in the face of economic incentives.
Source: http://www.econlib.org/library/Enc/bios/Malthus.html as cited on 15th April, 2013
25%). Overall, 80% of proprietors of the Punjab were in debt. According to Famine Commission 1901, debt was more widespread in the Punjab than anywhere else.

5.3 Role of Credit in Both the Periods

Unproductive use of loans was the problem even at that time. Land Alienation Act was introduced by the British to protect the agriculturist from the mortgagee. Land Alienation Act debars a non-agriculturalist from holding mortgage for more than 20 years. Co-operative movement was started, but at that time the belief in social position was an obstacle to the spread of Co-operative credit in India. Most of the farmers even today do not want to take debt either through institutional or non-institutional source, they think twice about it as they have to pledge the land which they adore the most. There is a general agreement that in India improvidence and debt are intimately connected. It is not bad farming or extravagance as much as improvidence that makes agriculturist indebted. In majority of the cases, a farmer borrows not as he needs, but as he can, and therefore the greater his security, the larger his debt. In case of insecurity, farmer must borrow and in case of security, he can borrow.

5.4 Relation Between Prosperity and Debt Still Prevails

Prosperity and debt are intimately connected. Debt cannot occur without prosperity. Prosperity is the pre-condition of occurrence of debt in any case. The greatest blessing in case of the Punjab is the land of peasant proprietors. Prosperity and poverty of a region depend on the developmental aspect of that region. Darling gave proof of this, as in case of canal colonies, the signs of poverty were very meager or complete absence of poverty prevailed along with high standard of rural prosperity. This is applicable to modern Punjab as well. The composite development index composed of 18 different indicators both, agricultural as well as rural, shows prosperity among those people who are living in highly developed districts. Agricultural indebtedness is a sign of prosperity only if it accompanies an increase in production.

Darling showed relationship between prosperity and debt. According to him, in some conditions, poverty and in others, prosperity is the cause of debt. No poor country can support a heavy debt, as for debt, country rests upon credit and poorer the country, the lower is its credit (pp 11). As in the case of small and marginal farmers,
poverty is the cause of debt and in case of rich farmers, prosperity is the cause behind
debt. As we have discussed in the previous chapter that the burden of debt is more on
marginal, small and medium farmers. Thus, both prosperity and poverty prove to be
the cause of debt. But, in late 1930s the tendency of not revealing their debts was
more prevalent among all farmers. Now, they do not feel reluctant in telling about
their debts. Even at that time farmers searched for non-farm income like military
service as it offered them fixed income at the end of the month. In the contemporary
period as well, farmers want their coming generations to be involved in the non-farm
sector so that uncertainty of income can be removed from their lives and they can
have better future. We have observed even in the previous chapter that incidence of
debt is more on category I farmers i.e. those farmers who are dependent solely on
agricultural income. This shows the relevance of non-farm income in the life of
farmers.

In relation to value of land, debt varies proportionately and various causes like
inflation, output prices, shortage of land etc. are responsible for its increase.
Expansion of credit generally leads to an inflation of debt. India’s agricultural policy
set off a widening spiral of debt and despair. The situation is quite disturbing in
Karnataka, Andhra Pradesh, Maharashtra and the Punjab. Indebtedness in south
because of sudden rise in cotton prices is also high. Where land is dearer, the burden
of indebtedness is high over there also. As the small land holder has little to sell, at
the time of inflation, he also suffers. Only two kinds of people can benefit from price
rise, one: who have plenty of land, two: who cultivate it themselves. With prosperity,
the necessity to borrow may be less, but the opportunity is greater. Thus, insecurity
and prosperity both are the causes behind debt.

The standard of living and the possibilities of agricultural progress are
intimately connected with the question of debt. A large volume of debt is not
necessarily a sign of poverty, rather sometimes it’s a sign of prosperity. But,
Prosperity and debt are only less intimately connected than poverty and debt (pp 80).
This is proved in the case of average debt in the districts of SBS Nagar and
Gurdaspur. Though there is prosperity in the state in terms of agricultural
development, and rural development yet where overpopulation and insecurity are
combined, debt is inevitable.
The crop is sown by the farmers for a good return. Instead it eats up his investment and net result at the end of the year is debt and distress. It seems difficult for a farmer to repay his debt as he is unable to save even a small part of his income after selling his output. After seed, it is land which is important. There exists a positive relationship between debt and size of land-holding as proved with empirical results in the previous chapter. As the land size increases, the indebtedness also increases. Let's have a look on the prosperity and debt view of a farmer which is detailed below with the help of Table 5.1.

**Table 5.1 Prosperity and Debt Life of a Farmer**

<table>
<thead>
<tr>
<th>Prosperity View:</th>
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<tbody>
<tr>
<td>Better Inputs → More Output → More Income → Higher Standard of Living → Farm Mechanization → Adoption of Advanced Technology → Higher Returns → More Savings → Purchase of More Land → Debt Against Land → Expenditure on Agriculture → Lead to <strong>Prosperity</strong></td>
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<tr>
<th>Debt View:</th>
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<tr>
<td>Better Inputs → Higher Cost → Increased Cost of Cultivation → Loan for Agricultural Implements → Used for Other Purposes (Marriages, Social Ceremonies, Conspicuous Consumption etc.) → Increase in Expenditure → Less Savings → Increased Intensity of Borrowing → Lead to <strong>Indebtedness</strong></td>
</tr>
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Source: Author's own Creation

Thus, it depends on the nature and attitude of a farmer as to how he utilizes his loan amount. Technology has a bi-directional effect on prosperity and debt situation of farmers. In one way, it’s a sign of prosperity and in another, it pushes farmers towards debt. Prosperity is there where production is high. These higher returns give the farmers higher income and it depends on them how they utilize it. If that money is utilized for some productive purpose, it will bring positive externalities for them and result in enhanced incomes. On the other hand, if it is used for some other purposes, it will lead them towards debt, as this will not enhance their incomes.

When production increases, supply increases as compared to its demand. As a result prices fall. After the period of prosperity, fall in prices reduces farmers’ income
and the rise in standard can only be maintained by taking more debt, if no other alternative source of income is available to a farmer. If those who are more indebted spend more extravagantly, they will fall into the situation of debt trap and those who spend thriftily and very cautiously, will be free from debt.

5.5 Development of Agricultural Marketing can Reduce Farm Debt

The comparison of highly developed and least developed districts shows us the importance of role of public investment in the development of a particular district. In one case, insecurity of harvest is the cause behind debt. But even if a farmer gets good harvest, in that case due to lack of proper marketing facilities, his output gets wasted. And even worse, in case of cultivation of vegetables, he is totally ruined by such problems in marketing. Demand and supply factors play a major role in deciding price of the output. Even in mandis, the situation is not favourable to farmers. Initially, dealers create problems for them by not taking their output and when there is more supply, then they lower the price of it and tell them if they want to sell their output at their price they can, otherwise they can sell it somewhere else. In this case, farmers have no other option except to sell their output at that offered price. A farmer is basically the price taker in the market. Thus, this insecurity of marketing of output is also one of the main reasons behind farmers’ indebtedness. Darling’s enquiry also observed that “where markets are absent, debt is usually high”. Without the competition of a large number of purchasers, the cultivator cannot obtain a fair price for his produce and falls an easy prey to the local money-lender.

5.6 Factors Affecting Economic Life of a Punjabi Farmer

The ultimate challenge in one’s life is to use the available resources in such a way so that one can get maximum satisfaction out of it. The mismanagement of resources can cause trouble in one’s life. No doubt needs of peasants are greater, but where resources are plentiful, needs are prove to be dictated more by wants than by necessity. A farmer is passionately attached to his religion, his family and his land. Only the direst necessity will make the peasant part with his land. He usually thinks of his family status mainly in terms of land as it is a symbol of opulence for them. He feels pride in having more and more land. He is always reluctant to mortgage his land, fearing it to be the first step towards sale. Large farmers donot feel diffident to pledge a small part of their land (say 1 acre out of 40 acres). But, a farmer, who is having
only 4 or 5 acres, always feels awful in doing that as this much of land is a matter of sustenance for him and his family. It symbolizes his social position as well. Also, in many cases credit is not accessible to the poor.

At the time of his child’s marriage, the farmer is extravagant and goes to money-lender for money. A considerable amount of money is needed for extravagant expenditure upon marriages. The present culture of marriage palaces has increased the expenditure and the farmer spends more in contrast to his income and becomes extravagant. Particularly, the father of a girl child always manages the maximum for his daughter’s marriage and makes best arrangements for it and to do all this, he spends extravagantly. For this, he needs to borrow money, which he gets either by mortgaging or selling his land. Because he does not want to sell his land, he takes loan from institutional or non institutional sources. He moves deep into debt and is not able to repay in time. The prosperity of the farmer can be verified by the expenditure which he incurs on occasions like marriages, birth of a child etc. A farmer has to borrow to meet the cost and in the end a large slice of his land has to be sold to pay off his debt.

The plight and compulsion of the peasant has made it clear how the village economy is affected. If the farmer uses his debt for productive purposes, it will give him better results as it will create funds for repayment. But, unproductive debt is a burden to be repaid with difficulty. A marriage imposes heavy financial burden on a farmer. He always seems to be so much worried about his daughter’s marriage that since her birth, he tries to save money for her marriage. While doing survey, we met a farmer who had three daughters and he narrated a story how he had changed himself for the better future for himself and for his family as well. He was also providing good education to his daughters. He said that once he had thought that the money, which he used to spend on drinking and smoking amounted to ₹ 2500- 3000 per month, and the whole amount which he used to spend on himself could be saved and also that the money saved could be utilized at home for some purpose at least. His whole family could have better food with that. From that day, he used every single penny very cautiously. If everyone starts thinking like that, all the evils from the

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3 Child’s marriage is like an occasion for them. They toiled day and night for the whole life but all that money which he collected with much labour, spends promptly and left with nothing and then they went to money-lender (last resort for a farmer for fulfilling their money needs instantly) for help.
society could be removed. At this point of time, we can just hope for this. In addition to it, only those who are having supplementary means of income are free from debt. Where insecurity is higher, debt will almost always be heavy. Inflationary factor increases the burden of peasants' debt as they have to pay more for everything.

At the time of distress, instead of being calm in nature, a farmer becomes belligerent. The change in the behaviour of Punjabi farmer leads to rise in litigation. Nowadays, the farmers are not that much cordial and affectionate with one another as they had been earlier. Land is the greatest evil in almost all cases of anguish. Darling explains the changed behaviour of Punjabi farmer with the help of a very striking example. He says, like the winter stream of the river, upon which a peasant often lives, he is sluggish in mind, but, like the same river in summer, when roused he would overflow with an energy and force that made him as dangerous to his oppressor in peace as he is to his enemy in war (Darling, 1928).

Earlier, the insecurity of harvest was basically due to scarcity of water for irrigation. But, at present, there is not any problem of irrigation for cultivation as it is available to them through tubewells and submersible pumps and also at no cost. If somehow anyone is affected by this burden, it is only the marginal and small farmers due to high installation cost. The burden becomes intolerable for them and the anticipation of more income leads them towards debt. An efficient irrigation system is must for agricultural development.

Uncertainty is very high among farm community. They never know what would happen to their fields. They may get good harvest as well as bad. Some uncertainties like climatic conditions, pest attacks, non-availability of inputs at proper time, lack of working capital etc. increase insecurity. Insecurity/ crop failure is the basic cause of debt. On the other side, the fertility of soil is also deteriorating day by day. The increasing use of fertilizers and pesticides affects farmers' health the most and it takes big proportion of their income. Many farmers reported that they felt dizzy after the use of these inputs. In the south-western

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4 As water table is depleting day by day so farmers have to install these high cost pumps with the help of which they can irrigate their fields.

5 In the contemporary period farmers are very much in trouble due to uncertain pest attacks as it affects their output and leads to crop failure. Also the current seed varieties are not resistible to these attacks.
districts of the Punjab, many farmers are afflicted with cancer, which is the result of using these hazardous inputs.

In case of south-western districts of the Punjab, farmers indulge more in commercial farming (cotton growers). The prosperity of these districts is a matter of windfall gains and sudden losses. Now, it is a matter of common observation that what is easily got is easily spent. This prosperity has a demoralizing effect and too often the substance is spent upon wine, women and strife. A sudden rise in income sometimes has a good impact too as dormant forces are awakened and the competitive struggle for the life begins: those who fare badly envy those who do well, and those who do well are dissatisfied that they do not do better (Darling, pp 154).

Absentee landlordism still prevails and it has its effect on the productivity of land as tenants did not care much for that land which does not belong to them. This might be one of the reasons for underproduction. The eventual result of absenteeism on a large scale is emigration. In the words of Darling, the absentee landlord is incompatible with good agriculture. According to Prof. Carver’s dictum, next to war, pestilence and famine; the worst thing that can happen to a rural community is absentee landlordism. Also a French writer remarks, absenteeism is the scourge of large estates and mortgage debt is the scourge of small. A large farmer seldom works with his own hands; he supervises his labourers minutely and rarely gives his land out to be wasted by tenants (Darling, pp 187).

Indebtedness among farmers has increased over time as there are changes in their desires, attitude, style of living, tastes and preferences etc. But, if we categorise the farmers on the basis of their land-holding, we come to know that the incidence is more on marginal and medium-sized farmers. Debt follows credit and a farmer limits his borrowing not by his wants, but by his opportunities. So long as the facilities and opportunities are available to him to get credit he will be involved in those matters. This is crystal clear when we compare the debt according to the farmers’ land-size. As the land-size increases, indebtedness among farmers also increases, as they have more access to credit and the percentage of those who are free from debt, is more among small and marginal farmers as compared to the other categories of farmers. Darling’s thesis proved that tenants are the least indebted of all. This study also shows that out of all, tenants are less indebted as they operated more land. Due to it, their input cost reduces with the cultivation of more land and it becomes profitable for them to produce more by taking more and more land on lease. This is so inspite of the fact that
land rent is high. But, this rent needs to be controlled as it will affect future agricultural situation of the Punjab.

5.7 The Situation of the Farmer having Small Holdings

Earlier there were large land-holdings and due to Co-operative credit structure a farmer enjoyed multiple times as much credit as he did a few years back due to increase in value of land. But as the population size increases: the average size of land-holding decreases. Darling also pointed out that in India, every advantage of nature is sooner or later neutralized by an increase of population (Darling, pp 24). Now in this phase, average size of land-holding has been reduced to 1.23 hectares which is not sufficient for the survival of a family having 5 members or more. Small holdings are irreconcilable with freedom from debt. Also due to small holdings, the farmers now have less access to credit. In case of the landless, the problem is more troublesome. Marginal and small farmers faced many problems in availing credit from any institution and one source from where they can get credit is the money-lender. Exceptionally, under certain circumstances, to support a family upon a few acres without getting into debt requires a level of skill, industry and thrift. Only in a good harvest year, small farmers are able to live without taking any debt. We cannot stop ourselves here from quoting Darling who states that a peasant once in debt is always in debt because it is almost impossible to escape from the clutches of debt. If he were thrifty and business-like, he might succeed. But, he is rarely either and the money-lender is always there to tempt him into deep the mire. Land-holdings are so small and the margin of safety is so narrow that any misfortune may plunge the farmer into debt: from which he can never extricate himself. In addition to it, crop failure, the death of cattle or mere carelessness may lead to debt while in the best years the surplus produce is so small that the interest is paid with difficulty and from the principal there is no escape. Indeed life is hard and bitter to the cultivator who has to depend on his few acres to support himself and his family (Darling, pp26). Same conclusion had been arrived at by Mr K.L. Datta in his enquiry into the rise in prices in India in 1915. In that case the alternatives in front of small land holder is either he can have

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6 Source: http://agcensus.dacnet.nic.in/natt1table4.aspx
7 Datta concluded that small holder lives near the margin of subsistence, his production is just sufficient to meet his wants when the season is favourable, while at the time of crop failure, he has no alternative but to fall into the clutches of the money-lender.
supplementary source of income or be content with low standard of living. In addition to it, these days he awaits for loan waiver to be announced by the Government.

According to Darling, it is commonplace in Indian economics that debt in this country is mainly incurred to meet the necessities of rural life and social obligations. Only in the smallest measure, it is utilised for agricultural improvement. This fact is so true even today that this use of loan leads the farmers to debt. A cultivator is compelled either to seek the money-lender for help or to find some further means of subsistence. The choice which faces the small holder all over the world has for the most part been manfully decided in favour of the latter. Small holders make efforts to earn additional income so that they can be free from debt; they make every effort to bring in money for their survival and the most common among all is income from dairy farming. In this case also the larger ones are the beneficiaries and small holders only meet their day to day survival needs. And those who did not do any additional enterprise, are heavily burdened with debts. Darling also pointed out that in this country, as perhaps, indeed, in every country, without immense industry and thrift the holder of a few acres cannot live on his land alone, unless it is intensively cultivated. Either he must have a second string to his bow or he must fall into the snares of the money-lender (pp 121).

5.8 Reason Behind Increasing Population

A strong desire for having a son still prevails in rural India. Earlier a person could marry again and again. But, now due to constitutional laws he cannot do so and as a result he keeps on having children till he begets a son. In our historical documents, there is an explanation on the importance of having son. ‘By a son’, says Manu, ‘a man obtains victory over all people; by a son’s he enjoys immortality.’ Marriage is therefore a religious duty and the very word for a son in Punjabi ‘putr’ means deliverance from hell8.

The population in district Gurdaspur is higher as compared to district SBS Nagar. According to the census figures of 2011, the total population of district Gurdaspur is 22,99,026 as compared to total population of SBS Nagar i.e 6,14,362. The population decadal growth rate is also higher in Gurdaspur (9.3%) as compared to

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8 Putra (son) is traditionally supposed to be derived from 'put', the hell to which the childless are banished, and 'tra', which means 'to save' (Monier-Williams, Sanskrit English Dictionary, 1895, p. 632). (pp52, Darling, 1928)
(4.58%) in case of district SBS Nagar. The standard of living is rising and the population is increasing and it may not be long before that the one has to give way to the other, unless agriculture can be sufficiently developed to make production keep pace with both. No standard of living can be maintained for long without continual increase in production. Fragmentation of holdings leads to possession of land by the farmers in their names and they start taking loans against that land inherited by them.

5.9 Role of Money-Lenders

Money lending, using the word ‘money’ in its widest sense, is one of the oldest trades in the world, and even to this day all commerce is based upon it (Darling, pp196). Money lending is a necessary evil in case of agricultural economy due to huge time gap in the regularity of earning from agriculture. A money-lender is the one whom the farmers hate. But, he is also a necessary evil for them. Without him their survival would be difficult, as they depend on him for most of their needs. Existence of debt is due to necessity. But, its volume depends upon credit and that the link between the two is the money-lender (Darling, pp 238). In case of failure to repay debt, the wealth of the farmers is appropriated by the money-lender. A money-lender desires the output of a farmer much more as compared to his land. He advances money to the cultivators without any security and by forgoing security, he could demand a higher rate of interest. Once a farmer falls into the trap of a money-lender, it becomes difficult for him to come out as the money-lender charges compound interest from him. The aphorism by Sir Fredrick Nicholson clearly shows the importance of money-lender in the life of a peasant. According to him, the necessary complement of the peasant proprietor is the money-lender (pp 5, Darling). A money-lender is rightly an evil genius who leaves no ground for the cultivator to escape and utilizes each factor to his advantage. Without the ownership of land, he enjoys all fruits of the land. Due to illiteracy of the farmer, the money-lender prospers and the farmers believe that their survival is not possible without the existence of the money-lender. Farmers can approach him at any time whenever they feel the need for credit. A borrower, upon whose welfare depends the existence of the state, is the cultivator of

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9 An unsecured loan costs thrice as much as one secured by mortgage.
10 Interest that accrues on the initial principal and the accumulated interest of a principal deposit, loan or debt. Compounding of interest allows a principal amount to grow at a faster rate than simple interest, which is calculated as a percentage of only the principal amount.
Source: http://www.investopedia.com/terms/c/compoundinterest.asp

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the soil. A money-lender conspires not for the land, but for the crop. Because he could reap double profit out of it, one from the producer to whom he lent and other from the consumer to whom he sells. He charges exorbitant rate of interest from farmers as the credit is not backed by any security. Rate of interest is that money which should be used for development rather than going to the money-lender. Reasons to go for money lending from money-lender still prevail as a farmer loves his land very much and he does not want to mortgage it. But, due to Co-operatives, this scenario is changing as the farmers needn't mortgage their land to take credit from Co-operative.

5.10 Steps Introduced by Government to Protect Farmers

According to Prof. Gide, “Credit holds up the land-owner as the rope holds up the hanged man”. The British introduced the Land Alienation Act to protect the farmers from the clutches of money-lenders. This Act debars a non-agriculturist from holding mortgage for more than 20 years. The Loan Waiver Scheme\(^{11}\) was started by UPA Government for providing relief to the farmers. But it has affected their working culture as they become more reliant on Government for the repayment of their loans and they wait for months or years for relief fund and do believe that Government will waive off their debts and as a result their debt gets accumulated and at one point of time it becomes uncontainable for them to repay. Farmers take loans from banks and use these loans for other purposes like expenditure on marriages, social ceremonies, etc. Government advances money at a lower rate of interest. Every good Co-operative society is an oasis in the desert of inertia. It will rescue a man from the grab of the money-lender (Darling, pp183). But, corruption at every level is hitting everyone. Even today personal influence matters while taking loans.

5.11 Characteristics of Indebted Households

- In case of indebted farm households, holdings are more fragmented. A small holding gives lesser earnings to them and thus affects their prosperity levels as

\(^{11}\) On 29 February 2008, Government announced a relief package for farmers which included the complete waiver of loans given to small and marginal farmers called the Agricultural Debt Waiver and Debt Relief Scheme, the 600 billion rupee package included the total value of the loans to be waived for 30 million small and marginal farmers (estimated at 500 billion rupees) and a One Time Settlement scheme (OTS) for another 10 million farmers (estimated at 100 billion rupees). During the financial year 2008-09 the debt waiver amount rose by 20% to 716.8 billion rupees and the overall benefit of the waiver and the OTS was extended to 42 million farmers. Text of Finance Minister’s speech regarding guidelines of Farmers Debt Waiver Scheme can be checked from the following source: http://pib.nic.in/newsite/erelease.aspx?relid=39122
the prosperity of a farmer depends on the land which he has for cultivation. Thus those who are heavily burdened by debt possess small land-holdings.

- Number of dependants in a family is more as compared to number of independents (earning income from other sources) in a family and it affects the living standard of the as well. More independent members bring more income from other sources and as a result dependency on agricultural income reduces. But, contrary is the situation in case of indebted households.

- Expenditure is more as compared to their income and major proportion of income goes into agricultural inputs, medical expenditure and education. Along with this, they have increased their needs and standard of living overtime. Once they achieve that status, they always try to maintain it at any cost.

- These farmers are involved in wheat-paddy cycle and even if they want to diversify, they cannot, because of small size of holdings and they do not even want to take any risk because it directly affects their survival as they wholly depend on a small piece of land. So, majority of them become risk averters.

- In some cases, farmers cannot avail loan facility from institutional sources and those who can avail, use that amount for other purposes. They do not have any other option because of large income gap in agriculture. As compared to assets, the liabilities are more in their case.

- They rely wholly on agricultural income and do not have any other source of income with the help of which they and their families may survive. An alternative source of income is necessary for them as it can provide them fixed assured income. Now, in the most of the cases young generation wants to join non-farm sector or want to go abroad for earning huge amounts of money in one go.

- Farmers repay one loan by taking another loan and this vicious cycle goes on. This kind of behaviour of the farmers leads them towards vicious circle of debt and with the passage of time it becomes hard for them to come out of this debt trap as the debt accumulates to the levels which become unsustainable for a farmer.

- Conspicuous consumption leads them towards more debt. No matter how much money they have, for their pride, they want to purchase more and more
things. They are ready even to take loan for the fulfillment of their demands or needs.

- A farmer does not save, and when he earns more, he spends extravagantly to fulfill all his present needs without caring for his future. Farmers must spend money carefully and must always think to generate more and more revenue.

- There are so many reasons for which defaulters did not repay. Some of the possible reasons can be quarrel, a prodigal son, idleness, fragmentation, an insecure harvest, cattle loss, rent, insolvency or waiting for the loan to be waived off by the Government.

5.12 **Characteristics of a Farmer in Developed/Prosperous District (District SBS Nagar)**

- District SBS Nagar is more developed as compared to district Gurdaspur. The most prominent reason for this is the geographical location of the district and farmers are being benefitted by this.

- Larger holdings are found over there as compared to the other district and farmers enjoy better earnings from large holdings. They enjoy economies of scale on larger holdings and even cost of cultivation is reduced by operating more land. Almost twice the land area is operated by the farmers of SBS Nagar as compared to district Gurdaspur.

- More non-farm opportunities are available in district SBS Nagar. Also this district shares border with district Ludhiana, which is known as the Manchester of Punjab. Better infrastructure and industrial opportunities are there in Ludhiana and this gives farmers of the district opportunities to seek employment in non-farm sector.

- Land is more fertile in case of SBS Nagar and farmers are very much concerned about fertility of soil. Many farmers over there go for lab testing of their soil at regular intervals. They take care of requirements of the soil and put that input into it which is needed for maintaining its fertility.

- Farmers in district SBS Nagar are more industrious as compared to farmers belonging to district Gurdaspur. They are always eager to adopt new technology for better productivity. They seem to be more hard working and
also they believe in doing work themselves in the field. Farmers are more sturdy, innovative and skilled along with this they are less dependent on labour for agricultural activities. Spirit of enterprise is more and due to the presence of this spirit they are capable of freeing themselves from burden of debt.

- Non-farm income, especially NRI income, is enjoyed by the households in SBS district region. Due to this, they are more prosperous as uncertainty in agriculture has been removed by the fixed remittance from their dear ones abroad. This thing has created a desire among young generation to earn huge amounts of money in a short span of time.

- Majority of the farmers in this region are intelligent as they try to use their loan amount for productive purposes and that too in those projects from which they can earn more income.

- Farmers are not stuck in wheat paddy cycle and they diversify their crops for better incomes. This diversification helps them to come out from their debt situation and repayment of debt becomes possible.

- Better marketing facilities in this region provide them better earnings as they can sell their output very easily after harvesting their crops. This facility plays a very significant role in the life of a farmer as they receive income without any delay.

- PACS are working well in this region and farmers receive assistance from these PACS at the time of need. Even the rate of interest is lower in case of PACS and this helps them in easy repayment of loan within given time frame. Where Co-operatives are working well, data suggest that in those regions indebtedness among farmers has become less as compared to those regions where Co-operatives are not working well.

- Rate of growth of population is lower and thus the available resources are enjoyed fully by the inhabitants. In this case, per capita availability of resources will be more as compared to less developed district where population is higher.

- Farmers maintain high standard of living in this region as they are having larger holdings which give them larger incomes. This highlights their
extravagant nature as well and later on becomes a cause of debt in the life of a farmer.

- They use better quality seeds for getting better output and even many farmers use bio fertilizers. This practice increases the fertility of soil. This shows their concern about regaining land’s fertility.
- Co-operation among families is more in this region as compared to less developed district and this saves money which farmers often use for litigation.
- Irrigation facilities are better in this region as compared to least developed district as ground water level is high in this district as compared to the other district.

5.13 Characteristics of a Farmer in Least Developed District (District Gurdaspur)

- Farmers in this region mainly suffer because of its geographical location as it shares border with Pakistan. Due to this location of district Gurdaspur, farmers always suffered losses. As entrepreneurs do not find it profitable to develop industries in this region, fewer opportunities are available over there for them in non-farm sector. So, majority of them have joined army to minimise their risk.
- Majority of the holdings in this region are fragmented and due to small size of holdings, farmers are unable to adopt advanced techniques of production. Dependence on agriculture is higher in this region as compared to another district.
- Farmers are having small holdings in this region and this small size of holdings affects the income level of the farmers. Lesser output, results in lesser incomes, and this results in lower standard of living for farmers in that region as compared to the standard of living of farmers of developed region.
- The land in this region is less fertile and even farmers pay less attention to the maintenance of fertility of soil. They do not show any interest in the requirement needs of the soil. Due to this, the production levels in this region are low as compared to the developed one.
- Farmers in this region are less industrious and they still are involved in wheat paddy cycle and this continuously affects their incomes from agriculture. And
if no other alternative source of income is available, the farmers in this district are heavily indebted.

- The major reason behind farmers’ indebtedness is the use of loan for consumption expenditure which yields no income in return. This creates problem in repayment as they receive lesser income which is not sufficient even for their survival needs. And also, less alternative opportunities are available for them in this region.

- Marketing facilities are not up to the mark and due to this, they sometimes suffer losses. The situation is worse in case of vegetables as they are perishable and if not marketed at proper time, it will be a matter of big loss to the farmers.

- Farmers are physically frail and the dependence on labour is more for agricultural activities. This increases their cost of cultivation mainly because of higher wages of labour.

- Farmers in this region are facing many problems in availing themselves of institutional loans. In one village, majority of farmers are not aware of the Co-operative society. Everything is handled by the private money-lender who is also a mill owner.

- Rate of growth of population is higher in this region and as a result per capita availability of resources for the existing population is getting reduced day by day.

- Spirit of enterprise is less as majority of farmers in this district are army personnel and they receive assured fixed income at the end of every month. This lessens the spirit of enterprise in them and they are just involved in cultivation of that crop which needs lesser efforts. And as a result, they receive lesser incomes which are not sufficient for their survival.

- The standard of living of farmers in this region is comparatively low as compared to the farmers of developed district. They spend less on house construction and on education as well. Instead, they spend lavishly on wine consumption and in some cases on litigation.

- Very few farmers are interested in adopting new techniques and they just want to indulge in wheat paddy circle. Due to this, they receive lesser income as compared to those who diversify their crops.
In this particular region, there is a problem regarding availability of better quality seeds and majority of the farmers usually use farm-saved seeds. As a result, productivity levels are adversely affected.

5.14 Conclusion

Thus, the main purpose of Darling’s thesis was to show how interesting and difficult it was for a farmer to maintain peasant proprietorship upon his land with freedom and comfort. With little change, all those reasons still prevail in the contemporary debt situation of a farmer. Remedy is to restructure the Co-operative system once again so that higher numbers of peasants may be brought under the Co-operative sphere. Co-operation is indispensable to the well-being of the small holder. The success of agriculture sector depends upon two main executive bodies; one is Co-operative department and the other is the agriculture department. Proper co-ordination is required between these two institutions. Then only prosperity in this region can be sustained. Together, they provide a form of progress well-suited to the country and by no means wholly material. Prosperity will be there, if these two organizations are developed to their fullest. On the other side, in comparison to the average size of holding, farmers are having too many mouths to feed. It is also one of the chief causes of debt. In the Punjab, the small proprietor is heavily indebted as compared to the large farmer. It is not that small farmer runs up a bigger debt- the contrary is the case- but that debt presses more heavily upon the small farm in comparison with the large. From every point of view, small holdings are a manifest evil. Small holdings are the result of a large population and the laws of inheritance. Smallness of average land-holding and incredible fragmentation together constitute one of the basic reasons for debt and in such a situation agricultural progress is impossible. A farmer never forgets the land. Even if he goes away, sooner or later he returns with his earnings to the village and works on the land as it gives him satisfaction. Finally, there are three ways a farmer can keep himself out of debt. First, he must be frugal and industrious. Secondly, he must be ready to diversify. Thirdly, he must be having an access to non-farm income. If he is not having any member of his family in non-farm sector, in that case he is heavily indebted and the solution to this problem is only to provide off-farm employment to atleast one member of a peasant’s family.