

PART II
RECOMMENDATIONS

CHAPTER XIV

THE INTERMEDIARIES AND THEIR ELIMINATION

One of our most important terms of reference is to suggest what rights of intermediaries should be acquired so that in future the land and the profits accruing from it should remain with him who cultivates it. The preceding sections of this Report will have gone to show that, apart from the questions of social justice, it is essential also from the economic point of view (for principles of social justice are now generally recognized to be synonymous with those of a sound economic policy) that those who are merely rent-receivers should go.

The term "intermediary" is widely used and most people have some idea of what it means with respect to agricultural land, but our task is to ascertain, as precisely as possible, what the term connotes. The task is manifestly difficult because of the vast territory and the variety and complexity of the tenures involved. Among the intermediaries there are proprietors with stable tenures and proprietors with unstable tenures; there are various classes of tenants, some confined to specific areas and others spread over almost the whole province, some with rights of occupancy and others holding at the pleasure of the superior proprietor. The same person may be an intermediary with respect to one plot of land and a cultivator in respect of another. The classification will depend not merely on the person, but on the nature of rights and tenure in a specific area of land. Another question is: who should be considered to be the cultivator of the soil. Is it necessary that he should personally perform manual operations incidental to cultivation? What other functions should he necessarily perform in order to be classed as a cultivator? Should all the intermediaries be removed? If not, where should we draw the line?

An analysis of the existing land tenures in the United Provinces will show that there is a broad division between the holders of various rights on the basis whether those rights are proprietary or tenant's. On a critical scrutiny, however, it will be found that this division is sometimes artificial. The rights of a permanent tenure-holder are transferable and heritable according to

personal law and his rent is fixed in perpetuity, and yet he is, according to our tenancy law, classed as a tenant, while an under-proprietor or a sub-proprietor, holding rights inferior to those of a permanent tenure-holder, is classed as a proprietor. However, in classifying whether a particular right is a proprietary right or a tenant right, we shall follow the division laid down in section 32 of the United Provinces Land Revenue Act, namely, that the rights which find place in the registers mentioned in sub-sections (a), (b) and (c) of that section shall, unless there are strong reasons to the contrary, be treated as proprietary rights and those entered in registers kept under sub-section (d) as tenant rights.

A vertical division of these rights can be made on the basis of security of tenure. Under the existing law, a *thekadar* of proprietary rights holds a precarious tenure for a limited number of years not exceeding ten, but his name finds a place in the *khevat* while a tenant with rights of occupancy holds a perpetual tenure, but his name occurs in the *khatauni*. To distinguish between rights of a temporary and permanent nature, the Bengal Famine Enquiry Commission used the term "the occupancy-right holder," meaning an occupant of land who has a more or less stable and permanent tenure, with a certain amount of fixity of rent in cases where rent is payable. The term is convenient and easy to understand but not capable of precise definition because it is difficult to say what exactly constitutes a stable interest and what constitutes only an insecure or temporary interest.

On the basis of these two main lines of division, namely, proprietary and tenant, and stable and unstable rights, the existing interests in land may be classified as follows:

Proprietary rights

Persons possessing proprietary rights are:

(a) Landlord, that is, the proprietor of a *mahal* or of a share, or specific plot therein.

(b) Under-proprietor, that is, in Avadh a person possessing heritable and transferable right in land who is, or but for a judicial decision or contract would be, liable to pay rent therefor.

(c) Sub-proprietor, in the province of Agra, meaning a person who possesses a subordinate but heritable and

transferable proprietary interest in land and with whom a sub-settlement has been made.

(d) *Thekadar*, that is, a farmer or other lessee of the rights in land of a proprietor, and under-proprietor or a permanent lessee or mortgagee in possession.

(e) Mortgagee-in-possession of proprietary rights.

(f) Permanent lessee, that is, a person in Avadh who holds under a heritable non-transferable lease, and who is entered in the register maintained under the provisions of clause (b) or clause (c) of section 32 of the United Provinces Land Revenue Act.

(g) Permanent tenure-holder, who is really possessed of proprietary rights but is wrongly classed as a tenant.

All these rights, except those of a *thekadar* and mortgagee in possession, are of a stable character.

Tenant rights

The following are the classes of persons having tenant rights in the United Provinces:

(a) Fixed-rate tenant.

(b) Tenant holding on special terms in Avadh.

(c) Exproprietary tenant.

(d) Occupancy tenant.

(e) Hereditary tenant.

(f) Non-occupancy tenant including (i) tenant of *sir*, (ii) sub-tenant and (iii) tenant of land mentioned in section 30 of the United Provinces Tenancy Act, 1939.

(g) Grove-holder.

(h) Rent-free grantee.

(i) Grantee at a favourable rate of rent.

All these tenants are possessed of a stable tenure except the non-occupancy tenant, and the rent-free grantee at a favourable rate, if by the terms of the grant or by a local custom the grant is held (a) at the pleasure of the grantor or (b) for the purpose of some specific service, religious or secular, which the landlord no longer requires and (c) conditionally, or for a term.

We may now proceed to define the terms "cultivator" or "tiller of the soil" and "intermediary" and examine which of the rights in land, mentioned above, fall under either category.

Cultivator or tiller of the soil

The functions of a cultivator or "tiller of the soil" may be analysed thus:

(1) The performance of all or some of the manual tasks of cultivation, namely, ploughing, manuring, sowing, watering, reaping, etc.

(2) Financing agriculture, i.e. providing either from his own resources or by borrowing, the necessary working capital, seeds, stock, implements, manure, etc.

(3) Management or supervision of the holding, i.e. deciding when and how an agricultural operation will be performed, what rotation would be followed, what crops would be raised, what kind of seed would be sown, how irrigation and manuring shall be done, and generally ensuring that all the necessary agricultural operations are properly carried out.

(4) Taking the risk involved, i.e., the cultivators profit or loss depends upon the value of agricultural produce and the cost of production.

An ordinary tenant, who pays rent in cash, and cultivates his holding by his own labour and with the help of his family, performs all of these functions; a rent-receiving landlord performs none of them. Between these two extremes the different functions may be combined in different degrees and in a variety of ways. For instance, the risks of business are, to a certain extent, shared by the zamindar and the cultivator when the rent is determined as a part of the agricultural produce. A *halwaha* engaged by the zamindar sometimes contributes only his labour towards the cultivation of the land. He may, however, share the risks involved if his wages are not fixed on a permanent basis, but are, either wholly or partly, paid as a share of the produce. If the zamindar is indolent or an absentee, the management of the land may also be left effectively to the *halwaha*. In some cases, the agricultural labourer provides his own stock or implements and thus partly finances the undertaking.

All the above functions cannot obviously be regarded as of equal importance. It would appear that the actual performance of all or some of the manual tasks of cultivation cannot, by itself, be treated as necessary or indispensable. In many parts of this

province considerations of social status and caste prejudice prohibit high caste-men, Brahmans and Kshattriyas, from engaging in certain kinds of manual work, such as driving the plough which is considered fit only for lower caste agriculturists or field labourers. All the same, since times immemorial, they have been treated as "cultivators". If the performance of manual operations were imposed as an essential condition, a large number of such men, whose livelihood at present depends upon land, would be excluded from the definition of "cultivator." Nor can we rule out the employment of servants or hired labourers, for all over the world the employment of casual or permanent labour is necessary for carrying on even small and medium-sized farming. If, therefore, the employment of agricultural labour were ruled out cultivation under the existing conditions would become impossible. It is not possible to define the minimum of manual labour which a man must perform in order to qualify himself for inclusion among cultivators. Nor are we prepared to say, in view of the prevailing conditions, that no one can be a cultivator unless he personally performs manual labour. While, therefore, the ideal is that the cultivator and his family should contribute most of the labour required, a person, who hires agricultural labour either permanently or casually for the performance of all or some manual tasks, must still be regarded as a "tiller of the soil", provided that he finances and supervises agricultural production and takes the risks involved.

It might be argued that by allowing the unrestricted right of employing agricultural labour we run the danger of permitting large-scale capitalist exploitation of land, i.e., of the land gradually passing into the possession of capitalists who themselves do not directly engage in the performance of agricultural tasks but employ hired labour. In the present set-up the danger is not immediate as most of the holdings are small. The employment of hired labour does not pay on a small holding, the cost of production being too high to leave a substantial margin of profit for the small holder. It may often be higher than the value of the produce and thus yield no profit at all. According to available information, if the wages of labour at prevailing rates were included in the cost of production, the cost would in many

cases exceed the value of the produce. In other words, agriculture is a deficit economy, but it can still be carried on as most of the labour is supplied by the cultivator and members of his family and does not have to be paid for.

A large farm efficiently organised and managed can, on the other hand, be run with the help of hired labour. If we permit the growth of such farms most of the tenants would be bought out of their lands and reduced to the status of wage-earners. As agricultural labour is necessarily weak and unorganised it would be a task of considerable difficulty to provide effective statutory protection, and ensure a living wage. Restrictions on subletting alone cannot prevent large-scale capitalist farming for, by definition, the employment of hired labour would not amount to subletting. It would be, therefore, necessary to place restrictions on the transfer of land so as to prevent the accumulation of large holdings in the hands of individuals.

Subject to these considerations, for which provision must be made separately, we would suggest that the performance of manual tasks should not be regarded as a part of the definition of a cultivator. As already indicated, an intermediary may sometimes share in some of the other functions and in a very few special cases it may not be always easy to draw the line between an intermediary and a cultivator. The remaining three functions are, however, in our opinion indispensable and a person who effectively performs them should be regarded as a cultivator or tiller of the soil.

The wages of agricultural labour are sometimes fixed on the basis of a share of the produce, the labourer thus shares the risk. But if we permit the occupant of the land to transfer a part of the risk to the labourer, we create conditions in which he may leave the management of the land also to him, and thus become an intermediary. So long as land remains a commodity and can be bought and sold, there is a temptation for the non-cultivating money-lender to use it as a commercial investment. The new agricultural economy that we envisage will, inevitably, be subject to considerable pressure from forces outside it, which may sabotage it by using any unguarded breach. We must, therefore, prevent the ordinary economic laws from recreating the system of landlord tenant in some other shape or form. Accordingly we propose

that an agricultural labourer whose wages depend, either wholly or partially, upon the actual outturn of the land, and are calculated as a share of the actual produce, should be regarded as a sub-tenant and not as an agricultural labourer, and an arrangement of this nature should be subject to the same restrictions as are imposed upon subletting in general.

It would be interesting to compare this analysis of the functions of a cultivator with the position under the tenancy law of the province. The term is not directly defined in any of our existing legal enactments. But as the zamindars have certain rights in land under their personal cultivation, i.e., *sir* and *khudkasht*, the law defines these two terms and the meaning of "cultivation" may be inferred from the definition of *khudkasht*. The United Provinces Tenancy Act of 1939 defines the expression "*khudkasht*" as land other than *sir* cultivated by a landlord, an under-proprietor or a permanent tenure-holder as such, either himself, or by servant or by hired labour.

The Agra Tenancy Act of 1926, and corresponding laws preceding it, had laid down that cultivation of land by the landlord or by the permanent tenure-holder himself with his own stock, or by his servants, or by hired labour, for a specified period would qualify him for acquisition of *sir* rights. There was a similar provision in the Oudh Rent Act of 1884.

It would appear that this definition is incomplete and the zamindar would be held to be a "cultivator" of his *khudkasht* even when the hired labourer shared in some of the essential functions of a cultivator.

The Bombay Tenancy Act of 1939, however, laid down that—

'To cultivate personally' means to cultivate on one's own account:

- (a) by one's own labour, or
- (b) by the labour of any member of one's family, or
- (c) by servants on wages payable in cash but not any crop share, or by hired labour under one's personal supervision, or the personal supervision of any member of one's family.

This definition is much less incomplete; in the cases of a servant it expressly provides that his wages shall not be determined as a

share of the crop, but in the case of hired labour it insists only upon "supervision" being exercised, either by the occupant of land himself or a member of his family. We have already shown that if the wages of hired labour are fixed as a share of the crop, it would be easy for the occupant of land to transfer the function of supervision or management as well. It would be difficult in actual practice to ascertain whether the occupant did or did not effectively supervise the cultivation of land.

In conclusion we would, therefore, recommend that an agricultural labourer who is permanently associated with agricultural production during a whole season, and whose wages are paid partially or wholly as a share of the produce, should be deemed to be a sub-tenant. A day-labourer, on the other hand, engaged in a specific operation, and paid wages on the basis of piece-rates or time-rates in the form of a part of the produce, will, however, not fall under the definition of a sub-tenant.

Intermediary

An intermediary is ordinarily defined as a "rent-receiver", a definition which was accepted in the Bill prepared by the Government of Bengal to abolish the zamindari system before the partition of that province. Rent, as defined in the United Provinces Tenancy Act, 1939, means whatever is, in cash or kind or partly in cash and partly in kind, payable on account of use and occupation of land, or on account of any right in land. In the present context it may be defined as a sum of money or share of the produce, payable by the cultivator to the landholder, who does not perform any of the functions connected with agriculture, and who is entitled to that rent by virtue of owning superior rights or interest in land. The actual payment is not a necessary condition, for in that case a proprietor of land intervening between a rent-free grantee and the State would not be an intermediary. What is essential is that either the rent is payable or would be payable but for a contract expressed or implied.

Cultivators

We may now classify existing rights in land according to whether they are intermediaries or cultivators. The following

classes should in our opinion be regarded as cultivators in regard to the land comprised in their holdings :

- (a) Fixed-rate tenant.
- (b) Tenant holding on special terms in Avadh.
- (c) Exproprietary tenant.
- (d) Occupancy tenant.
- (e) Hereditary tenant.
- (f) Non-occupancy tenant including (i) tenant of *sir*, (ii) sub-tenant and (iii) tenant of land mentioned in section 30 of the United Provinces Tenancy Act.
- (g) Grove-holder.
- (h) Rent-free grantee.
- (i) Grantee at a favourable rate of rent.

All classes intervening between the above-mentioned categories and the State are to be regarded as intermediaries and should, therefore, be abolished. Where these tenants sub-let their land, they may themselves be said to be intermediaries. There are, however, certain difficulties in ousting the tenants-in-chief and conferring permanent rights on sub-tenants, which we shall examine in the sequel.

Intermediaries

The intermediaries are :

- (1) Proprietor.
- (2) Under-proprietor.
- (3) Sub-proprietor.
- (4) *Thekadar*.
- (5) Mortgagee in possession.
- (6) Permanent lessee in Avadh.
- (7) Permanent tenure-holder.

These classes are to be regarded as intermediaries in respect of the land included in the holdings of tenants and grove-holders, and cultivators in respect of land under their personal cultivation. There is another category of land in respect of which they are not intermediaries, e.g., wasteland and forests, and the question arises whether their rights in respect of such land should or should not be abolished.

We shall now consider how the various kinds of lands owned by intermediaries should be dealt with :

Classes of land owned by zamindar

The lands owned by a zamindar fall into the following distinct classes:

- (1) *Sir* and *khudkasht* under his own cultivation.
- (2) *Sir* and *khudkasht* let out to tenants.
- (3) Zamindar's groves.
- (4) Land included in the holdings of tenants and grove-holders.
- (5) Land covered by forests.
- (6) Wasteland and other forest land.
- (7) Land included in *abadi*.
- (8) Pathways.
- (9) Land occupied by things of common usage, such as tanks, wells and water channels.

It is obvious that he is not an intermediary in respect of land falling under classes 1, 3, 5, 6, 8, 9 and he is an intermediary in respect of lands falling under classes 2, 4, 7.

Sir and khudkasht

We are of the opinion that all *sir* and *khudkasht* lands, under the cultivation of the landlord, should remain with the landlord as hitherto, but subject to such modifications with respect to the rights of transfer and sub-letting as are suggested in a later part of this report. This recommendation does not need the support of much reasoning as the landlord is not an intermediary in respect of such lands. It has, however, been suggested that large areas of *sir* and *khudkasht* should be cut down and redistributed among holders of uneconomic holdings and landless agricultural labourers. We have examined this question in the last section of this chapter.

Sir and khudkasht let out to tenants

Under the United Provinces Tenancy Act of 1939, the tenant of *sir* was given a five-year security of tenure, but for all practical purposes the *sir* and *khudkasht* of 1333-54 Fasli has been treated as a special domain of the landlord secured to him for cultivation. The tenant of *sir* knows that he holds an insecure tenure for a limited period, and his status is more or less the same as of a sub-tenant. Any attempt to deprive the landlord of his *sir* which is let out to tenants would, therefore, inflict great hardship upon

him as we have, for reasons stated later on, decided to treat the tenant as a cultivator in respect of the land let out to a sub-tenant. We do not, however, suggest the curtailment of the existing rights of the tenants of *sir*, and they will run their normal tenure. Our attention has also been drawn to the fact that the demarcation of *sir* lands as provided for under section 15 of the United Provinces Tenancy Act, 1939, has not been effected and we would, therefore, like to make it clear that our recommendations do not affect the limitation laid down on the area of *sir* or the rights conferred on the tenants of *sir* by that Act.

Zamindar's groves

It was suggested by some members of the Committee that if a zamindar possessed groves in more than one village, he should be allowed to retain the groves situated in the village where he resides and all other groves should be acquired and placed in the hands of the village community. The reason given was that after the loss of their proprietary interest in other lands it would not be possible for the landlord to manage the isolated groves, and that after the relation of landlord and tenant has been broken, the villagers would be deprived of the fruits from zamindar's groves which they now enjoy in varying degrees. This would disturb the food and economic equilibrium. The majority of the Committee, however, felt that as groves do not require constant personal supervision there is no reason to think that a zamindar would be unable to look after his groves in more than one village. What we are primarily concerned with is the maximum utilisation of every bit of land. As this can be managed by zamindars we do not think it fair to deprive them of their groves outside the village of their residence. Besides, it is doubtful if for some time to come, the village communities would be in a position to manage groves, and there being no other agency to look after them, we recommend that the holders of proprietary groves should be allowed to retain all their groves.

Holdings of tenants and grove-holders

In respect of the land included in the holdings of a tenant or grove-holder, the landlord will cease to exist as an intermediary, the reasons for which are perfectly obvious.

Wastelands and forests

According to the Season and Crop Report, U. P., for 1945-46 the total area under forests, excluding the districts of Almora and Garhwal and the hill *pattis* of Naini Tal, was 26.18 lakh acres and the culturable waste 99.58 lakh acres. Figures collected by the Board of Revenue in 1944 show that 19.05 lakh acres of forest are under private ownership of which 5.36 lakh acres are under timber trees and 15.69 acres under shrubs, bushes and long grass, etc. It is the considered opinion of the senior Forest Officers, *vide* proceedings of a conference held in 1945, that "Owing to lack of control, privately owned forests and wastelands throughout India have been progressively denuded and largely rendered valueless amounting in some cases to complete destruction by over-felling and excessive grazing and that such denudation and destruction is endangering supplies of timber, firewood, and fodder, is causing erosion and is rendering land liable to the destructive action of floods." The conference recommended that the State should ensure scientific management of private forests and wastelands. It is to be regretted that sufficient use of section 35 of the Forest Act, 1947, providing for government control in special cases and section 38, providing for government management at the owner's request, has not been made.

Owing to the lack of fuel, a large quantity of cattle dung, which should have gone to enrich our exhausted soil, is burnt in the oven. Mr. M. D. Chaturvedi (now Chief Conservator of Forests) estimated that on account of the deficiency of about 10 million tons of fuel, about 50 million tons of dung are burnt in the rural area in the Indo-Gangetic Basin. If the deficiency of fuel could be made good by the scientific management and development of forests we might expect an increase of about 15 per cent. over current crop production. The figures are conjectural but they give an idea of the magnitude of the problem.

Apart from the usual mismanagement, there are complaints in this province that forests and scrub jungles are being cleared at a rapid rate. This is partly the result of the Government's own campaign for growing more food and partly of the high value of land as well as fuel and the zamindars' desire to capitalise their assets before the abolition of zamindari.

Wastelands other than forests are an essential part of village economy, being used as pasture lands and for other uses common to the villagers. The proper utilisation of these lands under State supervision is a vital part of agricultural planning. In the *raiya* areas the ownership of the wasteland generally vests in the State. In the hilly regions of Kumaun, the wastelands are the property of the State, subject to the prescriptive rights of the villagers to graze cattle, collect wood and fuel and the like. There is, we believe, no room for difference of opinion regarding the necessity of acquiring all forests and wastelands as a part of the scheme for the abolition of the zamindari system. It has been suggested, in some replies to the questionnaire issued by the Committee, that a part of the wasteland should be set apart for cultivation by the zamindars. We do not think that this suggestion can be accepted. Zamindars have always had the opportunity for reclaiming wasteland and bringing it under their cultivation. If they did not find it worthwhile even during the period of the prevailing high prices there is no point in reserving any wastelands for them for the future. On the contrary any such reservation will not only be stigmatised as a discrimination in favour of the landlord but would deprive the villagers of much needed land for extending cultivation, pasturage and afforestation.

We, therefore, recommend that notwithstanding the fact that there are no intermediaries between the State and the occupant, all the forests and wastelands owned by the landlord should be acquired by the State. Forests outside the village boundaries should be entrusted to the Forest Department to be treated and developed as government forests and forests inside the village boundaries and wastelands should be entrusted to the village communities for management; in both cases subject to the customary rights hitherto enjoyed by the villagers.

Village abadi and pathways

In the United Provinces, as in the rest of India, the cultivator has since times immemorial been living collectively in the village *abadi*. He has not developed the practice of living on anything resembling the European farmstead. It was only under the United Provinces Tenancy Act, 1939, that the tenant acquired the right to erect a dwelling house on his holding for personal occupation, or a cattle shed or store-house or any other construction for

agricultural purposes, and treat it as an improvement for claiming compensation on ejection, in case the construction was made with the permission of the landlord or to remove the material if the permission had not been obtained. We do not think that much use has been made of that provision and the co-sharers and tenants alike continue to live in the village *abadi*. The co-sharers own the *abadi* site jointly, which must, at some time, have been set apart for the common purpose of habitation, and they have a customary right to build houses for residence or other use. On the transfer of his interest in the cultivated area, the co-sharer does not lose his right in *abadi* unless it is specifically transferred. A tenant can occupy a site in the *abadi* only with the permission of the co-sharers, but in practice the right to cultivate carries with it the right to live in the *abadi*. In fact a *pahi-kasht* or non-resident tenant has always been looked upon as a less desirable type of occupant, and in 1921 when statutory rights were conferred on the generality of tenants in Avadh, the non-resident tenant was excluded from these rights. The rights of the tenants in *abadi* have been dependent on the custom entered in the *wajib-ul-arz* and there are innumerable instances when attempts to convert a mud structure into a *pucca* building or replace straw *chappar* with corrugated iron sheets was resisted by the landlord. The tenant has a right to transfer the material but not the right of occupancy unless there is a custom or contract to the contrary. Prior to the enactment of the United Provinces Tenancy Act, 1939, a series of the rulings of the Allahabad High Court and the Avadh Chief Court had laid down that the right of a tenant to live in the *abadi* was dependent on his right to cultivate and he could be ejected from his residential house in consequence of his ejection from the holding. Section 162 of the U. P. Tenancy Act, 1939, however, laid down that "No tenant shall be liable to ejection from his residential house in a village merely because he has been ejected from his holding in that village." After the abolition of the landlords' rights as an intermediary between the State and the cultivator in respect of the cultivated area it would be an anomaly if his rights in the *abadi* were retained. We, therefore, recommend that the interest of the landlord in the *abadi*, including the pathways, should be acquired and the management of the *abadi* should vest in the village community. House-sites held in

severalty at present should, however, belong to the individuals who are in possession.

Wells and tanks

Wells may either be private or public. Tanks and major water channels are generally common and affect the interests of a large number of cultivators. Private wells, i.e., wells whose use is confined to a particular holding or holdings may remain in the possession of their present owners. All public wells, i.e., wells with a common right of user, as well as all tanks, *tals* and water-channels should belong to the village community which will regulate their use in the public interest.

Trees

Standing timber, according to the Transfer of Property Act, 1882, is not an immovable property, but the fact remains that the trees are physically attached to the earth. After the interest of the landlord in wasteland has ceased, he will have no other use for trees except to fell them down and sell the wood as timber or fuel. Trees take scores of years to grow and it would be a national loss if, as a result of our recommendation, the tendency to fell trees finds encouragement. The same arguments apply to trees standing on the boundaries of holdings and we recommend that both these varieties of trees should be acquired and vested in the village community for management and use in the public interest. Trees on holdings and in the *abadi* will, however, continue to belong to their present owners.

Sayar income

Sayar income includes whatever is to be paid or delivered by a lessee or licensee on account of the right of gathering produce from forests, fisheries and the use of water for irrigation from artificial sources and the like. The nature of *sayar* income is complex and there is a perplexing variety of *sayar* dues found in different parts of the province. Some *sayar* dues may be classed as manorial dues, others partake of the nature of rent, in the economic sense of the term; and *sayar*, except when the contrary intention appears, is included in the definition of rent under the United Provinces Tenancy Act, 1939. It is practically impossible to make out a list of the main heads constituting *sayar*, which depends largely upon local custom. Some of the main items mentioned in settlement reports, however, are income from

orchards, fish, thatching grass, reeds, palm trees, grazing dues, *dhak* jungle, saltpetre, *mahua* flower, charcoal, flax, *bel*, etc. *Sayar* may be classified in two categories:

(i) *Sayar* income derived from natural products such as fruits or fish (but excluding stone and *kankar* quarries and the fruit of groves of timber trees), is according to the Board's circular, liable to assessment. The broad line of division appears to be that income from land or anything attached to or growing on land is assessable. The fruits of groves of timber trees such as country mangoes are excluded because income in such groves is primarily derived from timber and the income from fruit is of a casual nature. Large deductions from the aggregate average income from *sayar* are made by settlement officers to exclude other casual income.

(ii) *Sayar* which is not assessed to revenue includes income derived from brick-kilns, ground rent of building plots, sale-proceeds of *kankar*, weightment dues, income from *hat* and bazar, income from gardens and ferries and the like.

It is apparent that the sources of income constituting *sayar* are incidental to the ownership of land and after the abolition of landlord's rights they naturally belong to the State. We, therefore, recommend that all the *sayar* income should be acquired by the State and put under the management of the village community. This includes *hat*, *penh*, *mela* grounds, and fisheries. Rights in respect of ferries should vest in the State.

Inferior proprietors

The holders of other proprietary rights, that is, the under-proprietor, the sub-proprietor, *thekadar*, and permanent lessees in Avadh, are possessed of rights essentially similar to those of the landlord, even though those rights are derived from and subordinate to the superior rights of the landlord. We see no reason why these persons should be treated on a different basis and we recommend that their rights for the purpose of acquisition should be treated *pari passu* with those of the landlord, except that any *sir* and *khudkasht* of the landlord and in possession of the *thekadar* shall, on the ground that the *thekadar's* right to cultivate is of a temporary nature, revert to the landlord and the *thekadar* shall

cease to have any rights in it. *Sir* or *khudkasht* let by the *thekeदार* should be deemed to have been let by the zamindar. There are, however, many cases where ordinary agricultural leases were camouflaged as *theke* in order to prevent the accrual of hereditary rights. The lessees, in such cases, are in fact tenants and not transferees of proprietary rights, notwithstanding that they are recorded as *thekeदार*s. We recommend that persons falling in this category should be treated as cultivating tenants. Similarly if a *theke* was granted in lieu of maintenance, the land in the personal cultivation of the *thekeदार* should not revert to the zamindar so long as the right of maintenance subsists.

A mortgagee in possession is possessed of rights materially different from the holders of other proprietary interests. He is essentially a creditor and holds land only as a security for the realisation of his advance. Under the United Provinces Encumbered Estates Act, 1934, a mortgagee-in-possession was ranked among the creditors and on the passing of a decree in favour of the creditors possession of land was restored to the landlord. Again lands forming the subject of mortgage may be partially let out to tenants and be partially *sir* and *khudkasht*, in which case it is during the existence of the mortgage cultivated by the mortgagee-in-possession. Under the scheme which the legislature has accepted all the intermediaries between the cultivator and State would cease to exist and if we are to eliminate the mortgagee-in-possession only in respect of the lands let out to tenants while leaving *sir* and *khudkasht* lands in his possession, it would break the integrity of the mortgage, which is detrimental to the interest of the mortgagee. Therefore, taking all the factors into consideration we recommend that a mortgagee-in-possession of zamindari rights will rank with other secured creditors of the landlord and his rights in the land forming the subject-matter of mortgage will terminate as part of the abolition of the zamindari system. All *sir* and *khudkasht* lands of the landlord shall thereupon be restored to him.

Permanent tenure-holder

A permanent tenure-holder has been defined in the United Provinces Tenancy Act, 1939, as a person intermediate between the landlord and the occupant. He is found only in the districts which are permanently settled. His interest is transferable and

heritable according to personal law. The rate of rent payable by him is fixed in perpetuity and cannot be varied. He can hold and acquire *mir* rights in the same manner and to the same extent as a landlord or an under-proprietor. Tenants under him are possessed of hereditary rights. Thus, he is possessed of larger rights than an under-proprietor yet the existing law treats him as a tenant. We are more concerned with the incidents of the interest held by the permanent tenure-holder than with the formal position assigned to him under the law. We are of the opinion that his interest should not be treated differently from those of other holders of proprietary rights and he should be treated on the same footing as the landlord.

Tenants with occupancy rights

As we have pointed out earlier the following classes of tenants enjoy a right of occupancy:

- (1) Fixed-rate tenants.
- (2) Tenants holding on special terms in Avadh.
- (3) Ex-proprietory tenants.
- (4) Occupancy tenants.
- (5) Hereditary tenants.
- (6) Grove-holders.

The fixed-rate tenant enjoys the rights of transfer and inheritance similar to those of the permanent tenure-holder, but the former possesses only a right of occupancy while the latter is an intermediary between the superior proprietor and the actual occupant. The number of fixed-rate holdings in the province is approximately 4.68 lakhs, and the area covered by them is 7.11 lakh acres, which works out to an average of 1.5 acres per holding. The fixed-rate tenants are, therefore, not materially different from other tenants with rights of occupancy.

A grove-holder differs from other tenants inasmuch as he possesses a right of transfer, but in other respects his rights are similar to those of tenants with a right of occupancy. He plants a grove on the land granted to him specifically for that purpose by a landlord or under-proprietor or permanent lessee or permanent tenure-holder or with the written permission of the landlord or

according to local custom on his exproprietary, occupancy or hereditary holding or on land specially given for the purpose. The average area held by a grove-holder in the province is 0.58 acre. During the infancy of the grove the land is sometimes let out to tenants for cultivation, but such tenants do not acquire hereditary rights as their occupation of the land is only temporary. We see no reason for treating a grove-holder differently from a cultivator and recommend accordingly.

All these classes of tenants should be given permanent, heritable rights, and a right of transfer subject to certain limitations as recommended by us in Chapter XIX.

Tenants with temporary rights

The following classes of tenants have not got permanent or stable rights:

- (1) Rent-free grantees.
- (2) Grantees at a favourable rate of rent.
- (3) Non-occupancy tenants including:
 - (i) tenants of *sir*, (ii) sub-tenants, and (iii) tenants of land mentioned in section 30 of the United Provinces Tenancy Act.

Rent-free and favourable grants

A rent-free grantee holds land free of rent and a grantee at a favourable rate on rent which is less than the aggregate of revenue and local rates payable thereon. In cases the grantee satisfies the conditions laid down in section 192 of the United Provinces Tenancy Act, 1939, he can be declared a proprietor or an under-proprietor. If he comes under the mischief of section 195 of that Act he is liable to ejection, that is, if by the terms of the grant or local custom the grant is held (a) at the pleasure of the grantor, or (b) for the purpose of specific service, religious or secular, which the landlord no longer requires, or (c) conditionally or for a term, when the condition has been broken or the term has expired. Except in cases falling under section 191 a grant held rent-free or at a favourable rate is liable to fixation or enhancement of rent, as the case may be, and if the grantee is declared a proprietor or

an under-proprietor, is liable to fixation of revenue or rent. The right of rent-free grantees and grantees holding at a favourable rate are mostly similar to those of tenants with right of occupancy, and we see no reason to treat them differently. We recommend that a rent-free grantee and a grantee at a favourable rate should be treated as a cultivator and a sub-tenant holding under him as a temporary occupant. The right of superior or under-proprietor now held in respect of such grants by the landlord should be abolished and the grantees given the same rights as other cultivators.

Sub-tenants

In the year 1353 Fasli, according to the figures collected by the Board of Revenue, no less than 32 lakh acres of land included in the holdings of the tenants (412 lakh acres) was settled with sub-tenants. In other words, 7·8 per cent. of the land included in the holding of tenants was actually in the occupation of sub-tenants. The incidence of their rent is Rs.8·2 per acre against Rs.6·2 paid by the hereditary tenant. There is no gainsaying the fact that the tenant is in the position of an intermediary in respect of the land settled with the sub-tenant. It has been suggested by some witnesses that the tenant-in-chief should in such cases be ousted and permanent rights conferred upon the sub-tenants. The Flood Commission rejected a similar proposal on the ground that it would cause tremendous distress to the sub-tenants themselves because the tenants-in-chief would immediately make every effort to throw them out. We do not think that argument has much force because the eviction of sub-tenants could be prevented by prior legislation; it has, in fact, been stayed in our province by section 295A of the United Provinces Tenancy Act. We are, however, of the opinion that it would not be desirable to oust the tenant-in-chief in an attempt to pursue the Assembly resolution to its logical conclusion. The sub-tenant has always been holding an insecure tenure not exceeding five years and on the clear understanding that after the expiry of the lease he would be ejected from the holding. Nor can we treat the tenant-in-chief as a permanent intermediary, for under the law he must cultivate the holding once sublet for at least three years before he can sublet the whole or part of it again. We have seen that no less than 81

per cent. of the holdings in the province have an area of five acres or less and any further curtailment of the area held by tenants with a right of occupancy will cause widespread economic distress. Moreover, we would not like to suggest a measure that would multiply the number of holdings and, thereby, reduce their area and impair agricultural efficiency. The tenant-in-chief has a lawful right to sublet the whole or part of his holding for a limited period, and it would create a feeling of insecurity if he is penalised for exercising a right given to him by the law. Apart from this many of the sub-tenants are mere allotment holders who hold a small patch of land to supplement their income from other occupations. They are not usually efficient cultivators and do not often possess stock or working capital to carry on agriculture on a permanent basis as their main occupation.

We, therefore, recommend that the five classes of tenants enumerated above, namely, fixed-rate tenants, tenants holding on special terms in Avadh, ex-proprietary tenants, occupancy tenants and hereditary tenants should be treated as cultivators both with regard to the land under their cultivation and the land settled with sub-tenants. This will not mean that any of the rights of sub-tenants are in any way curtailed; the existing sub-leases will run their normal tenure, i.e., until the expiry of the period of sub-lease, or the period under section 295A, Tenancy Act; whichever is later.

Tenants under section 30, Tenancy Act

Among the tenants who do not possess rights of occupancy, we have already disposed of the cases of tenants of *sir* and sub-tenants. There remains another class of non-occupancy tenants settled on lands specified in section 30 of the United Provinces Tenancy Act, 1939, that is—

(1) groveland, pasture-land, or land covered by water and used for the purpose of growing *singhara* or other produce;

(2) land used for casual or occasional cultivation in the bed of a river;

(3) land acquired or held for a public purpose or a work of public utility; and in particular, and without prejudice to the generality of this clause:

(a) lands at present or which may hereafter be set apart for military encamping grounds;

(b) lands situated within the limits of any cantonment;

(c) lands included within railway or canal boundaries;

(d) lands acquired by a town improvement trust, in accordance with a scheme sanctioned under section 42 of the United Provinces Town Improvement Act, 1919; or by a municipality for a purpose mentioned in clause (a) or clause (c) of section 8 of the United Provinces Municipalities Act, 1916;

(e) lands within the boundaries of any government forests;

(f) municipal trenching grounds;

(g) land held or acquired by educational institutions for purposes of instruction in agriculture;

(4) such tracts of shifting or unstable cultivation as the Provincial Government may specify by notification in the official *Gazette*;

(5) such areas included in the tea estates as the Provincial Government may notify as areas in which hereditary rights shall not accrue.

It is apparent that lands mentioned in clause (5) are held either by the Government or public bodies primarily for non-agricultural purposes or for training in agriculture and are let out in so far as such letting will not interfere with the primary purpose. Lands mentioned in clauses (1), (2), and (4) have a special peculiarity of instability and areas referred to in clause (5) are meant to supply labour to the tea industry. Grovelands and pasture-lands are primarily meant to be used as such, and their temporary use for agricultural purposes should not change the nature of tenure. The restrictions laid down by this section are, in our opinion, just and proper and should be maintained in future. We also recommend that the owner of groveland and pasture-land should be treated as an agriculturist and the tenant holding under him as a temporary occupant. Lands specified in clauses (2) and (4) do not raise any special problem, for whatever may be the nature of tenant's rights he must be treated as a cultivator. In clause (3) wherever Government is the owner no question of an intermediary arises and the tenant of such land

is a cultivator, but whenever any land falling under the clause is held by a public body, such as an improvement trust or a municipality or an educational institution, the tenant must be treated as a temporary occupant. These lands should not be subjected to the general limitation on sub-letting. Regarding the areas mentioned in clause (5), all tenants, except those holding less than half an acre have been given hereditary rights and those who have not acquired those rights are mere allotment holders primarily engaged in tea estates as labourers. They can not be treated as cultivators but are temporary occupants. We wish to make it clear that our recommendations do not contemplate any change in the status of tenants occupying land mentioned in this section.

Guzaredars

Our attention has been drawn to the case of *guzaredars* who have been given assignments from the *sir* or *khudkasht* by the landlord in lieu of the maintenance allowance in cash. They are in the nature of temporary occupants and we are of the opinion that they should be allowed to hold their land according to the terms of the grant or for so long as the right of maintenance subsists. After their right to hold land has expired, it will revert back to the grantor.

Tenants' mortgagees

Lastly there is the case of mortgagees in possession of the whole or part of a tenant's holding. Such mortgages are not permissible by law, but broadly speaking the law as laid down by a series of court decisions is that the court would not assist the tenant in recovering possession without payment of the money due on the mortgage. We do not propose to disturb the existing law. The mortgagee-in-possession of a tenant's holding should be treated as a temporary occupant entitled to hold land so long as his mortgage is not liquidated.

Tenants of common lands

There have been widespread complaints that the zamindars have for some time been leasing out lands held for ages under public user, such as *khalyans*, pasturage, pathways, land seasonally under tank water, etc. This is accounted for partly by the increasing demand for land on account of the pressure of population and high prices of grain, and partly by the desire of the

zamindars to make as much as possible before the abolition of zamindari, in complete disregard of the needs and rights of the village community. We cannot too strongly deprecate such encroachment on public rights.

We feel no hesitation in recommending that the village community should have the right to remove all encroachments on lands of public user and utility made during the last two years by the landlord or any other person deriving authority under him and restore the land to the original user.

REDISTRIBUTION OF LAND

It has been suggested that large farms whether *sir* or *khudkasht* or tenants' holdings should be cut down and redistributed among landless labourers or cultivators with uneconomic holdings. According to the statistics collected by the Committee about nine thousand zamindars possess *sir* and *khudkasht* exceeding 50 acres each. The total area thus held amounts to 9 lakh acres working out at an average of about 100 acres per zamindar. About 2,300 out of these nine thousand zamindars possess $3\frac{1}{2}$ lakh acres of *sir* and *khudkasht*, i.e. an average of 150 acres each. Taking all the large holdings together, whether held by zamindars or tenants we find that 1,15,000 persons are in possession of land exceeding 25 acres. They hold among themselves 12.9 per cent. of the total area. Considering that over 81 per cent. of the cultivators possess holdings below 5 acres and over 67 per cent. possess holdings below 3 acres, there appears to be a strong case for redistribution of land on lines similar to the action taken in most of the south-eastern European countries during the period between the two world wars.

One of the most important features of land reforms in those countries was the redistribution of land for reducing inequalities. Large landed estates were broken up, either by direct acquisition or by giving the peasantry right to purchase land at prescribed prices from landowners. No landowner could possess land beyond a prescribed maximum area and the land so released went to increase the size of uneconomic holdings to a standard size or to create new settlements for the labourers who had no land. In the result, about 25 million acres of land, changed hands from the big to the small owners. Most of it was distributed in quite small parcels, averaging one hectare per farm and no less than 2 million new farms were created. In Rumania in 1941, 73.6 per cent. of persons, whose sole occupations was to work in fields, owned only 33.3 per cent. of the arable land, while the large land estate owners, who represented a microscopic minority of 0.4 per cent. of the people, owned no

less than 19.5 per cent. of the whole area. Through the post-war reform 10,187,000 hectares of land passed into the hands of smaller owners. In that land of big proprietors, Poland, changes were effected more slowly. Nevertheless between the years 1919 and 1937, 2,535,000 hectares of land belonging to the bigger landlords was divided up among 694,411 purchasers. By 1939 land belonging to bigger landlords was parcelled out, of which 1,432,000 hectares were assigned to 153,000 new independent holdings, while 1,004,000 hectares were used for bringing dwarf holdings to standard size and the remainder went to farmers and workers' and employees' settlements to fulfil social needs. Altogether more than 600,000 persons obtained land under these reforms. The process was accelerated after the second World War and over 4 million acres of land was distributed among 302,895 families of landless labourers and poor peasants. Similar reforms with varying degree of success were introduced in Hungary, Yugoslavia, Bulgaria and other eastern and central European countries.

The redistribution of land would reduce gross disparities in agricultural incomes and thus make for social justice. Land is a gift of nature and it seems unfair that some persons should own large acres, while thousands of others eke out a bare living from small holdings. An uneconomic holding is a national loss, for it can not fully occupy the minimum agricultural unit, which under the prevailing technique is a pair of bullocks and a plough. Redistribution of land would increase the number and the area of economic holdings and thus promote agricultural efficiency. Against this we must reckon the fact that it would arouse a spirit of opposition among the substantial cultivators—landlords and tenants—and would inflict great hardship upon the landlords, whose income will, in any case, be reduced by our scheme for the abolition of zamindari. Before we undertake such a measure we must assess carefully, not merely its theoretical advantages, but also its practical utility. We have to see how much land would be available if we were to acquire the whole area in excess of a prescribed limit and how many persons would be benefited by it. What would be the result of this redistribution on our economic structure?

Two proposals about the maximum size of cultivators' holdings have been suggested to us, namely, 25 acres and 50 acres. We

cannot think of placing the maximum limit below 25 acres for a certain amount of inequality is inherent even in a communist society. The industrial policy recently adopted by the All-India Congress Committee envisages a span of 40 between the highest and the lowest income.

We would put the economic holding at 10 acres. The following tables show the effect of the imposition of a maximum limit of 25 acres and its redistribution to make holdings of 10 acres in size. For purposes of illustration we have chosen six districts each from a typical region of the province.

Table I below gives the total area which will be released if all lands in excess of 25 acres, whether in the cultivation of a tenant or a proprietor, were acquired by the State and Table II gives the area which will be needed if all the holdings below the standard size were brought to the standard size of 10 acres:

TABLE I

Large holdings over 25 acres

District	Total no. of persons*	Total area in acres	Area available for redistribution
1. Bijnor	2,242	98,262	75,642
2. Malzpur	755	30,315	22,765
3. Sitapur	2,730	139,631	1,12,321
4. Buxi	2,635	115,832	1,07,432
5. Banda	8,416	387,555	3,01,393
6. Ghazipur	1,614	70,007	52,957
Total .. .. .	..	..	6,75,634

TABLE II

Uneconomic holdings below 10 acres in size

District					Total no. of portants	Total area in acres	Area required to make their holdings average 10 acres
1.	Bijoor	..	..	..	1,20,541	4,23,763	8,51,647
2.	Mauipuri	..	..	..	2,43,660	5,39,165	13,97,495
3.	Sitapur	..	..	..	2,38,872	7,58,958	16,59,732
4.	Banda	..	..	..	1,38,411	4,28,686	9,45,424
5.	Basti	..	..	..	3,77,261	10,77,018	46,46,562
6.	Ghazipur	..	..	..	2,19,243	4,39,676	17,52,704
Total					..	..	1,17,83,644

It will be seen that 118 lakh acres of land is required for bringing all the holdings of a size between 0.5 acre and 10 acres to the standard size. If all holdings exceeding 25 acres, whether in the cultivatory possession of the landholder or the tenant, were reduced to 10 acres we shall have about 6.7 lakh acres of land at our disposal. If we acquire only the *sir* and *khudkasht* of the landlords in excess of 25 acres we get only 2.8 lakh acres (*vide* Appendix I to this Chapter) which in either case is far too small to meet our requirements. Figures collected go to show that if the *sir* and *khudkasht* holdings of the proprietors alone below the standard size were raised to the standard size of 10 acres, we should need no less than 16.76 lakh acres of land (*vide* Appendix II to this Chapter), which is a little less than twice the land which we can obtain by acquiring all land in excess of 25 acres whether held in cultivation by a landlord or tenant. If we fix the area of the maximum of *sir* and *khudkasht* holding at 50 acres, we shall get no more than 1.9 lakh acres of land (*vide* Appendix III to this Chapter).

These figures show that the cutting down of all holdings above 25 acres will have only a negligible effect on agricultural economy and will not appreciably reduce the number of uneconomic holdings.

We have already mentioned that redistribution of land is likely to arouse opposition among the substantial tenants and increase the difficulty of zamindars in adjusting themselves to changed conditions. In addition to this, we must note that an immediate cutting down of large farms might reduce the quantity of grain available for the market.

Agriculture has, even now, not been fully commercialised; it is carried on mainly for subsistence. The small cultivator grows food primarily for his own consumption and parts with just enough to pay off his rent and interest charges and to buy his minimum requirement of consumers or other goods. If most of the producers are small farmers it is possible that the surplus taken to the market may be considerably reduced and the cultivator may consume most of the grain that he produces.

What happened in the Soviet Union in this connection would be instructive for us. At the end of the decade, following the Land Decree of 1917, the number of the peasants' holdings in the U.S.S.R. increased from something between 14 and 16 millions to 24 to 25 millions. Large holders having been eliminated, most of the producers were small peasants. In these circumstances, though the amount of the gross output of grain had reached the pre-war level, the available quantity of marketable grain was reduced to half of the pre-war level. In this period of high-soaring agricultural prices, any reduction in the quantity of grain available for our towns may cause a severe famine. Lastly, the dismemberment of large holdings would have the result of displacing a large number of agricultural labourers for whom it would not be possible to find an alternative occupation within a reasonable time. This will cause acute distress to a large section of the people.

On a consideration of all these difficulties we do not think that the results achieved by the redistribution of land would be commensurate with the discontent and hardship resulting from it. We, therefore, recommend that no limit be placed on the maximum area held in cultivation either by a landlord or a tenant. Everybody, now in cultivatory possession of land, will continue to retain his whole area.

We wish to point out, however, that in Chapter XIX we have suggested measures to prevent future accumulation of large holdings, over 50 acres in area. The present large farms are likely to be cut down in the near future by a sub-division of the holding

on succession. Redistribution of land can thus be effected by a gradual process without social disturbance or the risk of a deterioration in the food situation.

APPENDIX I

Sir and khudkasht over 25 acres

District	Number of zamindars	Total area	Area available for redistribution
1. Bijnor	655	31,028	24,448
2. Meerpuri	227	9,264	6,994
3. Sitapur	515	32,791	27,581
4. Banda	1,941	1,17,046	92,636
5. Basti	2,005	1,20,933	1,10,965
6. Ghazipur	549	28,724	21,234
Total			2,83,788

APPENDIX II

Sir and khudkasht below 10 acres

District	Number of zamindars	Total area	Area required to make the holdings not less than 10 acres
1. Bijnor	28,027	79,306	2,69,964
2. Meerpuri	25,155	45,174	1,06,376
3. Sitapur	2,169	17,010	24,690
4. Banda	26,183	1,20,017	1,31,213
5. Basti	1,13,384	2,05,547	8,29,982
6. Ghazipur	39,353	1,27,252	2,66,279
Total			16,76,804

APPENDIX III

Sir and khudkasht over 50 acres

District				Number of municipals	Total area	Area available for redistri- bution
1.	Bijnor	..	..	198	17,067	15,077
2.	Mainpuri	..	..	43	3,234	2,794
3.	Sitapur	..	..	179	21,238	19,848
4.	Banda	..	..	395	61,935	55,685
5.	Basti	..	..	873	94,304	95,074
6.	Ghazipur	..	..	124	10,838	9,599
Total				..	..	1,88,277

CHAPTER XV

COMPENSATION

The amount of compensation and the form in which it is paid are matters of utmost importance for the landlord. Even those zamindars who realise that they must bow to the inevitable are not prepared to compromise on the matter of compensation. Many and complicated are the questions that arise in this connection. What principles should govern the determination of the amount of compensation payable to intermediaries whose rights are going to be acquired? Should we reckon only the interest of the intermediaries or also the ability of the State to shoulder the financial burden? Should all the intermediaries be compensated at a flat rate? If they are to be classified into different grades, how will those grades be determined and what would be the rate for each grade? Do the joint Hindu families deserve any special treatment? Should any distinction as regards the rates of compensation be made between persons who have purchased zamindari rights for cash or other valuable consideration, and those, who obtained them by inheritance or gift? Should there be higher compensation for the intermediary rights purchased recently? Do banks and other similar institutions deserve any special consideration? Should *waqfs* and trusts be treated like other owners of land? How can we preserve their income and objectives? In case of mixed trusts, should we treat the whole property alike or differentiate between the portions applicable to religious and charitable purposes and those applicable to the benefit of the *waqif* and his family or descendants or other private beneficiaries? Many grants of proprietary rights in land were made for loyalty shown to the British rulers and even for acts of positive disloyalty to the nation, such as help in the suppression of the 1857 uprising. Should we trace a zamindari to its source and apply rates according to the nature of its origin? How would the exclusion of *sir* and *khud-kahst* lands from acquisition affect the amount of compensation? Since under the Encumbered Estates Act lands were compulsorily transferred to creditors in discharge of their advances, do such transferees deserve a special treatment? Should the compensation

take the shape of annuities? Should the compensation be paid in cash? If so, how can this money be raised? Should it be paid in the form of bonds and whether the bonds should be negotiable or non-negotiable? Is there any other possible form of compensating the landlord?

Closely allied to the question of compensation, is the problem of the landlord's indebtedness. Many landed estates are encumbered with mortgages and other charges. While compulsorily converting landed rights into cash compensation, should we leave the landlord and his creditor to settle between themselves? How should we distribute the compensation between the intermediary and his mortgagee or charge holder? If the landlord gets less compensation than the prevailing market rates for his rights, in what proportion should debts be scaled down? Under the Encumbered Estates Act, Government had, in some cases, issued bonds to discharge the creditor's dues, and took the right to recover the amount of bonds from the landlord in instalments over a number of years. Should the sum payable to Government by the landlord be also reduced? How is it to be realised? How are the interests of a mortgagee under section 25 of the Encumbered Estates Act and under the Bundelkhand Alienation of Land Act going to be affected by the liquidation of zamindari? Should we scale down the unsecured or simple debts of the landlord?

In the preceding chapter we have enumerated the intermediaries whose rights will be acquired and the type of tenures which will be abolished under our scheme. The intermediaries whose rights will be acquired are the landlord, the under-proprietor, the sub-proprietor, the permanent lessee in Avadh, the thekadar, the mortgagee-in-possession and the permanent tenure-holder. The tenures which are to be taken over are enumerated below:

- (a) Land included in the holdings of tenants and grove-holders.
- (b) Forests and wastelands.
- (c) Trees standing on wastelands and the boundaries of holdings.
- (d) Right to receive *sayar* income.
- (e) *Abadi*, pathways, tanks, wells and water channels.

It will be noted that we have not recommended the acquisition of the *sir* and *khudkashit* lands, whether let or unlet, or of the pro-

proprietary groves. They will remain with their present holders, with the exception of areas in which hereditary rights will accrue. In a subsequent chapter, however, we have recommended that the right of transferring and subletting such lands should be curtailed. The question arises whether landlords should get any compensation for the curtailment of their rights? Our legal history is full of instances when rights of transfer and inheritance were materially tampered with, yet no compensation was claimed. The Oudh Estates Act, 1868, applied the law of primogeniture to a large number of taluqdari estates, thereby depriving the members of the family of their right of inheritance, but no compensation was paid to the persons affected. The Bundelkhand Alienation of Land Act restricted rights of transfer, but it contained no provision for payment of compensation for the curtailment of those rights. Another recent example is the Regulation of Agricultural Credit Act, 1940, which provides that all land in the United Provinces belonging to a proprietor and assessed to a land revenue of Rs.250 annually or less, shall not be alienated without the permission of the Collector, but for this encroachment too no compensation was paid. Many times income from non-agricultural property has decreased on account of the increase in the rate of income-tax, but that does not justify any claim for compensation. Nor did the zamindars press that the creditors whose loans were scaled down under the debt laws of the last thirties should be compensated for their loss. The State must first raise and then pay money as compensation, but if every abridgment of private rights must be compensated for, it will mean the end of all social reforms. Laws have been passed from time to time restricting zamindars' rights in respect of land let to tenants, charging of rent, *nazrana*, etc. but no one ever thought of claiming any compensation for them. The State has a well recognised right to modify property rights in the interest of society at large. We are definitely of opinion that such limitations, as we are placing on the transfer and subletting of lands, are in the interest of society, and of the land-owning classes in particular, and no case for compensation for the curtailment or abridgment of these rights exists.

The zamindars quite naturally claim that compensation should be paid at the "full rate." Some of them go further and claim 15 per cent. as additional amount for compulsory

acquisition. "Full rate" according to some means the amount which if invested elsewhere would yield them the present income. According to others it means what they call "the market rate." There are many good reasons why this proposal cannot be accepted.

The payment of full compensation would perpetuate the present inequitable distribution of wealth. We have already commented on the large share of wealth appropriated without justification by the zamindars on account of their ownership of land. If they are paid the market value of the land, it is true that they would be deprived of future unearned income on account of a possible rise in land values and extension of cultivation but they would, at the same time, be assured of the enjoyment of their present unearned income and would be saved even the trouble of collecting the rents for themselves. They would thus continue to live as parasites, performing no service in return for their share of the wealth produced by others.

We have also emphasised the fact that only a negligible fraction of the zamindar's income from rents is employed for productive purposes. So far, therefore, as the agricultural producers and the development of agriculture are concerned, this income is more or less an unnecessary waste imposed by the creation of the landlord-tenant system. If the whole of this were utilised for payment of compensation, the consequence would be that the peasantry would continue to be exploited and a large part of the wealth produced by them employed for unproductive purposes. It was the zamindar's duty, and this he has generally failed to perform, to employ his surplus income for the development of agriculture. It would be, therefore, morally just to intercept a part of his income for this purpose.

Even the payment of equitable compensation will be a heavy charge upon the land, and will prevent any drastic reduction in rent-rates. The payment of compensation involves, therefore, the continuance of some, at least, of the features of the existing system of land taxation. This system has been subjected to strong criticism by economists and the substitution of an income-tax principle in its place has been suggested. We have examined this question in Chapter XX and recommended that the rates of rent of small holders should be reduced. If compensation is

paid at the full market value of land on the basis of the present assets, rents cannot be reduced without serious financial embarrassment to the State.

While, again, transfer of land under the Land Acquisition Act is strictly a business deal, the sort of universal land acquisition scheme, that is now contemplated, must be governed by entirely different considerations. It is possible to pay the market value of land and even an additional 15 per cent. when comparatively small areas of land are acquired. But it is neither possible nor desirable to pay compensation on the same basis when almost the entire province is to be taken over. A measure of economic reform that is vitally necessary in the interest of the community as a whole cannot be regarded as a commercial transaction between individuals.

If the claim for compensation at market value were accepted, the State's finances would be crippled to such an extent that it would not be able to carry on even the present administration, let alone put into operation any large plans for the economic rehabilitation of the country. We are not in possession of adequate data for the calculation of the total compensation that would be payable on the basis of the Land Acquisition Act multiples. But on the basis of a rate of interest at 2½ per cent. the zamindar's net assets would have to be capitalised at 40 times. Now, 40 years' purchase of the present total net assets (which have been estimated at about Rs.9.15 crores) amounts to Rs.366 crores. To clear off this huge burden in, say, 40 years with an interest of 2½ per cent., the State would have to make annual payments of about 14.53 crores a year. The total possible additional gain of the State by the abolition of zamindari, if rents were not reduced, has been estimated approximately at Rs.10 crores and a half. The State would, therefore, have to set apart from its revenues and from other sources an annual sum of 4.03 crores a year, a proposal that is financially impossible. Apart from this, it has been estimated that the loss in revenue from court-fees, stamps and registration following the abolition of the zamindari system would be of the order of about 1.50 crores per year. Besides, the State would be required to pay an annual sum of 50 lakhs or so to public and religious trusts. This makes a total deficit of over 6 crores per year for 40 years.

These estimates show that the payment of the market value of land is not a practical proposition. As Mr. Driver, Professor of Agricultural Economics, Poona, has pointed out in the memorandum submitted by him: "It is significant that those who talk of paying compensation also talk of the inadvisability of nationalization on the ground that the compensation would be a financial liability of a very serious nature. Professor Fawcett, for example, who has been quoted by some in support of the claim for heavy compensation, was of the opinion that if nationalisation without compensation was unjust, nationalisation with compensation would prove incalculably mischievous. He has almost ruled out the whole idea for England on the ground that full compensation would require an amount which would be three times the national debt of that country. Since our idea is to go ahead with the question of the abolition and not sabotage it, we cannot afford the luxury of the talk of full compensation."

On the other extreme are persons who would expropriate zamindars without paying them any compensation. The Communist Party, at its Sixth Congress held in 1928, laid down the broad outline of Communist policy in India, which includes a struggle for the destruction of all feudal relics and for an agrarian revolution envisaging the dictatorship of the proletariat and the peasantry. In October, 1937, the All-India Kisan Sabha strongly denounced the suggestion for the payment of compensation to zamindars. The 1942 programme of the Socialist Party included the taking over of zamindari land by the peasant after a victorious class struggle, although Acharya Narendra Deva, whom we have examined as a witness, has admitted that, "at the present stage of the country's development abolition with compensation is the only practical proposition." In fact, the abolition of landlordism without compensation, the confiscation of large estates and the direct seizure of land by organised peasants are common features of the programmes of revolutionary peasant movements all over the world. Gandhiji's theory of trusteeship has been widely misrepresented as defending the continuance of vested interests. In the course of a talk Gandhiji said that "his views on the ownership of land were well known. The only rightful owner of the land was he who tilled it. The present proprietors were morally entitled to hold lands only if they became trustees of it. If the

cultivators of the field of a proprietor, who had become a trustee, refused to till the land for him, he would not sue them or seek otherwise to coerce them. He would leave them alone and try to earn his livelihood independently by honest industry. If he has been discharging his function as a trustee honestly, they would come to him before long in contrition and seek his guidance and help, for he would use his privilege not to fill his pocket by the exploitation of the labourers, but teach the latter co-operation and organization so as to increase their produce and ameliorate their condition. This would mean that the proprietor must himself become a cultivator *par excellence*. A proprietor who regarded his property merely as a means of satisfying his lust was not its owner but its slave." "A proprietor who holds his property as a trust", says Gandhiji, "will not pass it on to his children in inheritance unless the latter in their turn become trustees and make good their claims as such. If they are not prepared for it, he should create a trust of his property. It is demoralizing for an able-bodied young man to live like a parasite on unearned income."*

This is a revolutionary doctrine, differing from others not so much in its economic objectives as in the method of attaining them. What it contemplates is not a violent social upheaval but a process of peaceful transformation. The tiller of the soil would become its owner neither by organised violence nor by legislation but by a moral revolution; a revolt not of the peasants, but of the conscience of the landlords themselves.

History is full of instances of the extinction of the rights of intermediaries without compensation. The rights of a *jagirdar* and an *ijaredar* under the Mughals were terminable at the death of the grantor or grantee and at the pleasure of the king. In the thirteenth century, Alauddin Khilji abolished the system of rent collectors and substituted for it a system of direct collection from cultivators. Akbar's settlement was also of a *raiyatwari* nature. In more recent times, Jafar Khan (1711—26) dispossessed a large number of zamindars. Similar action was taken by Nawab Saadat Ali Khan of Avadh (1789—1814). In the settlement of Agra, made under Bird's supervision, according to Regulation

* *Leader*, January 12, 1910.

IX of 1833, numerous engagements were made with the headmen of proprietary bodies by superseding taluqdars and zamindars with whom engagements had been made in the previous settlements. The zamindars have received the grants of zamindari rights gratis; they have earned large amounts by way of unearned profits and even today they have no economic function other than that of rent collection. Thus, consideration of equity, supported by historical precedents are put forward to justify the acquisition of zamindari rights without payment of compensation.

Whatever may happen under a revolution, we do not know of any country where landlordism has been abolished through legislation without payment of any compensation. In Russia where landlordism was liquidated by a violent revolution and seizure of property, the Land Decrees came in afterwards to give legal recognition to a state of things which was an accomplished fact. The dictatorship of the proletariat and peasantry may take up an attitude that the zamindars are beyond the pale of their sympathy, and their liquidation, by death or starvation, is a matter of little concern. But a democratic State must so adjust the necessary reforms in the economic structure that the severity of their effect on a particular class is, as far as possible, mitigated and give the class an opportunity to find new and useful avocations by engaging in production activities. Abolition of landlordism without compensation would, in the existing state of affairs, in our opinion, create a dangerous economic and social situation. Apart from questions of social stability, we cannot look with equanimity on the suffering and national waste involved in the forced pauperisation of a section of the people. It is idle talk that the zamindars so released will be absorbed in industrial enterprises, assuming that they are possessed of the aptitude and will to work. The State is simply not in a position to create employment for all the unemployed and under-employed in the country. Abolition without compensation, we are afraid, will create, for the State and society, problems no less difficult and dangerous than abolition with full compensation.

An alternative that has been suggested to us is that the payment of compensation should take the form of annuities payable during the lifetime of the zamindar and his living heirs and dependants. According to this view the zamindar should

be treated as a revenue official and compensation be given to him in the form of a pension based on the pay of civil servants who would be substituted in his place for making rent collections. "The zamindar has been collecting about 7 crores for the State every year, a task whose efficient performance can, in no case, cost more than 50 lakhs a year. On this basis, he could not be entitled to a pension of more than 25 lakhs a year on being discharged from active service."* Another, more or less similar suggestion that has been made is that the biggest zamindar should be treated as the most highly paid revenue official and others should be graded accordingly, each receiving a pension on the basis of the salary payable to revenue officials. If we put the cost of direct management and collection of revenue at 15 per cent., the highest percentage which we have adopted for making deductions from the rent collections for the purpose of assessing compensation, the zamindars would be entitled to Rs.105 lakhs a year on active service and 52.5 lakhs on retirement. Warren Hastings wrote to the Court of Directors in connection with the zamindars of the 24 Parganas, who had been dismissed by the Company in 1772: "when a zamindar was divested of his authority it was a rule of the Moghal Government to allow him a subsistence out of the rent of zamindari in proportion to the annual income of it. The proportion usually amounted to a tenth." The earliest settlements in our province were made on the basis of 10 per cent. of the rental demand to zamindars. Even today under the Land Revenue Act, the zamindar can enjoy his property only so long as he is bound by the engagement to pay the revenue. If he refuses to engage, or is excluded from assessment, he is entitled to receive an allowance under section 74 of the Act of not less than 5 and not more than 15 per cent. of the revenue, taking due account of the profits arising from the cultivation of *sir* and *khudkasht*. On these estimates, the zamindar is entitled to an allowance in the form of annuities varying from rupees 25 lakhs to rupees 105 lakhs. Annuities have certain advantages over lump sum payment in so far as the recipient is assured of a livelihood; there is no danger of dissipation inherent in lump sum payment through extravagance and wastefulness; the State does not have to provide for any sinking fund and the State's burden under the annuity scheme is comparatively lighter.

*"Abolition of Zamindari", Oodh Publishing House, page 10.

There are, however, equally grave objections against the annuity scheme. The State pensions off persons who are no longer fit for active service, but the zamindars are composed of persons both young and old, active as well as infirm. The analogy of pension is, therefore, not fully applicable. At any rate, any State which relegates men fit for active service to a life of pensionary idleness deserves the severest condemnation. We do not think that the zamindars should be segregated into a class of do-nothings, they should, instead, be assimilated in the new social order as soon as possible. We have seen that more than 84 per cent. of the landlords in the United Provinces pay a land revenue of rupees 25 or less per annum and none of them will receive an annuity of more than Rs.75 if the aggregate annuity for whole province is fixed at Rs.25 lakhs and not more than Rs.500, if the aggregate of annuity is fixed at Rs.105 lakhs. Realisation of such petty amounts, if made monthly, will absorb the whole or major portion of the annuity in travelling expenses. On an yearly basis they will mean hardship of another type. In any case they will not be worth much. On consideration of expediency, therefore, the annuity system is as impracticable as compensation at "full rate" and "no compensation."

We have discussed the two extreme alternatives of confiscation without compensation and payment of compensation at market rates, not because the choice of either of them was open to us, but in order to show that the one was impracticable and the other financially unsound. The Assembly resolution, to which this Committee owes its existence, has specifically directed us to prepare the scheme of acquisition on the basis of the payment of "equitable compensation." What is "equitable compensation" and what factors should be taken into account in determining it remains for us to decide.

But before any specific proposal can be considered, it is necessary to examine the financial implications of the scheme from the point of view of the zamindars as well as the State. We shall, therefore, proceed to discuss the basis on which the net assets of the zamindars are to be calculated, and the increased income which the State can expect as a result of the abolition of the zamindari system.

Calculation of gross and net income

A proprietor's gross income from land consists of :

- (a) Cash rents paid by tenants and grove-holders.
- (b) Cash rents paid by tenants of *sir*.
- (c) The surplus produce of *sir* and *khudkasht* under proprietary cultivation.
- (d) Income from the zamindar's groves.
- (e) The income from the grain-rented land.
- (f) Rents paid by grantees at favourable rates.
- (g) *Sayar* income.
- (h) Income from forests.

Careful consideration is required in determining whether a number of these items should or should not be included in the assessment of gross income. We have already examined the question of *sir* and *khudkasht* and groves, and decided that no compensation need be paid for the land which a zamindar is allowed to retain.

The second item relates to areas held rent-free or at favourable rates of rent. The zamindars do not at present derive any income from land held rent-free and receive an exceptionally low rent in the case of grants at favourable rates. It is difficult to say, if and when a grant shall mature into a proprietary holding, or become liable to assessment of rent or revenue or be liable to resumption. We do not propose the immediate determination of rents at hereditary rates for land held either rent-free or at a favourable rate. The grantees will continue to enjoy their land on the present favourable terms until the next settlement. We, therefore, recommend that only their recorded rents, if any, should be accounted for in the calculation of the net profits of the landlord.

Another point deserving consideration refers to the areas which are occupied but yield no rent at present, namely, land held without title and land included in holdings on which rent has not been determined, forming a total of over 23 lakh acres. If the gross income were calculated strictly on the basis of the actual present income, the exclusion of this area would be justified. But we do not think that this would be quite fair, considering that the intermediaries would, in the normal course of

estate management, have either settled rents by private negotiations or sued for determination of rents in cases where they recognized the title of the occupier; in other cases they would have filed suits for ejectment and compensation based upon the hereditary rates of rent. We recommend, therefore, that the assumed rent at hereditary rates on such land should be included in the gross assets.

Sayar income may either be assessed to land revenue or it may be exempted from it. If it can be ascertained from the Government records, the annual average income from *sayar* will be calculated from the recorded figures of the last twelve years. If it is not so ascertainable, the zamindar will have to show how much *sayar* income was received by him during the preceding twelve years and the annual average worked out.

Income from forests is of a fluctuating nature and the period of renovation of different kinds of forests also varies. We recommend that the annual income from forests should be calculated from the income received during the period ordinarily required for the renovation of that forest. Income from waste land would be included in the *sayar* income, and therefore we do not propose to make any separate valuation for it.

From the gross assets the following deductions will be made to give the net assets:

- (a) Land revenue.
- (b) Cesses.
- (c) Estimated percentage of gross assets to be deducted as costs of management and irrecoverables.

Adequate data regarding estate management in the United Provinces are not available. It is not, therefore, possible to determine accurately the cost of management, the short collections from year to year, the part of the short collections which is realised in subsequent years, and the balance which is not realised and becomes barred. The figures of arrears of rents shown in the *siyaha* are notoriously unreliable and exceed the actual figures of short collections. Deductions made on that basis would be unfair.

The only reliable figures that are available relate to the Court of Wards and the Government estates. The cost of management for all Government estates, including Tarai and Bhabar, for 1943-44 and 1944-45 respectively was 17.44 per cent. and 15.68 per cent.; while in Tarai and Bhabar Government Estates which maintain a more elaborate system, the average cost for the years 1938-39 to 1944-45 was 19.82 per cent. An approximate average for all the Government estates works out at 16.49 per cent.

In the Court of Wards, the cost of management varied between the years 1935-36 to 1940-41 from 10.97 per cent. to 12.11 per cent., the average being 11.67 per cent. which is much lower than the cost of management on Government estates.

The percentage of collections as against total demand in all the Government estates for the years 1943-44 and 1944-45 respectively was 95.88 per cent. and 97.85 per cent., the average being 96.94 per cent., i.e., 3.06 per cent. short collections. In Tarai and Bhabar the collections were lower, the average for the years 1938-39 to 1944-45 being 93.26 per cent., i.e., 6.74 per cent. short collections. In the Court of Wards the percentage of collections to demand in the years 1935-36 to 1938-39 varied from 92.34 per cent. to 95.39 per cent., the short collections varying from 7.66 per cent. to 4.61 per cent. It is difficult to say how much of this was recovered in a subsequent year. From the figures showing amounts written off as irrecoverable from 1935-36 to 1940-41, it would appear that the average was only 0.14 per cent. of the demand.

It is difficult wholly to apply these figures to estate management by private individuals. As a general rule the cost of management in private estates is lower as they do not usually maintain the elaborate records and staff kept by the Government. The short collections and irrecoverables would on the other hand be considerably higher as private individuals do not possess the same facilities for realisation of rent as Government agency.

Again, both the cost of management and short collection would be lower on small estates than on large ones. The small zamindars frequently realise their rents personally and are generally more exacting in their demands than the bigger zamindars.

Taking all these factors into consideration we think that a reasonable estimate would be as follows:-

<i>Categories of zamindars</i>	<i>Total deductions on account of cost of management and bad debts.</i>
(1) Zamindars paying land revenue up to Rs.250 ...	5 per cent. of the gross assets.
(2) Zamindars paying land revenue exceeding Rs.250 but not exceeding Rs.500 ...	10 per cent. of the gross assets.
(3) Zamindars paying land revenue exceeding Rs.500 but not exceeding Rs.2,000 ...	12 per cent. of the gross assets.
(4) Zamindars paying land revenue exceeding Rs.2,000 ...	15 per cent. of the gross assets.

As we have accepted, (*vide* Chapter IX), the recorded rents and circle rates as the basis of calculation, the figures of the Fasli year preceding the year in which the compensation rolls are prepared should be taken into account, except in the case of *sayar* and income from forests which are casual and fluctuating.

Conclusion

The gross income will consist of:

- (a) Cash rents paid by tenants and grove-holders.
- (b) Cash rents paid by tenants of *sir* which the intermediary is not allowed to retain.
- (c) The income from grain-rented land.
- (d) Rents paid by grantees at favourable rates of rent.
- (e) Assumed rent at hereditary rates on land included in holdings on which rent has not been determined and land held without title.
- (f) Twelve years' average of *sayar* income.
- (g) Average income from forests.

The following deductions will be made to give net income:

- (a) Land revenue.
- (b) Cesses.

(c) Percentage of gross assets according to the above schedule to be deducted as cost of management and irrecoverables.

As table "A" at the end of this chapter shows, the gross assets of all the zamindars calculated on the above basis amount to Rs.1,877 lakhs a year, and net assets amount to Rs.915 lakhs.

Let us now examine the financial implications of the acquisition of intermediaries' rights by the State.

The revenue from land in the year 1945-46 consisted of:

	Rs.
Land revenue	678 lakhs
Cesses	99 ..
TOTAL	777 ..

On the abolition of zamindari the State will collect tenants' rent directly. For their *sir* and *khudkasht* which they are allowed to retain and their groves zamindars will pay at the revenue rates on the land. The gross revenue from land payable to the Government after the abolition of zamindari will, therefore, consist of:

	Rs.
Recorded cash and grain-rental ...	1,701 lakhs
Average <i>sayar</i> income for the last 12 years	31 ..
Assumed rent for the land included in holdings on which rent had not been determined or held without title ...	145 ..
Estimated revenue on <i>sir</i> and <i>khudkasht</i> and groves payable by intermediaries after the abolition of zamindari ...	160 ..
TOTAL	2,037 ..

The *sayar* income will belong to the village community which will be given the right of management over all sources of *sayar* income.

Out of the gross revenue from land the following deductions should be made:

	Rs.
(1) Cost of management by the State at the rate of 5 per cent. of the gross assets, and irrecoverables at 5 per cent. of the gross assets, total 10 per cent. of the gross assets excluding <i>sayar</i> income, i.e., 10 per cent. of Rs.2,006 lakhs	201 lakhs
(2) <i>Sayar</i> income (which will henceforth go to the village community) ...	31 ..
TOTAL ...	232 ..

The net revenue of the State will, therefore, amount to Rs.1,805 lakhs. As the present land revenue and local rate from land amount to Rs.777 lakhs (the gross additional gain of the State after the abolition of zamindari, comes to Rs.1,028 lakhs).

In considering the total effect of the scheme of abolition upon the revenue of the State, we must also take into account the likely loss of revenue from stamps, court fees and registration, consequent on the abolition of zamindari and the likely reduction, among other things, of litigation in Revenue and Civil courts. Proprietary right in land is by far the most important form of property in the United Provinces and the loss of revenue under these heads is departmentally estimated to be about 80 per cent. of the total revenue under these heads, i.e., at about Rs.187 lakhs a year. We have no means of checking these figures and we accept them as suggested by the department. This decrease will be offset by a little saving in expenditure. We, therefore, estimate the net loss at approximately Rs.150 lakhs per year. We have recommended that *waqfs* and trusts should be given annuities equivalent to their expenditure on public and charitable objects. This is estimated at Rs.50 lakhs a year. We have also recommended reductions in rent from 1 to 6 annas a rupee on all the tenants' holdings of 10 acres of land or less. This will cost Government Rs.150 lakhs a year.

After making an allowance for all these deductions the net additional gain of the State on the abolition of zamindari comes to Rs.678 lakhs a year.

Equitable Compensation

The preceding discussion has indicated the main principles that should govern the determination of equitable compensation. There seems to be an apparent conflict between the interests of the zamindars on one side, and the State on the other. In judging what is equitable, all the relevant factors must be taken into consideration and a reasonable balance struck between conflicting claims and interests. Apart from questions of the origin and status and the nature of the "real" rights of the zamindars and the unearned income which they have already enjoyed, the main practical considerations are:

- (1) The ensuring of a reasonable livelihood to the expropriated intermediaries.
- (2) The ability of the State to shoulder the financial burden involved.

While we are fully conscious that the interests of the individual from whom property is acquired are of paramount importance, we cannot forget that the capacity of the State to bear the burden is an equally important consideration. If we fix a rate of compensation which may be outside the capacity of the State to pay, either the scheme of abolition will have to be abandoned or the financial structure of the State will be jeopardized. In one case a most desirable object will be frustrated, which may recoil to the disadvantage of the landlords themselves. If, on the other hand, the financial structure of the State is shaken, it will spell disaster no less for the landlords than for the whole province.

Besides, the amount paid as compensation should not be so large as to make economic development impossible, for the main purpose of the abolition of zamindari is to raise the standard of living of the rural masses and to increase food production.

A considerable proportion of the State's additional revenue from land will naturally have to be spent on large schemes of agricultural reconstruction. A portion will also have to be reserved for meeting unforeseen contingencies, such as agricultural calamities, remissions that may be necessary, if there is a fall in prices from the present level, special remissions that may have to be given to owners of small holdings or as concessions to co-operative farms or to peasants who construct approved works of land fertility and reclamation. We must take into account

the fact that with the establishment of direct contact between the State and the cultivator there will be larger and more frequent demands than hitherto for the grant of remissions. It will not be feasible to meet these from the State's revenue from sources other than land, as the financial burden on the State is daily increasing and will continuously increase on account of the plans of development in all spheres of life and of the expansion of the services provided by the State.

We must also remember that the revenue policy of the British Government was to tax the zamindars lightly, thus throwing an undue burden upon other classes of tax-payers. If this discrimination in their favour were removed their incomes and consequently compensation would have been considerably reduced. The Government is possessed of the power to legislate for the enhancement of land revenue or for the imposition of a tax on agricultural incomes or estate and death duties on the inheritance of agricultural properties. In fact, legislation for the imposition of income-tax on agricultural income is already pending before the legislature, and will reduce the landlords' income by about one crore annually. The imposition of estate and death duties could not also be delayed for long if zamindari were not abolished.

On the other side, the compensation, to be equitable, must be a reasonable return to the intermediaries for the loss of their property and provide them a reasonable standard of living and an opportunity for their economic rehabilitation.

Taking all these factors into consideration we are of the opinion that the major part of the net additional gain of the State on the abolition of zamindari should be paid as compensation to the intermediaries, reserving something between 1 and 1.5 crores to cover unforeseen contingencies and for schemes of agricultural improvement.

Graded rates of compensation

Almost all the witnesses we have examined suggested that the smaller landlords should get comparatively larger compensation, that is, the multiples should be graded, the highest being applicable to those with small incomes and the lowest to those with the largest. We think that there are good reasons in support of this proposal. It will have the effect to a certain extent of reducing the gross disparity in income between the various classes, and

minimise the present inequitable distribution of wealth. The principle of grading incomes according to their size and of imposing a more severe burden upon large incomes than upon small ones is universally recognized as equitable. In assessing income-tax, for instance, person with small incomes are treated much more leniently than those with large incomes. A distinction between big and small zamindars would, therefore, be in accordance with universally accepted principles of public finance and equity. Besides, even a low multiple applied to a large estate will assure a reasonable income, while the same low multiple applied to a small estate would give such a ridiculously small amount that it would be hardly better than confiscation. If these small amounts were doled out to the smaller zamindars paying land revenue up to Rs.250 who comprise about 19 lakhs and 87 thousand individuals out of a total of 20 lakhs and 17 thousand, the compensation payable to each individual would be so small that it could hardly be put to any productive or useful purpose. There would be a strong temptation to squander the money, resulting, in the aggregate, in an enormous loss of national wealth.

Besides, as the statistics collected by us show, there is a wide disparity between the area of *sir* and *khudkasht* which the zamindars in the various categories are likely to retain. Taking the unlet *sir* and *khudkasht* alone, the area in the possession of each individual zamindar varies from 3.17 acres in the case of the lowest category to 245.52 acres in the case of the highest. It is difficult to say how these averages will be modified by the demarcation proceedings recommended by us, but it is obvious that the biggest zamindars will retain much larger areas per head than the small zamindars. The graded multiples recommended by us, though they are fairly steep, will not have such a crushing or levelling effect as may appear at first sight. The compensation along with the fairly large areas of *sir* and *khudkasht* left to the bigger zamindars will give them a reasonable income, while the modest income of the small proprietor will be reduced only by a small fraction, as the highest multiple of 25, along with their *sir* and *khudkasht* will assure to them the enjoyment of a standard of living only slightly different from the one to which they have been accustomed. It must also be remembered that the benefits flowing from the State, in the shape of more extensive services, the development of agriculture and the reconstruction of society

on a democratic basis hold out a reasonable hope of a higher standard of living and a happier and more useful existence in the not distant future, to all agriculturists including those who are today merely idle rent-receivers and parasites.

The classification of zamindars and the multiples unanimously recommended by us are as follows :

<i>Categories of zamindars according to land revenue</i>	<i>Multiples</i>
I—Up to Rs.25	25 times of the net assets.
II—Exceeding Rs.25 but not exceeding Rs.50.	22½ times of the net assets (but not less than the highest figure payable to the class above).
III—Exceeding Rs.50 but not exceeding Rs.100.	20 times of the net assets (but not less than the highest figure payable to the class above).
IV—Exceeding Rs.100 but not exceeding Rs.250.	17½ times of the net assets (but not less than the highest figure payable to the class above).
V—Exceeding Rs.250 but not exceeding Rs.500.	15 times of the net assets (but not less than the highest figure payable to the class above).
VI—Exceeding Rs.500 but not exceeding Rs.2,000.	12½ times of the net assets (but not less than the highest figure payable to the class above).
VII—Exceeding Rs. 2,000 but not exceeding Rs.3,500.	10 times of the net assets (but not less than the highest figure payable to the class above).
VIII—Exceeding Rs.3,500 but not exceeding Rs.5,000.	9 times of the net assets (but not less than the highest figure payable to the class above).
IX—Exceeding Rs. 5,000 but not exceeding Rs.10,000.	8 times of the net assets (but not less than the highest figure payable to the class above).
X—Over Rs.10,000	8 3

N.B.—In the case of those who are paying a land revenue of over Rs.10,000 although they will get 8 times the net income in respect of that portion of the property for which they pay a land revenue of Rs.10,000 the compensation payable for income in excess of this will be calculated on the basis of three times of such income.

We wish to make it clear that this slab principle will not apply to categories other than the last. Thus a person in category II will be entitled only to a multiple of 22½ for his entire income without getting the benefit of the higher multiple suggested for the previous category.

The same multiples should also be applied to intermediaries other than landlords, namely, sub-proprietors, under-proprietors, permanent tenure-holders, etc., on the basis of the net income of each intermediary.

As the table "A" at the end of this chapter would show, the total amount of compensation at these rates will amount to approximately Rs.157 crores and the annual liability of the State

for a period of 40 years at $2\frac{1}{2}$ per cent. interest will be about Rs.5.5 crores. This leaves an additional gain to the State of only Rs.1.3 crores a year.

We considered the question of imposing a maximum limit of Rs.10 lakhs upon the compensation payable to any individual zamindar. The reasons for such a limitation are, firstly that the amount of Rs.10 lakhs is amply sufficient for any single individual and assures a high standard of living, secondly that it would help to reduce the financial burden upon the State. But when the effect of this maximum limit was studied in the light of statistics collected by the office, it was found that it would apply to only four estates and the savings would amount to approximately Rs.22 lakhs only. In these circumstances, the Committee did not consider it desirable to impose any maximum limit.

We have recommended a graduated scale of compensation descending from the highest multiple to be applied in the case of the smallest zamindars to the lowest in the case of the highest. We apprehend that there is a possibility of the partitioning of estates falling in a higher income group into a number of small estates with the object of getting higher multiples. While there can be no objection to partition of property among collaterals, a partition effected among sons when the father is alive, may be easily made to defeat the proposals regarding compensation. Similarly properties may be transferred by way of gift or for nominal amounts by a father to a son with the object of getting higher compensation. We, therefore, recommend by a majority (Begum Aizaz Rasul dissenting), that any transfer of property from father to son by way of gift or fictitious sale, and any partition taking place between father and son and made since the Assembly resolution on the abolition of zamindari, should be disregarded in assessment of compensation.

Joint Hindu families

A joint Hindu family is, strictly speaking, a legal entity, but in fact it consists, in many cases, of more families than one and its income is the aggregate of the income of the families constituting it. If the income of the joint Hindu family were treated as one unit, we think that the members of the joint family may, in some cases, be hit very hard. In India, it is a rule that the sons and daughters live with their parents and dine in the same mess.

For assessment of compensation a bigger family should be divided into its component parts. We must, therefore, differentiate between joint Hindu families which consist of father, sons and grandsons and joint Hindu families consisting of brothers and their descendants. We are of the opinion that a joint Hindu family which consists of father and sons and grandsons should be treated as a single unit, but if it consists of brothers and their descendants, the joint Hindu family should be deemed to be composed of as many units as the members constituting it, and the appropriate multiples applied to each case. For instance, if a joint Hindu family consists of:

(i) *A* and his two sons *B* and *C*, and *X* the son of *C*, and *Y* and *Z* sons of *D*, the deceased son of *A*; the whole family should be treated as a single unit.

(ii) Three brothers *A*, *B* and *C*; *X*, *Y* and *Z* three sons of the fourth deceased brother *D*; and *L*, son of *A*; *M* and *N*, sons of *B*; *O*, *P* and *Q*, sons of *C*; will be deemed to consist of six units—one representing *A* and his son *L*; the second *B* and his sons *M* and *N*; the third *C*, and his sons *O*, *P* and *Q*; and *X*, *Y* and *Z* shall each constitute one unit.

If the family in the second illustration paid a land revenue of Rs.1,000 annually, the three families of *A*, *B* and *C* shall each be deemed to pay Rs.250, and each of the three sons of *D*, i.e., *X*, *Y* and *Z* Rs.83'33, and appropriate multiples shall be applied.

Discrimination on the basis of origin

We have also to consider the question whether in assessing compensation there should be discrimination on the basis of how a particular estate was initially acquired. Some of the present day estates were granted on account of loyalty to the alien rulers. The British confiscated the lands of a number of landlords and taluqdars who had proved too troublesome during the 1857 rebellion and settled them with others who had helped in the restoration of British authority. Many a zamindari and taluqdari have been acquired by dubious methods including violence, fraud, forgery and sycophancy. Elsewhere, we have quoted Lord Canning to show how objectionable were the

means by which many taluqdars in Avadh obtained their property. All over the province, there are innumerable instances where the rightful owners were deprived of their property and men having no claim usurped their rights. Theoretically, there appears to be ample justification for awarding either no compensation or compensation at a lower rate in cases where land was acquired by what in the larger sense may be called disloyalty to the country or other questionable methods. Why should a free nation be burdened with financial responsibility for the benefit of those who have stood in the way of the achievement of freedom? But considerations of abstract justice are not the only factors which should guide us in the matter. We cannot ignore the fact that there is hardly an estate in the province which has not changed hands either by inheritance or transfer since the original grant. If the transfer has been for valuable consideration, there is little justification for punishing a zamindar for the misdeeds of his predecessor—when those misdeeds were of a personal character and not attached to the nature of the property. There will be numerous cases where land has passed through more than one hand. The grandson or the great-grandson of a traitor of 1857 may be a hero of the 1942 rebellion. If the treachery of one is a disqualification, the sacrifice of the other is a meritorious act. How far the original disqualification can be offset against a more recent meritorious act, is not susceptible of mathematical calculation. It requires delicate weighing of sentiments, motives and moral considerations. We do not know of any State which has ever succeeded in setting up an adequate machinery for the decision of such delicate matters. Even if that were possible, we would have to trace the origin of each individual estate, the manner in which it has descended since and the conduct of its successive owners. All this would take an amount of time which would completely defeat the scheme of the abolition of zamindari. We have had, therefore, with a certain amount of reluctance, to abandon the idea of making any discrimination on the ground of how the title to the property had originated.

Some other allied questions arise. Should any distinction as regards the rate of compensation be made between those who acquired zamindari rights for valuable consideration and those who obtained them by inheritance or otherwise? Should there be a higher rate of compensation for zamindari, or other intermediary

rights, acquired during the last twenty years? These questions are related with another question, i.e., should the amount of compensation be affected by the fact that the intermediaries have enjoyed progressively increasing incomes? We have already seen how the zamindar's share of the total collections increased from 10 per cent. to 60 per cent. during the nineteenth century and after, how the period of settlement increased from 3 to 40 years, and how the practice of including prospective rise of rents during the term of settlement in the assets was abandoned. All these, coupled with increasing pressure of population on land, widened the gap between the scissor blades representing the zamindar's income and the gross rental. Elsewhere we have given figures to show how between the years 1893-94 and 1944-45, while the increase of land revenue was 15 per cent. from 595 lakhs of rupees to 682 lakhs of rupees, the rent shot up by 45 per cent. from 1,224 lakhs of rupees to 1,753 lakhs of rupees. These figures do not contain concealed rents, or the numerous perquisites in the shape of levies and cesses which until a decade ago were common in various parts of the province. We do not know of anything that the landlord has done to improve the land. Mostly, therefore, the increase of rents is in the nature of unearned profits due to social causes. The continuous increase in the landlord's share means that the longer the period over which a landlord has held the land the larger are the unearned profits enjoyed by him. It is on this ground that suggestions have been made that a landlord who has acquired zamindari recently, say within less than 20 years, should get a higher rate of compensation. It was also suggested that a purchaser for valuable consideration who has invested money in zamindari, which he could, with the expectation of equal profit, have invested in house property or industries, deserves greater consideration than another person who has acquired zamindari by inheritance. Such a distinction may be justified on the principles underlying the imposition of estate or death duty, but not in awarding compensation. We see no reason, for instance, why two estates of equal market value, one purchased by one brother in 1940 who is alive, and another purchased by a second brother who is dead and whose estate has passed to his son, should be differently treated for the purpose of assessing compensation. It must be borne in mind that we are acquiring certain rights and in equity the compensation

should be co-related to the value of those rights. Besides the general rise in the landlord's share of rent-collection does not mean that all the landlords have benefited equally by this rise and each of the cases of the millions of landlords will have to be worked out separately. If we enter into these meticulous details, it would mean a delay that would end the abolition scheme.

Banks

It has been suggested to us that banks which have acquired estates in the course of their transactions should be paid compensation equal to the market-value of their landed property so that the commercial structure of the country may not be shaken. We are not in possession of statistics showing the extent to which banks have invested money in landed property, and cannot estimate how far acquisition of the land held by banks at the multiples recommended by us will affect their finances. We must point out, however, that the provisions of the Encumbered Estates Act, which also to a certain degree affected banks, do not appear to have had any serious repercussions. One of the banks in a representation submitted to the Hon'ble Minister of Revenue pointed out that it owned landed property worth about Rs.15 lakhs. From certain inquiries made by the office, it appears that this does not represent a very high proportion of its capital, and the payment of compensation at the rates recommended by us, should not seriously affect its stability.

As regards the loans advanced by banks on the security of land, we have in a subsequent chapter recommended that such loans shall not be scaled down and will be realisable up to the amount of compensation payable to an intermediary.

The arguments that have been advanced by us for making no distinction between one intermediary and another apply to the banks as well. We, therefore, recommend that compensation should be paid to them at the same rates as are applied to other zamindars.

Waqfs and trusts

We are agreed that public *waqfs* and trusts which use their income for charitable or religious purposes, i.e., objects that are socially useful, deserve special consideration. If the income of *waqfs* and trusts is reduced as a result of the abolition

of zamindari, many of the objects may become incapable of fulfilment. Compensation, if paid in a lump sum, to *waqfs* and trusts, would be in danger of being misappropriated or dissipated. We recommend that public and charitable *waqfs* and trusts should be assured their present income in the form of permanent annuities equivalent to their present allocation of expenditure for public and charitable purposes. The amount set aside by them as reserve fund for future expenditure on public and charitable objects or to meet a contingency will also be treated as part of the expenditure for public and charitable purposes. This annuity will be subject to revision according to the increase or decrease in the rent rates of the *waqf* property acquired. The payment of an annuity should be acceptable to the Muslim *waqfs* who may have a legitimate objection to the acceptance of interest on money, but who can have no objection to the acceptance of an annuity out of the revenues of the State.

Mixed *waqfs* and trusts, whose income is partly applied to religious and charitable objects and partly for the benefit of individuals, the *waqif*, his family or other persons, will have to be split up into two parts, namely, income applicable to religious and charitable objects and income reserved for private benefit. The income which is immediately applicable to religious and charitable objects will be compensated in the form of annuity on the same principles as a purely religious or charitable trust. But the property whose income is reserved for the benefit of private individuals will be treated as ordinary zamindari. The *waqf-alal-aulad* wherein income is ordinarily reserved for the benefit of the donor and his family and heirs, and a benefit in favour of religious, charitable or public purposes is a remote contingency, should in our opinion, be treated as ordinary zamindari. We recommend, therefore, that *waqfs* and trusts whose income is reserved for the benefit of the donor and his heirs, and is applicable to religious and charitable purposes only in a remote contingency, should be compensated at the rates applicable to ordinary zamindari. *Waqfs-alal-aulad* should be treated on the same basis as a joint Hindu family, i.e., the beneficiaries shall be treated as one unit in so far as they consist of a father and sons, and as separate owners in the case of others, the father being dead.

In cases where *waqfs* and trusts, whether public, private or mixed, have been created after the Assembly resolution on the abolition of zamindari, the State will have the discretion to disregard such *waqfs* and trusts in assessing compensation, and may treat them like ordinary zamindari.

Certain special cases

Among the cases which appear to merit special consideration, one is that of persons to whom proprietary rights have been transferred under sections 28(i) and 28(ii) of the United Provinces Encumbered Estates Act. There are two principal differences between such persons and a purchaser of landed property in the open market. Firstly, the former acquired land on the pre-slump valuation which did not in many cases correspond to the market value of the land at the time of the transfer. Secondly, they acquired land by an order of the Collector under the Encumbered Estates Act and not voluntarily by a private contract. It may, therefore, be argued that they should be compensated at a rate different from other intermediaries or even that they should be paid the valuation which was put upon the estate at the time of the transfer. In its general aspect this question has already been discussed and we have recommended that no discrimination should be made on the basis of how or when intermediary rights were acquired. The same arguments apply to these cases with equal force. Besides, it must be noticed that the special valuation of land for purposes of transfer under the Encumbered Estates Act was intended to re-adjust the debts to the change in the value of money and the value of land on account of the depression. In theory, therefore, the transaction was quite fair. Though the transfers were made by an order of the Collector, the creditor had the option under section 34 of having the land sold by public auction. Had this option been exercised, the sale-price of the property, at least in the earlier years, would probably have been less than the valuation put upon it, but it would theoretically have been equal to the real value of the debt.

We recommend, therefore, that the persons who acquired proprietary rights under the Encumbered Estates Act should be paid compensation at the same rates as are applied to other zamindars.

TABLE "A"

Statement showing in lakhs of rupees the net income and amount of estimated compensation of zamindars of various categories in the United Provinces, except Almora and Garhwal Districts and the Hill Patti of Naini Tal District, based on the figures for 1945-46 (1353 Fash)

Categories of zamindars according to land revenue (with their numbers)	Amount of gross assets	Amount of land revenues	Amount of assets	Total land revenue and cesses	Estimated percentage of gross assets to be deducted as irrecoverable and cost of management	Amount to be deducted for irrecoverable and cost of management	Total amount to be deducted (columns 5 and 7)	Net assets or income (column 2-8)	Multiples	Amount of compensation	Remarks
1	2	3	4	5	6	7	8	9	10	11	12
	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)	Per cent.	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)		Rs. (lakhs)	
(1) Up to Rs. 25 (17,16,330)	280	102	15	116	5	14	139	160	25	3,750	
(2) Exceeding Rs. 25 but not Rs. 50 (1,42,890)	139	50	7	57	5	7	64	74	22½	1,605	
(3) Exceeding Rs. 50 but not Rs. 100 (81,657)	158	37	8	65	5	8	73	85	20	1,700	
(4) Exceeding Rs. 100 but not Rs. 150 (31,564)	219	79	11	90	5	11	101	118	17½	2,065	
(5) Exceeding Rs. 150 but not Rs. 500 (16,758)	163	59	9	68	10	16	84	79	15	1,185	
(6) Exceeding Rs. 500 but not Rs. 2,000 (10,929)	274	99	15	114	19	33	147	127	12½	1,585	
<i>(Continued on the next page.)</i>											

TABLE "A"—(concl.)

Categories of zamindars according to land revenue (with their numbers)	Amount of gross assets	Amount of land revenue	Amount of cesses	Total land revenue and cesses	Estimated percentage of gross assets to be deducted as irrecoverable and cost of management	Amount to be deducted for irrecoverable and cost of management	Total amount to be deducted (column 5 and 7)	Net assets or incomes (column 2-8)	Multiples	Amount of compensation	Remarks
1	2	3	4	5	6	7	8	9	10	11	12
<i>(Continued from the previous page.)</i>											
(7) Exceeding Rs. 2,000 but not Rs. 3,500 (1,222).	Rs. (lakhs) 80	Rs. (lakhs) 32	Rs. (lakhs) 5	Rs. (lakhs) 37	Per cent. 13	Rs. (lakhs) 13	Rs. (lakhs) 30	Rs. (lakhs) 39	10	Rs. (lakhs) 390	
(8) Exceeding Rs. 3,500 but not Rs. 5,000 (428).	55	20	3	23	15 ¹	8	31	24	9	216	
(9) Exceeding Rs. 5,000 but not Rs. 10,000 (414).	80	29	4	33	15	12	45	35	8	280	
(10) Exceeding Rs. 10,000 (399) ..	421 105 316	152 38 114	22 6 16	174 44 130	15	63 16 47	237 60 177	184 85 139	8 3	777 360 437	
Total ..	1,877	678	90	777	..	183	962	915	..	13,618	

Compensation to superior proprietors ..

Compensation to inferior proprietors (vide Table " B ") ..

Total ..

Rs.

13,618 lakhs

124 ..

13,740 ..

NOTE—Amount to be paid annually with interest at the rate of 2½ per cent. per annum by half-yearly instalments in 40 years is equal to Rs. 545 lakhs.

TABLE "B"

Statement showing in lakhs of rupees the estimated amount of compensation to be paid to inferior proprietors in the United Provinces (except Almora and Garhwal Districts and the Hill Patti of Naini Tal District), based on the figures for 1945-46 (1353 Fash)

Class of intermediaries	Total area held in lakhs of acres	Area of air and khud-khuds in lakhs of acres	Net area for which compensation is to be paid (column 2-3) in lakhs of acres	Gross assets of the area in column 4 at the rate of Rs.6-2 per acre	Amount payable by inferior proprietors to superior proprietors on the area shown in column 4	Irrecoverables and cost of management at 5 per cent, on the amount shown in column 5	Total deductions (column 6+7).	Net assets (column 5-8)	Multiple	Amount of compensation
1	2	3	4	5	6	7	8	9	10	11
Sub-proprietors and under-proprietors.	6.64	4.65	1.39	8.62	1.98	.42	2.40	6.22	29	124.40 or in round figures 124 lakhs.

Amount to be paid annually with interest, at the rate of $2\frac{1}{2}$ per cent. per annum, by half-yearly instalments in 40 years will be Rs.4.92 lakhs or Rs.5 lakhs in round figures.

NOTE—The multiple 29 has been taken as an average for the purpose of an estimate. The actual multiples to be applied will be the same as those for other intermediaries.

CHAPTER XVI

METHOD OF PAYMENT OF COMPENSATION

One of the most important points for decision concerns the method that should be adopted for payment of compensation. What the zamindars would like would be the immediate payment of lump sums in cash. Apart from the fact that payment in cash is not only impracticable under the present conditions of the Indian money market, we are of opinion that the distribution of 137 crores of rupees in cash would be highly inflationary. If the compensation were paid in cash to the smaller zamindars alone, i.e., zamindars paying an annual land revenue not exceeding Rs.250, the amount required would be about Rs.92 crores. It will not be possible for the Provincial Government to raise such a huge loan; even for the Central Government it will be exceedingly difficult, when we consider the fact that similar demands are likely to be made by other provinces where the zamindari system is being abolished. Besides, the distribution of Rs.92 crores in cash would also be highly inflationary.

The next alternative that suggests itself is payment of compensation through redeemable negotiable bonds, the entire amount to be paid within a fixed period of years. This will have the advantage of providing a zamindar, who wishes to invest in industrial enterprise, with ready cash which he can obtain at a small discount. This method also, according to many, is open to the objection that it will have an inflationary tendency. Those who hold this view contend that the negotiable bonds will naturally pass through banks in one of two ways; banks will either grant overdrafts against them or directly invest in them. In the former case, the bank deposits will increase, and in the latter, bank investments. In both cases, new purchasing power, i.e., money which otherwise did not exist, would be created by the banks.

The following passage from the Report of the MacMillan Committee would appear to support this contention:

"It is not unnatural to think of the deposits of a bank as being created by the public through the deposits of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on an overdraft or purchasing power, a bank creates a credit in its books, which is the equivalent of a deposit."
—(MacMillan Committee Report, page 34.)

It has, therefore, been suggested that compensation should be given in the form of fixed deposits in the Provincial Co-operative Bank, Central Banks and village co-operatives. Such fixed deposits will be non-transferable by their very nature and the Government may impose an additional restriction on transfers to persons who are not members of co-operative societies. It is pointed out that the advantage of this method of payment would be that while, on the one hand, fixed deposits in the co-operative movement would not mean the creation of new money, such deposits, on the other, will be utilised for large-scale agricultural productive investments.

There is, however, another school of thought according to which the issuing of negotiable bonds will not result in the sort of inflation feared by those whose views have been outlined in the preceding paragraphs. Those who belong to this school contend that if the issuing of negotiable bonds had the same, or approximately the same, inflationary tendency as the issuing of currency, there would be no point in Government's floating loans as an anti-inflationary measure. Loans are floated for this purpose only because by converting currency into bonds, money is immobilised to a very great extent.

Then, again, the contention that the issuing of negotiable bonds would create new purchasing power, i.e., money which did not otherwise exist, would, according to this school, appear to be fallacious inasmuch as banks have in the past been advancing money on the security of land which they will not be doing now. In other words, the bonds that are issued will be merely replacing

securities that already existed. Not only this, the rates of compensation are such that the bonds will be nowhere near the valuation of property against which banks have so far been used to making advances. It can be safely said that these bonds as security will be less in value than the security of landed property. Thus, therefore, it is said, not only no new purchasing power will be created (one purchasing power, viz., land having been replaced by another, viz., bonds); it can be argued that the old purchasing power has been decreased.

Then, again, to the extent that banks are prepared to discount these bonds and offer currency instead, they will not be investing in other securities of a like nature and, therefore, the net effect on the volume of currency in the country will remain unchanged. There will certainly be redistribution of money consequent on the abolition of zamindari but no inflationary danger appears to be involved in this redistribution.

To the argument that the bonds being readily exchangeable the velocity of circulation would be high, and it is the velocity of circulation that determines whether a security is or is not equivalent to money, the reply is that in the case of a security which carried a fixed rate of interest no speculative activity is possible, and, therefore, the velocity of circulation is not likely to be as high as in the case of stocks and shares whose dividends vary from time to time. There is no danger also that these bonds will take the place of money at any time. If at all they change hands, the purchaser would be requiring them only for investment purposes, and the purchase money will be immobilised for the period of investment.

We are, therefore, of the opinion that there is no grave danger of inflation by the issue of negotiable bonds.

There are, however, other considerations governing the question whether the bonds should be negotiable or non-negotiable.

Considering the fact that a great many of the zamindars are used to a high standard of living, there is the danger that a large part of the compensation would be spent imprudently, reducing the zamindars and their heirs to indigence. There is the further danger that on account of their lack of experience in industry

or business, their assets representing, in many cases, the capital accumulated during several generations, might be dissipated in unprofitable and ill-conceived enterprises. Besides, considering that, just at present, there is no tradition or scope for an immediate investment of large sums of money for the scientific rehabilitation of agriculture and the development of cottage industries, it is likely that there will be a flight of capital from the countryside to urban areas. These are the dangers in so far as the bonds are negotiated in the open market. To the extent that they are not negotiated or invested in productive enterprises, the compensation money would lie idle and become a dead-weight.

On the other hand, if the bonds are made inalienable and invested as fixed deposits in co-operative banks or societies, there would be comparatively little danger of either waste or unprofitable use of the money, provided of course, that the State exercises efficient supervision, undertakes a drive for the development of co-operative institutions and remedies their present defects. A large capital investment would in itself give a stimulus to co-operative activity and help to a great extent to solve the problem of rural finance. To protect the interests of the zamindars it would, of course, be necessary for the State to guarantee both the capital and a minimum interest of $2\frac{1}{2}$ per cent. If investment by the co-operative societies results in a larger profit the zamindars would naturally be entitled to a share, like other members of the co-operative society. Besides, it must be noted that the zamindars at present supply about 40 per cent. of the rural credit. It is doubtful whether many of them would continue their money-lending activities after the abolition of zamindari. A sudden shrinkage of this source of credit might, therefore, create a gap that would be difficult to fill. Under this scheme the supply of rural credit would be assured, and the zamindars themselves would also be able to borrow money from the co-operative bank for their genuine needs, or for profitable investment in proportion to the amount of money to their credit in the form of a fixed deposit. They would, besides, have the right of withdrawing their money from the bank with the permission of the Collector, if they wished to invest it for a *bona fide* productive purpose.

On these considerations, it would appear that it is in the interests of the community as well as the zamindars themselves

to make the bonds generally non-negotiable, and allow them to be negotiated only under the conditions and safeguards mentioned above.

It has been argued, on the other hand, that in a *laissez-faire* economy the State should not assume the guardianship of zamindars, and that just as other classes are free to do what they like with their money, the zamindars should be left free to do what they like with the compensation paid to them.

The restrictions imposed above, it is felt, would prove extremely irksome to the zamindars and would make it difficult for them to use their money freely in adjusting themselves to changed conditions or in making such investments as they choose.

As a compromise between these two diverse proposals, we recommend that out of the total compensation part should be given in the form of negotiable bonds, and part invested as fixed deposits in co-operative banks. Shri A. G. Ansari suggested that bonds up to a maximum of Rs.5,000 should be freely negotiable, in the case of bonds exceeding this amount, half the amount should be freely negotiable, the balance to be held as fixed deposit. The majority of the Committee, however, prefer the scheme proposed by Shri R. C. Gupta, under which the bonds given to zamindars paying up to Rs.2,000 land revenue should be freely negotiable. In the case of bonds given to zamindars paying land revenue exceeding Rs.2,000, half the amount should be negotiable provided that the negotiable amount is not less than the compensation corresponding to Rs.2,000 land revenue. The balance is to be held as a fixed deposit in a co-operative bank under the scheme outlined above. There must, however, be a provision to safeguard the interests of minors, and others such as widows, who have a limited interest in the property. In the former case, there is a danger that the guardian of the minor might squander the money, while in the latter it is quite possible that the widow might defeat the interests of the reversioners. In such cases the entire amount of the bond will be non-negotiable, except under the orders of the Collector.

The bonds issued by the Government, whether negotiable or non-negotiable should bear an interest of $2\frac{1}{2}$ per cent. and be redeemed in the course of 40 years, the interest being payable in six-monthly instalments.

CHAPTER XVII

INTERMEDIARIES' DEBTS

Rural indebtedness in the province has been a matter of grave concern during the last two decades. After the slump in agricultural prices (1928-29), a series of debt laws, namely, the Agriculturists' Relief Act, the Encumbered Estates Act, the Usurious Loans (Amending) Act, etc. were passed by the Provincial Government in 1934. The Congress Ministry framed two Bills, the Debt Redemption Bill and the Regulation of Agricultural Credit Bill, but before these laws could be formally enacted the Ministry had resigned, and these two Bills were enacted as Governor's Acts in 1940. The principle underlying all these measures was to reduce the amount of debt by substituting a prescribed rate of interest for the contractual rate and applying the principle of *dandūpat*, i.e., that the amount of interest should not exceed the amount of the principal. All agreements, settlements of accounts and decrees which converted the accumulated interest into the principal amount and created new obligations, were re-opened and any interest paid in excess of the prescribed interest was readjusted towards the principal amount. Another method of relief to the debtor was by regulating the methods of the execution of decrees, such as, the payment of decree by instalments or shortening the period during which execution be taken out. Under the Encumbered Estates Act, a special valuation based on the pre-slump values of land, which was far in excess of the prevalent prices, was fixed and the creditor was given the option of either purchasing the land at the assessed value, or have it auctioned by the court and be satisfied with the sale-proceeds. Under the Regulation of Agricultural Credit Act, not more than one-third of the agricultural produce of a judgment-debtor over a period of six years, was liable to be attached and sold. The land of a proprietor, assessed to a land revenue of Rs.250 or less, could be declared as "protected land" and, thereby, restrictions were placed on its voluntary alienation or attachment and sale by the order of the court.

Rural indebtedness was estimated at about Rs.124 crores by the United Provinces Banking Inquiry Committee in 1929. In 1936 the Congress Agrarian Committee estimated it at Rs.200 crores and the Expert Committee on Rural Indebtedness appointed by the Congress Government in 1937-38 put its figure at about Rs.186 crores. It is difficult to vouch for the accuracy of these figures, but they are good enough to give some idea. We do not know how much of this debt has since then been liquidated as a result of the debt laws and the high prices of agricultural produce. Nor have we figures showing how this indebtedness is distributed between the tenant and the landlord or between different categories of landlords. The rent-receiving bigger landlord has not benefited from the high agricultural prices as much as the smaller landlord whose main occupation is cultivation. All that we can say is that quite a number of the landed estates must today be indebted.

Zamindars' debts can be classified according to the nature of the loan and the class of the creditor. We give below both the categories. According to their nature the loans may be classified as follows:

- (i) loans secured by a charge or mortgage of landed property,
- (ii) loans secured by a charge or mortgage of property other than land,
- (iii) loans secured partially by a charge or mortgage of landed property and partially by property other than land,
- (iv) unsecured or simple loans.

According to the class of the creditor the loans of the landlord may be classified as loans due to:

- (i) Government, Indian or Provincial,
- (ii) Local bodies, such as District Boards or Municipal Boards,
- (iii) Co-operative Societies,
- (iv) Public registered banks whose names appear on the schedule of the Reserve Bank,

(v) Religious and charitable trusts,

(vi) Private persons including all other creditors.

A study of the corresponding laws either enacted or conceived by the other provinces in India is of interest. The Bihar Government provided for the appointment of a Claims Officer authorised to receive claims based on loans secured by a mortgage or charge on the landed property. He would ascertain the principal advanced in each case, in disregard of any agreement or settlement of account or decree, and would set off any interest paid in excess of 6 per cent. simple interest towards the payment of the principal. If the total interest already paid was equal to or more than the principal advanced, no further interest would be payable, while in other cases, future interest would be paid at a rate between 5 and 6 per cent., prescribed by the Government. The debts would be arranged in priority according to the Transfer of Property Act. The main reason of this scheme appears to be that the Government wanted to acquire land free from all encumbrances. The scheme does not contemplate the reduction of unsecured loans or of loans secured on property other than land, on account of the reduced paying capacity of the debtor-landlord consequent upon the abolition of zamindari rights. The Government of Bengal, prior to the partition of the province, intended that not more than 50 per cent. of the compensation paid to an expropriated landlord shall be liable to attachment by the creditors. During the course of the deliberations of the Committee, it was suggested that there were difficulties in the adoption of either of these schemes and that the debts should be scaled down in the proportion which the amount of compensation payable to the landlord bears to the market value of the land.

In our province the existing laws contain adequate provisions for the reduction of debts as proposed by the Bihar Government, but these provisions do not take into account the special problem of the reduced capacity of the landlord to pay his debts due to the abolition of zamindari. There appears to be an element of injustice in this proposal. The compensation being less than the market value of land, it may be regarded as having the effect of depreciating land value. Both the creditor and the debtor are, therefore, likely to suffer some loss. But if, as in this case, the whole of the adjudicated debt is made a charge upon the

compensation the debtor may suffer much more than the creditor. For instance, take the case of an intermediary owning land worth say, Rs.84,000, who has taken a secured loan amounting to Rs.42,000. In the ordinary course, he would expect to retain property worth Rs.42,000 after the payment of the debt. Now if the compensation amounts to say, Rs.28,000, the creditor would get the whole of it. He would lose Rs.14,000 on a transaction in which he had expected to receive Rs.42,000. The debtor, on the other hand who had expected to retain Rs.42,000 would have nothing left. The reduction in the value of land from Rs.84,000 to Rs.42,000 is distributed unevenly between the creditor and the debtor. While the creditor suffers a loss of only Rs.14,000 the debtor suffers a loss of Rs.42,000.

It does not seem fair that the zamindars should suffer the greater part of the consequences of this depreciation and the creditors, who had made an investment in the shape of a loan on the security of land, should be placed in a position of advantage. Equity demands that the effects of this depreciation should be shared equally by both the classes of zamindars and creditors.

Besides this, the total debt may in some cases approximate to or even exceed the whole compensation with the result that the outgoing intermediaries would be left with little or no means of living unless the debt is reduced.

We are not much impressed by the scheme which provides immunity for 50 per cent. of the compensation payable to the landlord. Apart from the percentage being fixed arbitrarily such a scheme is bound to work out unevenly. Suppose a landlord owes Rs.20,000 to his creditors and the market value of his land is Rs.25,000. In normal conditions the landlord would, after the sale of his property, have saved Rs.5,000 after discharging the loan of Rs.20,000. Let us further suppose that the landlord gets Rs.18,000 as compensation on the abolition of zamindari. Out of this amount only Rs.9,000 will be liable to attachment by the creditors. Thus, as a result of the abolition of zamindari, the landlord will after discharging the debts of his creditors, have with him Rs.9,000 while under normal conditions he would have had Rs.5,000 only. We see no justification for this.¹

The reduction of the landlord's debts in proportion to the reduction in value of his land consequent upon the abolition of

zamindari appears to us sound and equitable. It divides the loss between the debtor and the creditor. We may now proceed to work this out in detail.

The debts wholly secured by a charge or mortgage of property other than land need not be adjudicated or liquidated in connection with proceedings for the abolition of zamindari. There is no reason why such debts should be reduced as the value of property other than land will not be affected by our recommendations.

Loans secured by a charge or mortgage of landed property derive their security from such property and if the value of the landed property itself is reduced, the amount of the loan must be reduced proportionately.

Mixed loans, secured by a charge or mortgage partly of landed property and partly of property other than land, will have to be apportioned according to the market values of land and other property. The portion relating to the landed property shall be reduced on the same principle as a loan secured wholly by a charge or mortgage of landed property and the balance shall be treated as a mortgage loan secured on property other than land. Any portion of a secured loan in excess of the value of the mortgaged property shall be deemed to be an unsecured loan. Some members of the Committee opposed this and suggested that in the case of mixed loans the principles of the Transfer of Property Act and the Debt Redemption Act should be applied and if the creditor declared that he would recover the whole debt only from property other than land the debt should not be reduced at all. The majority of the Committee, however, feel that this would cause hardship to the zamindars and recommend that the part of the debt secured by land should in any case be reduced.

Unsecured or simple loans present a considerable amount of difficulty. Although they are not directly attached to any property, they depend for their security and realisation upon the landed and other properties possessed by the debtor. Any reduction in the value of the landed property is consequently bound to reduce the paying capacity of the landlord. There is thus a good case for the reduction of all unsecured or simple loans of the debtor-landlord. Experience of the working of debt laws has, however, shown that cases are not wanting when big businessmen and industrialists happen to possess a little

landed property. These persons were essentially non-agriculturists but under the defective definitions laid down by these laws they came within the category of persons who could take the benefit of the legislation meant essentially for the agricultural classes. We know of a case where a big industrialist who had constructed a mill worth over fifty lakhs on agricultural land applied under the Encumbered Estates Act for the liquidation of his debts. The local rate payable in respect of this land forming the site of the mill came to more than a rupee and thereby the millowner became a landlord. A person whose sole or major portion of wealth consists of landed property is a landlord in the real sense but a person whose wealth consists mainly of property other than land is not really a landlord. It is not easy to draw a distinction between these two categories of persons who may pass for landlords. The distinction between an agriculturist and non-agriculturist in the existing laws was based on the principle whether the principal occupation of the debtor was or was not agriculture and income from land. The definitions of the agriculturist in the Agriculturists' Relief Act and the Debt Redemption Act are deserving of consideration. We reproduce them below in an amended form as they are applicable to landlords:

"Agriculturist" under the Agriculturists' Relief Act means—

(a) a person who, in districts not subject to the Benares Permanent Settlement Regulation, 1795, pays land revenue not exceeding Rs.1,000 per annum; or

(b) a person who, in districts subject to the Benares Permanent Settlement Regulation, 1795, pays a local rate under section 109 of the District Boards Act, 1922, not exceeding Rs.120 per annum; or

(c) a person holding land free of revenue, who pays a local rate under section 109 of the District Boards Act, 1922, not exceeding Rs.120 per annum;

(d) in Avadh, an under-proprietor holding a sub-settlement of land the revenue of which does not exceed Rs.1,000 per annum; or

(e) a *thekadar* who holds a *theke* of land the revenue of which does not exceed Rs.1,000 per annum;

provided that no person shall be deemed to be an agriculturist if he is assessed to income-tax which, if he belongs to any of the classes (a) to (c) above exceeds the local rate payable on the land which he holds.

In the Debt Redemption Act an agriculturist means—

A proprietor of a *mahal* or of a share or portion of a *mahal* . . . provided that no such proprietor shall be deemed to be an agriculturist if—

(a) the aggregate of rent, if any, and ten times the local rate, if any, payable by him exceeds one thousand rupees, or

(b) he is assessed to income-tax under the Indian Income-tax Act, 1922, or under the income-tax law of an Indian State.

Both these definitions are based upon two principles, namely the revenue payable by the landlord and the fact whether he is assessed to income-tax or not. They exclude the bigger landlords and persons whose main source of income is other than agriculture. We consider that these principles are sound, but we would fix the limit of the local rate at Rs.25 payable annually which means that 99.34 per cent. of the landlords would derive benefit. We would exclude all persons, who were in any one year during the preceding three years of the enactment of the law abolishing zamindari rights, assessed to income-tax. We have imposed the limit of three years to avoid evasion of income-tax, with a view to take benefit of this proposal. Any under-proprietor or a sub-proprietor or a *thekadar* or permanent-lessee in Avadh, the total land held by whom as such is not assessed to more than Rs.25 annually and who is not assessed to income-tax as aforesaid, will also get the benefit of this proposal. The unsecured or simple debts of such landlords will be reduced in the proportion which the compensation payable to them bears to the market value of their property.

We have shown how difficult it is to ascertain the market value of land, an opinion which has been borne out by the experience of the working of the Land Acquisition Act and debt laws. A possible method of determining the market value, is to capitalise income from land at the prevailing rate of interest. We have provided for the payment of $2\frac{1}{2}$ per cent. interest

on Government securities. There is a certain amount of risk and uncertainty in the incomes arising from the land even after making full reduction for land revenue, local rates, cost of management and short collections. For instance, rents may be remitted on account of an agricultural calamity, such as flood, fire, drought, etc. or reduced during revision or settlement proceedings, or be adversely affected by a new legislation. Rents do not pour in as easily as interest on bonds. For the purpose of calculating the market value, income from land may, therefore, be capitalised on the basis of 3 per cent. rate of interest, i.e., it should be $33\frac{1}{3}$ times of the net assets of the landlord. The market-value of land should be deemed to be the value immediately before the Assembly resolution on the abolition of zamindari. We would leave the exact basis on which it should be determined to the decision of the Government. Before finally fixing the market-value of land the Government may, if it considers it desirable, consult an expert tribunal.

To sum up: All debts secured by a charge or mortgage of landed property and so much of the debt of a mixed mortgage as is apportioned to the landed property of all landlords and the unsecured or simple loans of a landlord who is not assessed to a local rate exceeding Rs.25 annually or to income-tax in any of the three years preceding the enactment for the abolition of zamindari, should be reduced in the proportion which the market-value of the property forming the subject-matter of the charge or mortgage, in case of a charge or mortgage, and the whole landed property, in case of simple loans, bears to the amount of compensation awarded in respect of such property. In determining the amount of loan the provisions of the United Provinces Usurious Loans Act and the Debt Redemption Act, 1940, shall be applicable.

We cannot accurately assess the effect of the reduction of debts on agricultural credit and finance, but as the future agricultural finance should, in our opinion, be organised mainly through State or co-operative agencies, no serious difficulties should arise. Elsewhere, we have refused to treat the zamindari rights owned by banks on a basis different from zamindari rights owned by other zamindars, but so far as the debts payable to banks are concerned, we fear that any reduction in the amount of debts may affect thousands of small investors who have

deposited their money in banks and shake the credit of the province. We would, however, limit the application of this principle only to a genuine bank, that is to a public bank registered according to the Indian Companies Act, 1913, which is entered on the Schedule of the Reserve Bank. Such banks as well as all co-operative credit societies shall be entitled to receive the full amount of loan, whether secured or unsecured, advanced by them to a debtor-landlord. We have assured an income equal to what they are now enjoying from zamindari rights to all religious and charitable trusts and the considerations which have prevailed with us in maintaining the income of these trusts at their full value hold good here. In case of mixed trusts loans advanced by them to landlords shall be apportioned according to the income applicable to charitable and religious purposes and the income appropriated for the benefit of individual beneficiaries. The loans apportioned to religious and charitable purposes shall not be reduced but that which is apportioned for the benefit of private individuals shall be treated like an ordinary loan. This will apply both to loans secured by a charge or mortgage of landed property and unsecured loans. All dues payable to the Indian and Provincial Governments or to a local body should, in our opinion, be paid in full and in precedence to all the other loans of the debtor-landlord may be deducted from the compensation payable to the landlord. We should like to make it clear that in all these cases the debts may be recovered only up to the full amount of the compensation. The balance that cannot be recovered in this manner will, however, not be recovered from any other property belonging to the intermediary.

Bonds issued under sections 27, 28(1) and 28(2) of the Encumbered Estates Act create a fresh liability on the part of the Government to pay the creditor the amount of loan due from the debtor-landlord to the creditor. In return Government acquires a right to recover the amount of the bond by instalments from the landlord. There is no relationship between the bond and the debtor-landlord. The value and validity of the bond depends upon the credit of the Government. These bonds are in the nature of ordinary State bonds and we see no reason why they should, in any manner, be affected by the abolition of zamindari. Since it will no longer be possible to recover the instalment from

the zamindar, the principal of the bond less any amount already recovered, should be deducted from the compensation payable to the landlord like other public dues.

Three alternative suggestions have been made to us for liquidating a mortgage created under section 25 of the Encumbered Estates Act or under the Bundelkhand Alienation of Land Act. The first suggestion is that the amount due on such mortgages should, in the case of Encumbered Estates Act, be calculated according to Rule 77 of the rules framed under that Act and in the case of the Bundelkhand Alienation of Land Act, according to section 7(3) of that Act, and the amount so found due on the date of the extinction of the rights under mortgage should be paid. The second suggestion is that these mortgages should be treated like other mortgages and their amount scaled down accordingly. The third suggestion is to continue payment of the profit of the property for the remainder of the term of the mortgage. We would rule out the last alternative at the outset, for after the abolition of the zamindari rights no question of the payment of the profits of the property can arise. The method of calculation under the first suggestion does not take account of the reduced capacity of the landlord to pay, consequent on the abolition of zamindari. We have refused to accord any special treatment in respect of lands transferred to the creditors under the Encumbered Estates Acts on the ground that the transfer was compulsory and we see no reason why any special treatment should be given to mortgages granted under the Encumbered Estates Act or the Bundelkhand Alienation of Land Act. We recommend that these mortgages should be treated like other mortgages and their amounts scaled down accordingly.

In the case of *guzaradars* it will be inconvenient, and in some cases, perhaps, even impossible for the zamindars to go on paying the full maintenance allowance after the abolition of zamindari. It is at the same time necessary to make some provision for this class. They must be assured of some income, though for obvious reasons this income will have to be reduced in much the same proportion as the income of the estate-owner himself. We accordingly recommend that *guzaradars* should be regarded as creditors of intermediaries provided that their maintenance is a charge upon the land. In such cases the maintenance charges should be

treated in the same manner as loans on the security of land and scaled down in the proportion which the compensation bears to the market-value of land.

We would like the liquidation of zamindari rights and debts to be effected as quickly as possible and recommend that all debts due to any creditor from a landlord should be notified with particulars of the debt to the Compensation Officer within three months of the enactment of law providing for the abolition of the zamindari rights. Any debt which is not so notified shall be deemed to have been discharged unless the failure to notify within the prescribed time is satisfactorily explained. No claim shall be entertained after the expiry of six months from the enactment of the said law. The Compensation Officer shall immediately proceed to examine and classify and, if necessary, apportion the debts and declare the amounts which could be paid out of the compensation payable to the debtor-landlord.

To prevent duplication of authority all cases pending in civil courts, relating to the unsecured loans of agriculturists and loans secured by landed property, shall be transferred to the Compensation Officers. Appeals pending in civil courts shall be transferred to Special Judges or Compensation tribunals. At the same time as soon as acquisition proceedings are taken up it will be necessary to provide a moratorium on debts to avoid hardship to zamindars. Execution of decrees shall be stopped, and unsatisfied decrees transferred to the Compensation Officer for re-adjudication according to the recommendations made above.

CHAPTER XVIII

ADMINISTRATIVE MACHINERY

The work in connection with the acquisition of zamindari will consist of—

- (i) Assessment of compensation.
- (ii) Apportionment of compensation.
- (iii) Adjudication of debts.
- (iv) Decision of disputes regarding title.
- (v) Decision about the nature of *waqfs* and trusts, i.e., whether a *waqf* or trust is public or private or mixed and the assessment of normal expenditure by such trusts on public, religious or charitable purposes.

Many non-official witnesses suggested that non-officials such as M. L. As., M. L. Cs., representatives of zamindars, etc., should be associated with the administrative machinery in an advisory capacity. As the compensation rolls will be based upon revenue records the usefulness of a non-official with no training or special knowledge of land records is extremely doubtful. The adjudication of debts and disputes regarding title would involve complicated questions of law and fact, to the decision of which a non-official can hardly be expected to make any effective contribution. We, therefore, think that the association of non-officials with the work would serve no useful purpose.

It might, at first sight, appear desirable to entrust the work connected with the acquisition of zamindari to various classes of officers, the assessment and apportionment of compensation to revenue officers who have the requisite experience and knowledge of the land tenure system, land records and land acquisition proceedings, and the adjudication of debts, disputes about titles and questions regarding *waqfs* and trusts to special judges.

The administrative machinery in connection with the United Provinces Encumbered Estates Act was designed on the above basis, work in connection with the assessment of the income and value of the property being entrusted to revenue officers and

adjudication of debts to special judges. The enormous delay in the disposal of cases under this Act has demonstrated in a marked manner the delays in the work of civil courts or judges and also showed that the appointment of different sets of officers to deal with different parts of the same case is a cumbersome and inconvenient method.

Quick disposal of work will be to the advantage of the intermediaries concerned no less than to the State. The administrative machinery for proceedings in connection with the acquisition of zamindari should, therefore, be devised to work without friction or avoidable delay. We propose, therefore, that all the work mentioned above should be dealt with by the same set of officers.

The rent-rolls will be prepared by the patwaris at tahsil headquarters. As the work will give an opportunity and temptation for dishonesty, we consider it necessary to make arrangements for as effective and thorough a check as possible on the patwaris' work; for this purpose we suggest that the checking should be done simultaneously by two agencies, one the usual land records staff, the other a specially recruited staff with some settlement experience, both acting under the supervision of the officers appointed for the purpose.

The first task of the administrative machinery will be to determine the income of each of about 20 lakhs of zamindars. Recorded rents being the basis of income, there will not be much difficulty in adding them up. Assessment of rent on holdings, whereof rent is payable by *batai* or appraisement of crop, and on land held *bila tashia lagan*, that is, without determination of rent, at the circle tahsils will again be a question of mathematical calculation. This work can easily be done by the patwari. Income from *sayar* and forests will, however, require exercise of discretion, and we think that this work must be entrusted to the chief officer doing the work arising out of the abolition of zamindari, whom we would, for convenience, call Compensation Officer.

On the receipt of the rent-rolls prepared by the patwari, the Compensation Officer will serve a notice upon the landlord to furnish details of his intermediary rights. If the landlord has

intermediary rights within the jurisdiction of more than one Compensation Officer, all his cases will be transferred to the Compensation Officer within whose jurisdiction the landlord ordinarily resides. The Compensation Officer shall then proceed to determine the *sayar* income and the income from forests of the landlord. The sum total of these incomes will give the rental assets of the landlord. The Compensation Officer shall then, after hearing the landlord, determine the multiples applicable to him and shall calculate the total compensation payable to the landlord in respect of his zamindari rights. The landlord shall be duly intimated of the compensation awarded to him. We have suggested earlier that within three months from the commencement of the law for the abolition of zamindari rights, every creditor of the debtor-landlord should be required to notify his claim to the Compensation Officer. The Compensation Officer shall then determine the debts payable by the debtor-landlord and apportion the debts payable out of the compensation and those not payable out of the compensation. The landlord or a creditor of the landlord shall have a right to question the income assessed, the choice of multiples, the adjudication of debts, and decisions about title and the nature of *waqf* in a special tribunal set up for the purpose. If the landlord or the creditor does not file a petition questioning the aforesaid decisions of the Compensation Officer within two months from the delivery of notice intimating to the landlord the amount of compensation or the adjudication of debts or the decisions on the question of title or the nature of trust, the decisions of the Compensation Officer shall become final, and the Compensation Officer shall proceed to give bonds to the landlord and his creditors according to his decision. If the landlord or the creditor questions the decisions of the Compensation Officer, the amount of bonds forming the subject-matter of the dispute shall remain in deposit with the Collector until the final decision of the case. The same action will be taken in cases of disputes about title. During the period that the bonds remain in deposit with the Collector, the person held *prima facie* entitled to those bonds by the Compensation Officer shall be entitled to receive the interest on the bonds. Any adjustment that may become necessary as a result of the ultimate decision of the dispute shall be made accordingly.

If the person to whom compensation is payable is a minor or a limited owner, the bonds will be non-negotiable, except with the permission of the Collector. Until the minor attains majority or until the limited owner is succeeded by an absolute owner, only the interest on the bonds shall be payable.

Waqfs and trusts

The Compensation Officer shall also be entrusted with the preliminary work in connection with the *waqfs* and trusts. Within a prescribed time all trustees and *mutwallis* would be required to submit full statements regarding them. After examining the deeds and making such local inquiries as necessary the Compensation Officer shall declare the nature of the trust. A private trust would be treated like ordinary zamindari, in the case of a public or mixed trust he shall declare its expenditure on public and charitable purposes, on the basis of which an annuity would be fixed by him. A party aggrieved by his order may seek redress from the appellate authority proposed in the sequel. During the pendency of the appeal an annuity, as fixed by the Compensation Officer, would be payable. In the case of a trust, declared a private trust, bonds will be issued by the Compensation Officer only if there is no dispute about the nature of the trust, otherwise the bonds will be kept in safe deposit and only interest paid until the dispute is decided.

Number of officers required

In estimating the number of Compensation Officers who will be required, it is necessary to form some idea about the number and nature of cases regarding adjudication of debts and disputes about titles. According to the statistics collected by the Committee the total number of intermediaries may be put at twenty lakhs. We have no data for estimating the percentage of debt-free and indebted intermediaries. The United Provinces Banking Enquiry Committee estimated that 54 per cent. of the peasant proprietors and tenants and 55 per cent. of the bigger landlords were indebted. Making a small allowance on account of the rise in agricultural prices we may roughly estimate the indebted intermediaries at 50 per cent. This gives the enormous total of 10 lakh cases for compulsory adjudication of debts.

The intermediaries fall into the following income groups:

Categories of zamindars	Net average annual income	Number
1	2	3
Paying land revenue not exceeding Rs.25	Rs. 9	1,711 thousands.
Exceeding Rs.25 but not exceeding Rs.50	32	143 thousands.
Others	Total ..	1,854 thousands 162 ..

On a rough estimate we may say that out of the total number of indebted intermediaries, about 9 lakhs belong to the category of zamindars paying revenue not exceeding Rs.50.

As the annual income of these intermediaries is very small, their debts would in the vast majority of cases be of the nature of small causes and could, therefore, be disposed of at the prescribed standard for small causes, i.e., 25 per day.

The debts of the intermediaries paying more than Rs.50 land revenue will mostly be of the nature of ordinary suits and could be disposed of at the standard rate of 1½ per day.

Disputes about title

We have no data for an estimate of the number of disputes about titles. According to the Revenue Administration Report of 1944, the number of mutations effected in the year 1943-44 was 244 thousand. But we do not know how many of these were contested in the civil courts; obviously it cannot be more than a very small fraction. According to the Report on the Administration of Justice, 1944, the total number of suits about immovable property were about 23 thousand. But we do not know how many of these related to property in land. We may at a guess put the number of disputes about title likely to arise on the abolition of zamindari at about 10 thousand. These can be disposed of at the rate of 1½ per working day.

We have thus a total of 9 lakh cases that can be disposed of at the rate of 25 per day and 1 lakh 10 thousand cases that can be disposed of at the rate of 1½ per day. At the rate of 25 cases

per day 9 lakh cases will require 36,000 working days and 1 lakh 10 thousand cases at the rate of $1\frac{1}{4}$ cases per day will require 88,000 working days. In all $36,000 + 88,000 = 124,000$ working days will be required for one officer to dispose of all these cases. This means that 423 officers (9 officers in each of the 47 districts) will dispose of these cases in 293 working days or roughly a little over one year. To this we must add the number of officers who will be required to deal with the assessment and apportionment of compensation and the question of *waqfs* and trusts. At a rough estimate, about 200 officers will be required for this purpose, making an average of a little over four for each district. Altogether, therefore, 623 Compensation Officers will be required. These officers should be of the status of a deputy collector with an average pay of Rs.500 per month.

Compensation Commissioner

For exercising general supervision, deciding references about difficult or intricate questions arising out of the preparation of compensation rolls and seeing that the work is conducted on the right lines and is not unnecessarily delayed, it will be desirable to appoint a Compensation Commissioner for a year with jurisdiction over the whole province. For assisting him in his work and touring districts two Assistant Commissioners should also be appointed. The Compensation Commissioner should be of the status of a Commissioner with an average pay of Rs.1,500 per month and the Assistant Commissioners of the status of a Collector with an average pay of Rs.1,000 per month. The Compensation Commissioner and Assistant Commissioners will work under the control and guidance of the Board of Revenue.

Appellate authority

As regards appellate authority, it is estimated that appeals will lie in about one-fourth of the cases regarding title and adjudication of debts, i.e., in 252,500 cases. An appellate judge will normally be able to dispose of five appeals per day. At this rate 50,500 working days will be required for one judge to dispose of these appeals or 185 judges (four in each of the 47 districts) will dispose of the work in a year. To this we may

add one judge for each division to deal with appeals regarding assessment and apportionment of compensation and *waqfs* and trusts. This makes a total of 193 appellate judges.

Special tribunal

Appeals from the decisions of these special judges should lie with a special tribunal on points of law only. The tribunals should be composed of three members, one of them possessing the qualifications necessary for appointment as a judge of the High Court. There should be one tribunal for every division.

Estimated cost

The estimated expenditure of entertaining 623 officers for dealing with original cases, 193 officers for appellate work, one Compensation Commissioner and two Assistant Compensation Commissioners for a year, will be about 148 lakhs of rupees and that for eight tribunals about 6 lakhs of rupees. The total expenditure is estimated to be about 154 lakhs of rupees.

In the appendix to this chapter is given a detailed estimate of the total cost of the establishment for assessment of compensation, adjudication of debts and disposal of disputes relating to title.

APPENDIX

Estimated cost of establishment for assessment of compensation, adjudication of debts and disposal of disputes relating to title and appellate work

	Amount in Rs.
Daily allowance to 27,500 patwaris for 6 months at 6 annas per day for working at tahsil headquarters in connection with the preparation of valuation statements and account slips and their checks ..	18,38,250
Checking of statements prepared by patwaris, by 5,500 muharrirs for 6 months at Rs.60 per month each	18,80,000
Dearness allowance to the above staff of muharrirs at 20 per cent. of the pay	3,96,000
Supervision and checking of muharrirs' work by 550 munsarims for 6 months at Rs.75 per month each	2,47,500
Dearness allowance to the above staff of munsarims at 20 per cent. of the pay	49,500
47 head clerks for 47 districts for 12 months at Rs.100 per month each	56,400
Dearness allowance to the above head clerks at 20 per cent. of the pay	11,280
47 Sadar munsarims for 47 districts for 12 months at Rs.90 per month each	50,760
Dearness allowance to the above Sadar munsarims at 20 per cent. of the pay	10,152
470 clerks (10 for each district) for 47 districts for 12 months at Rs.60 per month each	3,36,400
Dearness allowance to the above clerks at 20 per cent. of the pay ..	67,080
47 record-keepers for 47 districts for 12 months at Rs.60 per month each	33,840
Dearness allowance to record-keepers at 20 per cent. of the pay ..	6,768
47 record-lifters for 47 districts for 12 months at Rs.30 per month each	16,920
Dearness allowance to record-lifters at 25 per cent. of the pay ..	4,230
198 office peons (4 for each office) for 47 districts for 12 months at Rs.25 per month each	58,400
Dearness allowance to the above peons at 25 per cent. of the pay ..	14,100
623 special officers for 12 months at Rs.500 per month each ..	37,38,000
623 readers to the above officers for 12 months at Rs.80 per month each	5,98,080
Dearness allowance to the above readers at 20 per cent. of the pay ..	1,19,616
623 ahmads to the above officers for 12 months at Rs.60 per month each	4,48,560
Dearness allowance to the ahmads at 20 per cent. of the pay ..	89,712
1246 ordinary peons (2 for each office) to the above officers for 12 months at Rs.25 per month each	3,73,800
Dearness allowance to the peons at 25 per cent. of the pay	93,450
94 manual servants (2 for each office) for 12 months at Rs.25 per month each	28,200
Dearness allowance to the above manual servants at 25 per cent. of the pay	7,050

1,900 process-servers (taking 1,200,000 processes in 1,010,000 cases, and 1,200 processes for each process-server in a year—paragraph 1061, Revenue Manual, gives a standard of 750 processes a year for each process-server—as in this case there may be several processes for one village and it may be possible to serve more processes during the year) for 12 months at Rs.25 per month each	3,00,000
Dearness allowance to process-servers at 25 per cent. of the pay	75,000
One Compensation Commissioner for 12 months at Rs.1,500 per month	18,000
Two Assistant Compensation Commissioners for 12 months at Rs.1,000 per month each	24,000
Three stenographers for 12 months at Rs.100 per month each	3,600
Dearness allowance to stenographers at 50 per cent. of the pay	720
Six clerks, 4 for Compensation Commissioner and one each for the two Assistant Compensation Commissioners, for 12 months at Rs.60 per month each	4,320
Dearness allowance to the above 6 clerks at 25 per cent. of the pay	864
Three jamadars for 12 months at Rs.50 per month each	1,680
Dearness allowance to the jamadars at 25 per cent. of the pay	270
Six orderly peons for 12 months at Rs.25 per mensem each	1,800
Dearness allowance to orderly peons at 25 per cent. of the pay	450
Three menial servants for 12 months at Rs.25 per month each	900
Dearness allowance to menial servants at 25 per cent. of the pay	225
193 Appellate Judges for 12 months at Rs.750 per month each	17,37,000
103 Readers for 12 months at Rs.100 per month each	2,31,600
Dearness allowance to Readers at 25 per cent. of the pay	46,320
193 ahmads for 12 months at Rs.60 per month each	1,38,000
Dearness allowance to ahmads at 25 per cent. of the pay	37,725
193 Stenographers for 12 months at Rs.100 per month each	2,31,600
Dearness allowance to stenographers at 25 per cent. of the pay	46,320
248 peons (2 for each officer) for 12 months at Rs.25 per month each	1,15,800
Dearness allowance to peons at 25 per cent. of the pay	29,550
296 menial servants for 12 months at Rs.25 per month each	1,15,800
Dearness allowance to menial servants at 25 per cent. of the pay	29,550
210 process-servers (for about 209,000 processes at the rate of 1,200 processes per process-server in a year) for 12 months at Rs.25 per month each	63,000
Dearness allowance to process-servers at 25 per cent. of the pay	15,750
Travelling allowance for officers and the staff	1,00,000
House rent for 340 officers (47 + 193) for 12 months at Rs.100 per month each	2,88,000
Contingencies, including stationery, printing charges, etc. for 519 officers at Rs.500 each	4,09,500
Honoraria to patwaris and karnungos at Rs. 1,500 per district for 47 districts	70,500
Total	1,47,99,019

Estimated cost of a tribunal for appellate work for one year

	Amount in Rs.
One President for 12 months at Rs.1,500 per month	18,000
Two members for 12 months at Rs.1,150 per month each	27,000
Three Roadets for 12 months at Rs.100 per month each	3,600
Dormness allowance to Roadets at 20 per cent. of the pay	720
Three ahimada for 12 months at Rs.60 per month each	2,160
Dormness allowance to ahimada at 20 per cent. of the pay	432
Three stenographers for 12 months at Rs.100 per month each	3,600
Dormness allowance to stenographers at 20 per cent. of the pay	720
Three office clerks for 12 months at Rs.60 per month each	2,160
Dormness allowance to office clerks at 20 per cent. of the pay	432
Three jamadars for 12 months at Rs.30 per month each	1,080
Dormness allowance to jamadars at 25 per cent. of the pay	270
Six orderly peons for 12 months at Rs.25 per month each	1,800
Dormness allowance to orderly peons at 25 per cent. of the pay	450
Two office peons for 12 months at Rs.25 per month each	600
Dormness allowance to office peons at 25 per cent. of the pay	150
Two manual servants for 12 months at Rs.25 per month each	600
Dormness allowance to manual servants at 25 per cent. of the pay	150
Contingencies	2,000
Total	66,324
Cost of 8 such tribunals	5,32,192
GRAND TOTAL	1,33,31,211
In round figures	1,34,00,000

CHAPTER XIX

THE FUTURE PATTERN OF RURAL ECONOMY

The dominant impression created by a study of the conditions of agriculture in India is one of a paradox; we possess, on the one hand, a fertile soil, great natural advantages and vast human resources, our agricultural efficiency, on the other hand, is among the lowest in the world. Those dependent upon agriculture, constituting about 73 per cent. of the total population, have a lower standard of living than that of practically any other civilised country and produce much less than the minimum nutritional needs of the people. The Bengal famine of 1942-43, the anxious years of food rationing, our difficulties in obtaining food from other countries, and the recurring threat of famine in one part of the country or the other have made us realise how precarious is the balance in India between a bare level of subsistence and disaster. With a rapidly expanding population dependent upon a limited food supply a critical situation might easily develop, ending in a calamity of unprecedented magnitude, unless an organised and sustained effort is made to solve the fundamental problems of agriculture.

According to estimates made by Shri J. K. Pande, Economic Adviser to the United Provinces Government, on the basis of the present rates of the growth of population, and production of cereals, in the United Provinces, the produce in 1951-52 would be about 9.6 million tons against the total requirement of 15.8 million tons, showing a deficit of about 6.2 million tons or 39 per cent. A number of village economic surveys have shown that already large sections of the population, comprising about 50 per cent., have not got enough to eat. The immediate problem is not so much planning for a better way of life but of creating conditions in which bare survival may be possible. Considering that agriculture is, and must remain, the basic industry of the country, our economy would collapse if India could not become at least self-sufficient in the matter of food

production, and meet the needs of her increasing population for an adequate and balanced diet, and of raw materials for industries.

Agricultural inefficiency being one of the principal causes of India's poverty, the improvement of agriculture forms the focal centre of her economic planning. The health and life of the people in India, whose main occupation is agriculture, depends upon the agricultural policy that is followed. This policy will determine the standard of living of the primary producers, and the standard of living and purchasing power of the primary producers will, in their turn, determine the market for industrial products.

The crushing poverty of the rural masses stands in the way of progress in all spheres of life. A population living below an adequate nutritional standard, and suffering from low vitality, will inevitably be exposed to ill-health and disease; extension of medical relief, hygiene and sanitation cannot by themselves cope with the evil. Low vitality and disease contribute to economic inefficiency, and a waste of human resources, by reducing both the capacity for work and the incentive for improvement. Schemes for education cannot, by themselves, bear much fruit in the face of the poverty, squalor and insecurity of the peasant's life.

It is a commonplace that India lives in her villages and that her civilisation is predominantly rural. But there can be no prospect of a revival of this rural civilisation or culture, or of establishing high moral standards in individual and social life, unless the most primary needs of the masses can be met. Economic causes, no less than social and political, have led to the social conflicts and antagonism, the prevalence of crime and the low level of public morality that we notice today. The full development of personality and spiritual value is possible only when the minimum material needs of the body, i.e. adequate food, clothing and housing are assured. This is brought out clearly in a famous argument between Gandhiji and Tagore during the non-co-operation movement. Tagore thought that Gandhiji in his emphasis upon material needs "was inculcating a negativist philosophy and outlook, and was denying higher values. He referred to the singing of the early morning birds, their *joie de vivre*, their careless abandon in the presence of nature.

Gandhiji's reply was characteristic. "I have had the pain of watching birds who for want of strength could not be coaxed even into a flutter of their wings. The human bird under the Indian sky gets up weaker than when he pretended to retire. For millions it is an eternal vigil or an eternal trance . . . The hungry millions ask for one poem—invigorating food."⁴

Just as the effects of the poverty of the rural masses spread out in a widening circle, and are linked with all the vital problems of economic and cultural development, so also must the question of agricultural reconstruction itself be viewed in a wide context. Until recently there was a tendency to consider this problem in isolation from its social and economic background and to regard the defects of agriculture as being primarily technological. An extreme example is the exclusion of questions of land tenure from the terms of reference given to the Royal Commission on Agriculture. These technological defects have long been known, and analysed lucidly and in detail by experts. There is, admittedly, great need for the further development of scientific research and its application to specific local conditions but the general problems and the line of technical advance have for long been clearly mapped out. In most cases, experts seem to be in agreement regarding the technological causes responsible for the low productivity of Indian agriculture and the consequent poverty of the Indian peasants. There is a familiar pattern in the analyses and recommendations of government experts, beginning from Dr. Voelcker down to our own times. The same evils have been deplored and similar suggestions reiterated by one commission or committee after another. In spite of this vast heap of recommendations, the British Government took no effective action to remove these technological defects. The experts seldom reflected upon the reasons why their recommendations were not or could not be acted upon, amounting as they often did, merely to mathematical calculations, showing what quantities of manure and water, for instance, would yield what quantities of additional produce.

By a further process of abstraction one could reduce the technological analysis into purely biological details, showing the interaction of plant organism and plant food, and how under

⁴J. J. Anjaria: *An Essay on Gandhian Economics*—P. 12.

given conditions of soil and climate the growth of a plant would be affected. Such an analysis, while it advances technical knowledge, cannot by itself suggest a solution of the chronic difficulties against which the agricultural industry in India has to struggle. In the same way, the purely technological approach, though it has an element of truth, inasmuch as increased production ultimately depends upon improved farming practice, suffers nevertheless, from the defects of unreality and false abstraction. It tends to ignore the complex social and economic factors that hinder the use of improved methods and the application of all the resources of science, technology and agricultural experience for increased production.

Main defects of Indian Agriculture

We would like to sum up the main defects in the existing land system and agricultural methods and organisation, though some of it may be a repetition of things said before:

1. A semi-feudal land system, in which the cultivator who is the primary producer of agricultural wealth, has a depressed social status. The zamindars, as a class, enjoy social position, authority and power out of all proportion to any useful function performed by them in village economy. This class was created as a social base by the British to help them in consolidating and maintaining their rule, and like other vested interests has generally acted as a check on progressive forces.

The economic deterioration of the country under British rule, together with the historical development of the land system has had the effect of splitting up rural society into a vast series of classes descending from the feudal overlord to the under-proprietor, numerous grades of privileged tenants, the tenant-at-will, the sub-tenant, the *halwahas*, and at the bottom of the scale—the large class of landless labourers. Division of labour had, to a certain extent, been effected even in Hindu times, it is indeed, an inevitable outcome of economic growth. But this division was generally confined to essential functions, and the Hindu village community consisted in the main of the village functionaries, the permanent cultivators and the village artisans

and servants, and in some cases a few non-resident or *pahi-kasht* cultivators. The economic interests of these classes were carefully adjusted and their relations to one another defined and controlled by old established custom and usage.

In spite of the specialisation of functions and the hereditary division of labour, the village community formed on the whole a homogeneous and essentially democratic society in which both economic and social conflicts were reduced to a minimum. The establishment of a feudal order has broken down the social organisation of the village, and the policy of *laissez faire* has intensified economic maladjustments. The increasing differentiation of classes in the rural community that has followed it, should, as far as possible, be checked and the rights and obligations of each class brought back into vital relationship with economic functions. A semi-feudal rural society not only prevents the development of productive relations, it is also incompatible with democracy. It is necessary, therefore, to change the fundamental basis of our social order to create a democratic rural society.

2. A land system, under which the cultivator has a feeling of insecurity, which the conferment of a permanent and heritable right of occupation has tempered but has failed entirely to remove. Under a system based upon a recognition of the landlord's property in land, wide powers of land management have necessarily to be conceded to the proprietor, including a right to eject the tenants in certain circumstances. The landlord who has greater ability and resources for litigation seldom fails to take full, and in many cases, undue advantage, of the opportunities for ejection of tenants given by the existing tenancy laws; in the conflict of interests between the zamindar and the cultivator and the continuous struggle that it involves between the two classes the cultivator is, inevitably, the weaker party. It is impossible to eliminate this struggle and to give the cultivator a feeling of security, so long as two sets of rights in land, one superior and the other of an inferior nature, are allowed to exist side by side. The cultivator's feeling of insecurity as well as much of the existing social and economic discord, and the vexatious and ruinous litigation consequent upon it, would be eliminated by the abolition of the superior rights in the land held by the zamindars.

3. A land system in which a great part of the agricultural wealth is employed for unproductive purposes and goes to support a parasitic class in idleness.

4. As a direct consequence of his depressed social status, feeling of insecurity and the loss of his surplus wealth, the agricultural worker lacks the incentive for efficient land utilisation and land management.

5. The excessive pressure of population on land mainly on account of decay of cottage industries under British rule, and the growth of population. The supply of land has, on the one hand, been limited and inelastic, while on the other hand, the total number as well as the percentage of the population, driven through sheer necessity to land, has been continuously increasing. The relatively small extension of cultivation that has taken place was not sufficient to relieve this pressure. Overcrowding of agriculture involves, among other things, a tremendous waste of human labour. This cannot be remedied unless the present occupational unbalance is corrected, and alternative sources of employment are created for the surplus labour both of the rural landless class and the cultivators during the off seasons when they are not employed actively in agricultural operations.

The overcrowding of agriculture has, further, led to the continuous sub-division and fragmentation of holdings so that the vast majority of the cultivators possess an area too small for efficient operation. Small holdings in other countries can yield enough income for a reasonable standard of living only if highly intensive farming is practised, but the small holdings of this province are so infinitesimally small and scattered as to make intensive farming impossible; even if that were possible the total out-turn would in many cases be hardly enough for anything much above the bare margin of subsistence.

6. Connected with the question of land shortage which is, perhaps, the most fundamental characteristic of Indian agriculture, is the question of rural finance.

An agriculturist like any other businessman needs to borrow fixed capital for such purposes as purchase of live-stock, construction of a well, embankment or farm-building, or acquisition of

more land; and working capital to cover his current expenses, such as purchase of seeds, manure, food, clothes and other necessities for himself and his family and the payment of labourer's wages. In fact, he needs more credit than most industrialists, because he must maintain himself for several months during each season while the crops are growing, and does not get any return till he has harvested and sold them. The principal agencies for the supply of credit are the village *mahajan* and the zamindar. The development of agricultural credit in the form of State aid or co-operative credit has been on the whole negligible. This is partly accounted for by the fact that rural society today is undemocratic, and consists of an hierarchy of interests. A democratic order of society is one of the essential conditions for the full growth of the co-operative movement.

In these circumstances, the cultivator cannot get all the long-term credit he needs for the permanent improvement of land, even the short-term credit cannot be obtained except at exorbitant rates.

On account of the usurious practices of the village *mahajan* and the zamindar, and the small size of his holding, the cultivator is usually heavily indebted and lacks capital for intensive farming. The fact that he does not possess transferable rights in land makes it difficult for him to offer any tangible security for credit.

7. Organisation of rural marketing—The present system with its long chain of middlemen, many of whom do not perform any essential service, results in the agricultural producer getting less than his due share of the price paid by the consumer. A network of co-operative marketing societies spread over the countryside would appreciably increase the profits of the cultivators and reduce a considerable part of the wastage involved in the present system.

Similarly it is necessary to organise institutions for the cheaper supply of improved implements, seeds, manure, etc. to the cultivators.

8. The lack of an adequate economic organisation of agriculture—We have already referred to the effects of the social disintegration caused by the decay of the village community and its sub-

stitution by the zamindari system. Its economic effects have been no less marked. In pre-British times, the village community absorbed much of the strain caused by political changes or economic development and adjusted the interests of each class to changing conditions. Among other things the total revenue demand of the village was redistributed by it among the various cultivators with due regard to their conditions in general and the area and class of land held by them. The village community also maintained the agronomic balance between cultivated area, pasturage and forests. Common lands and pastures, distribution of water for irrigation, allotment of land to new settlers, and to the village officials, artisans and village servants were under the joint village management. In effect, therefore, the Hindu village community was an almost perfect organisation for planning and co-ordinating economic activity to the extent that was then necessary in relation to the development of productive forces.

This agricultural organisation has been broken up by the establishment of the zamindari system but has not been adequately replaced, either by the landlords themselves or by the State, while the necessity of such an organisation has become more urgent, and the scope of the functions it should undertake greatly widened by the change from subsistence to commercial farming and the increasing complexity of economic forces.

The substitution of the control of the village over common lands, pastures and forests by the control of the zamindar, along with the increasing pressure of men and cattle upon land, has led to extensive denudation of forests and over-grazing, and consequently to soil erosion. Waste reclamation through modern scientific methods and the use of large machinery requires capital and organisational ability which is beyond a small cultivator. The zamindars, in general, have failed to supply the deficiency due partly to apathy and partly to the fact that it was in many cases beyond their means as well, most of the land being held in small estates by petty proprietors. Large projects by the State for reclamation of waste or the development of pastures or forests, are hampered by the existing rights in such land held by the proprietors and the necessity as a preliminary step of either taking them under State control or acquiring them outright.

9. Primitive agricultural technique—The defects of technique are well known, the most notable being:

(i) Lack of irrigation facilities. A large extension of the canal system, as well as the building of more wells, tanks, and water reservoirs, would give the cultivator security against the vagaries of climate and rainfall, and lead to increased production.

(ii) Lack of manure—the most important needs, under this head, are the development of forests to supply fuel so that organic manure need not be used as fuel; proper conservation and use of animal refuse, compost-making, supplemented by extensive use of artificial fertilizers, green manure and a better rotation of crops.

(iii) The use of improved seeds.

(iv) Defence against crop pests and diseases by the use of fungicides.

(v) Improved tilling by the use of heavier ploughs and more powerful cattle.

(vi) Crop planning.

(vii) Improved threshing and storage to avoid waste and decay of the produce.

All these require comprehensive and co-ordinated planning on a province-wide basis, intensive research, and a vast organisation with the two-fold purpose of educating the cultivator and of making all the means for intensive farming available to him. This work can, however, succeed only when the social and economic impediments to the use of technological resources have been removed.

10. Lack of general and agricultural education of the peasantry is responsible, in a great degree, both for inefficient production and the disappointing progress of co-operative activities. An ignorant and backward people is slow to develop the community spirit, and lacks the ability for the successful administration of co-operative enterprises. Most of the recent improvements in

agriculture have been due to the application of scientific knowledge. In India, more than anywhere else, agricultural practice is far behind agricultural science; but no attempts have been made to impart to the cultivator all the knowledge that science has brought together to promote the growth of plants and animals.

11. Lack of facilities for canning and preservation and transport of perishable produce, such as milk, vegetables, and fruits, etc. account partly for the retarded development of animal husbandry and market gardening, which yield higher profits than cereal production.

12. Another disability of the peasant is the fluctuation of prices. His surplus in normal times is so small that even a comparatively slight change in the prices of agricultural produce reduces him to acute distress and depletes his working capital.

13. There are no adequate arrangements for safeguarding the cultivator from the effects of drought or excessive rainfall or other agricultural calamities that occur with distressing frequency. Social insurance against bad crops or loss of cattle would not be easy to organise on a large scale, but an extension of State aid in the form of *takavi* loans, and of co-operative credit is indicated.

A consideration of these difficulties has a chilling effect upon the most ardent enthusiast and rules out any facile optimism that the abolition of zamindari will, by itself, bring in an era of plenty and prosperity by removing all the impediments to increased production and assuring the cultivator a high standard of living. The substitution of this outmoded system by a more efficient and progressive organisation is a necessary pre-requisite for the improvement of agriculture, but it is mainly a means to an end "the first milestone on a long road." While it is true that no progress is possible today until this obstacle is removed, we must remember that the zamindari system is only one among a number of factors contributing to agricultural inefficiency. It would be unfair and even risky to blame the zamindar for all the ills from which agriculture suffers.

The abolition of zamindari will give the cultivator the necessary feeling of security and the incentive for better agriculture,

lead to a more equitable distribution of agricultural wealth and prevent its waste. It will restore the cultivator's self-respect, give him hope and confidence, and create an egalitarian society. The psychological change and the social enthusiasm that this measure will arouse in the countryside must be utilised to put through an organised and co-ordinated programme for agricultural reconstruction, and to make an attack upon the present apathy, stagnation and inefficiency.

The study of the defects of rural economy also suggests the principal features of the new agrarian structure that should replace zamindari. It should be so designed as to give psychological satisfaction to the cultivator, induce him to take an active interest in the improvement of land, encourage the growth of social responsibility and community spirit in the village and the creation of co-operative institutions, and facilitate the economic progress of the country on a comprehensive and planned basis.

Different types of Agricultural Organisation

We may now proceed to survey some of the systems of agricultural organisation and technique prevailing in various countries. We shall examine briefly their economic aspects, the social values underlying them, and consider how far these systems are suitable and what modifications would be necessary with regard to Indian conditions and ideals.

The classification of the various systems would fall broadly under two heads:

I. On a consideration of agricultural technique alone the principal types are—

(a) Mechanised farming, with such types of machinery as multi-furrow ploughs, 90 h. p. tractors and sixty-foot harvester combined, practised exclusively in the U. S. A., the U. S. S. R., England and in parts of western European countries. The unit of organisation is a large farm of several hundred to over a thousand acres.

(b) Peasant family farming, usually with a horse or bullock-driven plough, as in the countries of south-eastern Europe, Denmark, China, Japan and the *ryotwari* areas in India. The size of the farm varies from about 2 or 3 acres to about a hundred acres or so.

There are wide diversities in the type of farming and agricultural technique in the various countries where peasant farming prevails, ranging from the primitive level of Indian and some of the eastern European countries—with a light wooden plough driven by under-sized animals barely scratching the soil, the traditional methods of threshing, oxen going round in a circle treading out the corn, and scanty use of water and manure—to the intensive farming of China, and lastly the highly efficient and profitable mixed farming of Belgium, Holland, and Denmark. The use of machinery also varies. In countries, where the peasantry have comparatively larger farms and are better off, a number of small machines are in use, for instance a small motor-plough to which a hoe or harrow may be harnessed, the cheap-hay-mower which has replaced the scythe throughout western Europe, electric clippers for sheep-shearing, chaff-cutter, etc. In spite of these variations, there is a broad distinction between mechanised farming and peasant farming.

2. The above distinction, however, includes in one group such extremely dissimilar types as the U. S. A. and the U. S. S. R., on the one hand, and India and Denmark on the other.

It is desirable, therefore, to make a further sub-division on the basis of the form of agricultural organisation. Excluding the landlord-tenant systems, the following appear to be the main types:

(i) Mechanised large farms subdivided into the following groups:

(a) Large-scale capitalist farming with extensive use of hired labour as in the U. S. A. and England and the "Plantation" farming of colonial countries.

(b) State farms or the Sovhoz of the U. S. S. R.

(c) Collective farming as in the Kuvtza in Palestine, the Kolhoz in the U. S. S. R., the Ejidos in Mexico and,

until recently, the collective farms in the U. S. A. under the Farm Security Administration.

(ii) Small peasant family farming, subdivided into the following groups:

(a) Peasant proprietorship as in the *ryotwari* areas of this country, China, Japan, and the peasant agriculture of Europe.

(b) Peasant proprietorship, with highly developed co-operative institutions for agricultural finance and marketing, for instance in Denmark and the small holders' settlements in Palestine.

AGRICULTURAL TECHNIQUE

The first question is whether we should aim at the mechanisation of agriculture, and if so, the extent and the pace of its introduction, or whether we should aim at intensive farming with the plough and bullock technique.

Does mechanisation lead to increased production?

There has been a great deal of controversy on the question whether mechanisation makes for greater production, in other words, whether the gross produce per acre is larger on mechanised farms than on peasant farms. This will determine which of the two agricultural systems makes for the maximum use of land.

A simple method of testing the productivity of mechanised and peasant farms would be to compare the agricultural output of various countries. The following table gives the average yield of some of the principal crops in various countries, in the years 1933-34* :

(lbs. per acre.)

	Wheat	Rice	Maize	Sugarcane	Cotton	Tobacco
Egypt ..	1,918	2,998	1,891	70,202	333	..
Germany ..	2,617	..	2,828	..	..	2,127
Italy ..	1,283	4,565	2,079	..	179	1,139
Japan ..	1,713	3,444	1,392	47,534	196	1,665
U. S. A. ..	812	2,183	1,379	43,370	368	862
Java ..	..	..	..	13,370	..	..
China ..	989	2,433	1,294	..	204	1,268
India ..	660	1,240	803	34,344	80	387

These figures, however, are not very helpful.

**Indian Rural Problem*, by Nanavati and Anjaria, page 40.

Any attempt to relate the average yield to the agricultural system seems futile as these and similar figures are incapable of being arranged in a series according to the agricultural technique adopted. For instance Germany, over a large part of which mechanised farming prevails, stands at the top in the production of wheat, maize and tobacco, while China and Japan with peasant farming appear, on the whole, to take precedence over the mechanised agriculture of U. S. A. Besides, it must not be forgotten that agricultural technique is only one among a host of factors determining productivity. The soil and climate, the character and habits of the rural population, the extent of planning and State aid for agriculture, provision for working capital, the system of land taxation are all directly connected with agricultural production. The differences in these factors account for the wide disparity between countries with similar technique. While each of these various factors can be analysed separately and its effect on efficiency estimated, it is impossible to reduce this comparison to purely mathematical terms and to relate it to statistical data.

More direct and detailed surveys have been made by some economists to test average output on various sizes of farms.

The following table * gives the result of a survey made in 1917—23 by Larsen in Denmark:

Size of farms				Gross output per acre			Net output per acre		
				£	s.	d.	£	s.	d.
Under 25 acres	..	..	..	20	1	0	7	11	0
25 to 50 acres	..	..	..	15	4	0	3	8	0
50 to 75 acres	..	..	..	15	3	0	3	13	0
75 to 100 acres	..	..	..	13	18	0	3	14	0
100 to 250 acres	..	..	..	12	3	0	3	3	0
Above 250 acres	..	..	..	12	4	0	3	0	0

The following results † were obtained in an economic investigation conducted in the U. S. A. in 1922:

Size of farms				Output per acre
40 acres holding	..	..	..	\$ 54
80 acres holding	..	..	..	\$ 48

* Van Der Post, *Economics of Agriculture*, page 176.

† *Ibid.*, page 172.

The following results* were obtained in an economic investigation of Swiss agriculture:

Size of farms	Gross output per acre			Net output per acre		
	£	s.	d.	£	s.	d.
7½ to 12½ acres	22	11	7	3	16	6
12½ to 25 acres	19	0	3	4	14	9
25 to 37½ acres	17	17	2	5	8	3
37½ to 75 acres	16	2	3	5	1	2
Above 75 acres	13	17	7	4	5	9

The following are the results† obtained by Orwin in a survey of English farms:

Size of holding	Production per acre		
	£	s.	d.
1 to 50 acres	11	13	0
50 to 100 acres	9	19	2
100 to 150 acres	7	19	1
150 to 250 acres	7	5	8
Above 250 acres	5	4	4

The following are the results ‡ of similar inquiries made in 1938:

Size of holding	Receipts per 100 acres	Expenses per 100 acres
	£	£
Average size 117 acres	1,636	1,406
.. 174 acres	1,303	1,241
.. 240 acres	1,105	1,063
.. 415 acres	906	829

These tables indicate clearly that the value of the gross produce per acre diminishes as the size of the farm increases. Only one survey conducted in the U. S. A. gave a different set of results.

* Van Der Poel, *Economics of Agriculture*, page 172.

† *Ibid.*, page 175.

‡ *Agriculture Today and Tomorrow*, edited by Sir John Russell, page 99.

showing that the gross produce on the large farms was not less than the produce of small or medium farms:

*Crop yield per acre**

Farm size	Corn bushels	Oats bushels	Wheat bushels	Potatoes bushels	Hay tons
Small	45.3	33.8	18.6	82.0	1.56
Medium	48.4	36.0	19.5	88.1	1.25
Large	40.5	37.0	20.2	97.0	1.24

The small farms were 50 acres or less, the medium farms 76 to 100 acres and the large farms over 151 acres in size. The weight of evidence is, however, on the side of small farms. A number of causes have contributed to this:

(1) In many cases, the smaller farms are on comparatively good land or on land near large towns.

(2) The small farmers are frequently engaged in market gardening or intensive live-stock husbandry, whose products command higher prices than cereals. It is not only the difference in the quantity of produce but also the difference in the kind of produce that accounts partly for the higher value of the produce on the small farms.

(3) Farming in general is not adapted to large-scale operations, in the sense of a big unit run by a single manager or *entrepreneur*, and employing a large number of hired workers. One of the principal reasons for this comparative failure of large-scale farming is the fact that agricultural work cannot be easily supervised and standardised. Supervision is difficult on account of the fact that the labourers are not concentrated in one building under the master's eye as in an industrial enterprise, but are scattered all over the farm. Standardisation is difficult because farming involves the performance of many odd jobs that cannot be reduced to a regular schedule and the constant modification of plans according to changes in the weather. A hired

* Farm Economics, Frank App and A. G. Waller, page 54.

agricultural labourer cannot, therefore, be kept at the same standard of work and efficiency as an industrial worker. Apart from this, most men with managerial ability are drawn into business undertakings where the profits are much larger. The average managerial ability of larger farmers is usually far below the average of industrialists.

It must be noted that these are vital difficulties in large-scale capitalist farming. They do not necessarily apply to a co-operative farm, where the workers would not need as much supervision, and would have an incentive much greater than that of a hired labourer for doing their work efficiently, for performing odd tasks out of the regular schedule and for making the necessary modifications in agricultural plans.

When all these circumstances are taken into account, it would appear somewhat doubtful whether the available data justify a positive inference about the superior productivity of peasant farms. Besides, these investigations were conducted primarily to compare the relative efficiency of various sizes of farms as units of organisation rather than to test the merits of different agricultural techniques. Admittedly, the technique varies with the size of farm, full mechanisation being possible only on a farm of not less than 300 to 400 acres. But several of these inquiries stopped short of this size.

Unfortunately, it is not easy to compare the relative efficiency of collective farms where at least some of the defects inherent in large-scale capitalist agriculture do not exist. The absolute figures about the average yield per acre in the U. S. S. R., for instance, as compared with other countries, are inconclusive because of the difference among other things of climate and soil. Besides, the dominant feature of agricultural development in the U. S. S. R. has been the large extension of cultivated area and the tremendous increase in the gross output of the country. Naturally, where large areas of marginal land have been brought under cultivation one would not expect a high over-all increase in the average yield. A possible test would be an increase in the average yield in the U. S. S. R., as compared with the increase in the average yields in other countries, during the same period. But the required figures for the U. S. S. R. do not seem to be available. Gregory and Shaw in "The U. S. S. R.: A Geographical Survey" mention an increase in the yield of gram from 6.8 cwt. per acre in

1913 to 7.4 in 1938, cotton from 8.6 to 9.8 cwt., potatoes from 3 tons to 3.8 tons and sugar beet from 6.7 tons in 1913 to 7.3 tons in 1937. S. P. Turin in "The U. S. S. R.: An Economic and Social Survey" gives the following figures:

	1901-13	1929	1935	1937
Rye, in bushels per acre . . .	12 to 15	13	14.1	19.7

Barley—In pre-revolutionary times 17.8 bushels, in 1937, 21.1 bushels per acre.

Oats—23.23 bushels in 1912, 34.4 in 1934.

It is impossible to draw any definite conclusions from these figures as the comparison is confined to only a few crops and to some individual years. It is well-known that there is wide disparity in production from year to year on account of variations in the weather and other conditions. It is impossible to say to what extent the higher yield of oats in 1934 and of others in 1937 or 1938 was due merely to favourable weather.

The following statement given by Baykoo in "The Development of the Soviet Economic System" gives comparable figures:

	1928-32	1933-37	1938	1939
Average yield of grain crops (quintals per hectare).	7.5	9.1	9.3	9.3
Average harvest of grain crops (in million quintals).	725.0	944.7	950.0	1,054

These figures, however, are of little significance because they are confined to the era of collective farms. The appreciable increase from 7.5 quintals to 9.3 in all the grain crops, therefore, proves only the growing efficiency of collective farms. But it does not render it possible to institute a comparison between the efficiency of the collective farms in the U. S. S. R. and other agricultural systems.

We may conclude this discussion by saying that there is no evidence to prove that mechanised farming leads to increased agricultural production, and little ground for assuming that the rationalisation of agriculture necessarily implies the use of heavy machinery. The controversy persists on account of the peculiar

unreliability of agricultural data and the diverse and conflicting inferences that can be drawn from them. But most economists are, on the whole, in agreement that peasant farming at its best, particularly in regions where market gardening and mixed farming is practised, makes for the maximum use of land, in other words, the maximum produce per acre.

They maintain, at the same time, that on a consideration of all the economic conditions large-scale farming is distinctly superior to small farming. The main reason for this view which may, at first sight, appear somewhat paradoxical is that small farming involves a tremendous waste of human resources. In other words, though the output per acre may be high, the output per active worker is very low. In 1937, an agricultural worker in the United Kingdom earned on average £ 120 a year compared to less than £50 earned by the agriculturist of eastern European countries. On a small farm a worker cannot earn as much as on a big farm. Human labour is, therefore, employed unproductively and consequently wasted. At the same time, the cost of cultivation on a small farm is relatively higher and the total produce very small. The cultivator is, therefore, just able to make both ends meet in normal years, and is reduced to acute distress on a fall in agricultural prices or a bad season.

Large and small holdings

We may now examine in greater detail the advantages and disadvantages of large and small holdings:

(i) Intensive peasant farming involves extraordinarily hard labour. The small producer, obliged to eke out a living from a tiny strip of land, works under a continuous strain that wears him out. In most countries, he has to put in more hours of work per day than an ordinary agricultural labourer, and to drive his children to work at an early age. A small Lincolnshire farmer giving evidence before the Parliamentary Commission which investigated agrarian conditions in England stated, "I have brought up a whole family and have almost worked them to death." Another farmer said, "We and the children sometimes work eighteen hours a day, on an average we work from ten to twelve hours." Still another complained, "We work harder than the day labourers: we work like slaves." Mr. Reade describes the conditions of the small farmer thus: "The only way in which he can

possibly hold on is to do the work of two agricultural labourers and to spend as much as one . . . as regards his family, they are worse educated and harder worked than the children of the agricultural labourers."

In fact, many observers have deplored the heavy physical labour of small farmers whether in Eastern Europe, in China or Japan. Of course, no universally true statement can be made about this as about any other feature of the agricultural industry; conditions vary so widely and with such an infinite number of combinations, that a generalisation based upon one set of facts does not hold good about another. It is, therefore, hardly necessary to say that over-work is not a universal characteristic of all peasant-farming systems. Quite often, diminution of holdings goes so far, as in the case of the majority of holdings in this province, that the cultivator is actually under-employed. The amount of human labour varies with the size of the holding, the skill and the industry of the workers and the economic conditions in general. In China the farmer does the work even of animals because human labour is cheaper than animal labour and takes great pains for the preservation and use of manure, in notable contrast with some of the higher caste cultivators of our province who consider it derogatory to put their hands to the plough.

Notwithstanding these variations, it is, on the whole, true that if intensive agriculture is practised on a farm large enough for efficient production and for giving the cultivator and his family a reasonable standard of living, the physical labour, specially in some parts of the year, is very heavy.

It has been suggested that this could be remedied by the use of new types of small labour-saving machinery that are adapted for operation on a small holding. The introduction of such labour-saving methods is, however, hardly likely to pay so long as the holdings are small and agricultural labour remains cheap. For instance, a large number of farmers in Northern France, who had bought tractors in the third decade of the nineteenth century, gave up using them after a few years because it was cheaper to employ human labour. Apart from such large machines, even the use of smaller implements is not economical on a farm of 10 or 20 acres. Besides, the capital investment required would be beyond the means of most of the small-holders.

So long, therefore, as agricultural labour is cheap and there are too many people on land, the use of labour-saving devices is neither possible nor even desirable.

We must remember that while a discussion of the relative merits of the agricultural systems of other countries helps us to understand our own agricultural problems more clearly, it would be foolish to assume that we have an unfettered choice and could adopt any system that appeared in the abstract to be the most desirable. Economic and social progress is at every step guided and determined by existing conditions; any attempt to ignore them is to invite disaster.

In our province and in the country in general, where the major economic problem of agriculture is one of under-employment, the introduction of a land system designed to replace human and animal labour by machines would aggravate rather than solve our difficulties.

One need hardly quote statistics to prove that the use of machines reduces the number of men who can be employed in agriculture. In Russia, the collectivisation of agriculture released a large part of her rural population, running to several millions. But as her programme of agricultural reconstruction coincided with industrial development, many of the men who were displaced found employment in towns. This can hardly be managed in India where the problem is much more acute, for one thing Russia was not so densely populated, secondly she possessed vast virgin lands whose cultivation for the first time absorbed a large number of the persons displaced by the introduction of large machines. In the United Provinces, where the population is very dense and the resources for extension of cultivation limited, it would not be possible to absorb even a small fraction of displaced agricultural workers.

(ii) The capital resources necessary for mechanised agriculture are not available. Russia overcame this difficulty by forcibly restricting the production of consumers goods and diverting all her energies to the production of capital goods. In this way she made saving compulsory and used most of her national income for producing capital equipment. The cost was extreme privation and suffering for the people and much discontent. Another

alternative is to borrow foreign capital—a dangerous expedient as many countries have found.

Neither of the methods seems desirable in the present conditions. Besides, even with the present technique which requires comparatively less capital equipment, our main difficulty is lack of capital for the permanent improvement of land. The resources of the State should, therefore, be employed mainly in such works as the construction of canals, wells, afforestation, reclamation of waste, rather than diverted to a difficult and doubtful experiment.

(iii) If agriculture were mechanised we should have to depend upon foreign countries for the supply of oil and petrol. This has its own dangers; if the supply were cut off, the whole economic life of the country might be paralysed.

(iv) Agricultural operations can be performed much more quickly by the use of machinery than by human or animal labour.

The importance of speed as a factor in agricultural efficiency depends upon the character of the seasons. Where, for instance, an unfavourable change in the weather frequently follows harvesting time; speedy harvesting, threshing and storing of the crop may save it from much damage. The margin of time during which the various operations, for the preparation of the soil and for sowing, must be performed may also in some cases be narrow, for each agricultural operation must be adjusted to changing weather and moisture in the soil, and delay may spoil the growth of the crops. This aspect of the question does not appear so far to have been thoroughly investigated. Shri Maya Das, formerly Director of Agriculture, U. P., advocated the use of harvester and thresher combines to reap and thresh the rice and wheat crops. The quick performance of these operations would, in his opinion, safeguard the rice crops from damage by October rains, and the wheat crop from changes in the weather, dust storms, hail and showers, in April and May. Apart from that, he thinks that if rice was harvested and threshed quickly enough, it would be possible to take a second crop of peas and gram from the whole area under rice. The additional yield of peas and gram would amount to about two million tons. The sowing of these leguminous crops would also increase the fertility of the soil. The early harvesting of wheat would permit hot weather cultivation, which

will increase the yield of wheat and barley by about one million tons.

No definite opinions can, at this stage, be expressed upon the suggestions made by Shri Maya Das, but it seems desirable to test them. If the experiments bear out his thesis, the case for mechanisation may, perhaps, have to be reconsidered.

(v) Within certain limits the cost of cultivation varies inversely with the size of the holding. On large holdings the cost of cultivation is low and the net produce per acre is, therefore, usually higher. This applies as a general rule to both peasant and large-scale farms, the cost being lowest on an optimum size of the latter type.

In an age of commercial farming, when agriculture is no longer carried on merely for subsistence in self-contained villages, and when agricultural prices are influenced by the world market, the lower cost of production on the large farms gives them a tremendous advantage over small holdings. The small farmer who has become both a buyer and seller in the market is helpless in the hands of the money-lender and the trader.

These disadvantages can, to a large extent, be reduced by co-operative organisations for credit, purchase of seeds, stock and implements and for the processing, grading and marketing of agricultural produce. By such an organisation a group of small-holders can effect the economies available to a large-scale producer and seller. The cost of cultivation, itself, can be greatly reduced if agriculture is carried on an optimum size of holding.

The small producer even on an optimum holding in Western countries is at a disadvantage because the wages of agricultural labour are high. In England, for instance, an agricultural labourer has a minimum wage of over £ 3 a week, which is about the same as the wage of an assistant librarian or a demonstrator at a university. But in countries where agricultural labour is ill-paid, the cost of cultivation on an efficiently run peasant farm need not necessarily be much higher than that of the large farms in U. S. A.

In spite of all this, however, the balance of advantage is still with the large farmer who possesses sufficient surplus to tide over an agricultural calamity or a fall in prices. But the handicaps of the small farmer can to a certain extent be made good

by stabilisation of the prices of agricultural produce and extension of State aid and social insurance against poor crops or loss of stock.

(vi) Another advantage of the large farm is its capacity to employ technical experts. Development of agriculture in the Western countries has been due mainly to the use of all the systematic information that science and agricultural experience have brought together for increased production. In a country like China, where the cultivator has developed a high degree of skill, traditional methods of farming may seem to hold their own against scientific agriculture. But the capacity and traditional skill of the Chinese cultivator is not made for export. In our country the line of advance will obviously be determined by the increasing application of technical knowledge.

But the employment of an expert by the large farmer is not the only way in which technical knowledge can be made available. The co-operatives in Denmark employ experts, who visit the farm of each member, help him in understanding and removing his difficulties and give him advice on better methods of farming. Besides this, they have perfected a system of education by which all young farmers acquire a certain degree both of theoretical knowledge and practical experience which makes them receptive to new ideas and eager to improve their methods. The State also can provide the service of trained experts to give technical advice and guidance. It is possible in this way for a small farmer to get the benefit of technical knowledge and experience.

(vii) A farmer using animal and human labour cannot manage a very large area as one unit of organisation. With the use of tractors and harvesters, on the other hand, a skilled manager can run a farm of even a thousand acres. This advantage of mechanised farming has been emphasised by some western economists.

It has been pointed out that a farmer is interested, not so much in the produce per acre, as in the total net profit he can make on his enterprise. Large-scale farming is the only method by which an income comparable with industrial incomes can be earned by the agriculturist.

It is hardly necessary to consider this argument in detail because the limiting factor in our case is not the technique but land itself. When over 80 per cent. of the cultivators of this province possess dwarf holdings below 5 acres in area it is futile to consider the advantages of a technique that would permit them to hold a thousand acres each.

Economic holding

This subject, however, leads to a very interesting question, namely, the size of holding that is considered sufficient to provide a fair standard of living to the cultivator. In Europe as a whole (excluding Russia), the average holding is about 7.9 hectares or about 19 acres. In eastern Europe excepting Hungary and Western Poland, the average holding is about 5 hectares or 12 acres. The standards of farming in eastern Europe are certainly not inferior to India. And yet commenting upon the poverty of cultivators in these countries Yates and Warriner observed—"In terms of money, incomes in Eastern Europe are so low that it is difficult to form any idea of what standard of living they indicate. However, numerous investigations in the villages have shown that large sections of the farm population are living below an adequate nutritional standard, in the simple sense that for part of the year they are starving In 1936-37 the League of Nations undertook a series of investigations in Eastern Europe which showed the prevalence of diseases of mal-nutrition. In a group of Serbian villages 60 per cent. of the population showed signs of rickets, while in a sample of Rumanian villages 80 per cent. of the children had intestinal parasites . . . Furthermore, in all the Danubian countries we find high rates of infant mortality, which are due in large part to the low nutritional standards."*

It is well known that animal husbandry is one of the most profitable forms of agriculture and least suited to large-scale methods. Even in Russia the live-stock are mostly owned privately by the peasant. One would expect, therefore, that an efficient unit for live-stock breeding would be much smaller than

*Yates and Warriner, *Food and Farming in Post-War Europe*, page 56, 57.

the unit for the production of cereals. Even this low economic holding is, however, according to the opinion of experts, about 50 acres.

Yates and Warriner observed that "the most successful dairying the world has seen is run on the 50—150 acres farms of Holland and Denmark For dairying it is the farms of over 50 acres which prove the more successful."*

Van Der Post would place it even a little higher—at about 75 to 100 acres. He remarked that "the data indicate in conclusion that in Denmark the holding of a size less than 25 acres is at a serious disadvantage and is not an economical unit. The "efficiency" of the holding increases with size until the "optimum-size" holding, if measured in terms of net returns per acre, is reached in the group of approximately 75 to 100 acres. Beyond this size-group there is again a decline in efficiency, but not to the low efficiency of farms less than 25 acres in size."†

Denmark is often held up as a model of successful peasant farming. Its prosperity depends to a large extent on the fact that it produces protective foods which fetch high prices and for which it has a good market in the highly industrialised zones in its neighbourhood. Besides this, the peasants of Denmark have built up highly efficient co-operative institutions. In spite of these advantages the condition of small holders in the country is not sound.

E. A. Pratt observed that "Nominally the peasant proprietors who constitute so important a section of the Danish people are free holders; practically they are saddled with a mortgage debt . . . representing 55 per cent. of the value of their farms, with buildings, stock and improvements. Interest and repayment of capital constitute a heavy burden and many a Danish farmer is, with all his family working for long hours . . . not so much for his own gain as to satisfy the demands of his German creditor."‡

Sir John Russell expressed a similar opinion: "The small holder manages well enough during periods of rising prices, and good

*Food and Farming in Post-War Europe (Yates and Warriner, page 68).

†Economics of Agriculture, Van Der Post, page 170.

‡Transition to Agriculture, E. A. Pratt, page 241.

men can adapt themselves to steady prices, but all are defeated in periods of falling prices, especially by rapid falls such as came between 1930 and 1933. During these times the small holder is badly hit. . . . This system of ownership is common in Denmark, and while it led to a good standard of living during the years of steady or of rising prices, it involved great suffering in times of crisis. First a Government mortgage was taken out, then a second and sometimes a third mortgage. Peasant ownership in short, works smoothly only so long as prices remain steady; in other times it is liable to lead either to land speculation or bankruptcy. . . . the man with a large holding has more scope and survives better."*

These estimates of the size of an economic peasant holding are very discouraging when compared with the three acres that constitute the average holding of the province. An enormous effort for the development of subsidiary occupations would be required to displace only a fraction of the surplus rural population dependent upon agriculture, and to make the average holding a little bigger, not to speak of the size contemplated by Western economists. The estimates, therefore, serve only to emphasise the magnitude of the problem and indicate that a solution of the present agricultural crisis is possible only if agrarian reforms are integrated with over-all planning and economic development so that even a small holder may be assured a minimum standard of living.

Our own estimate of the size of an economic holding, in relation to the conditions in our province, is 10 acres (*vide* Chapter I).

Conclusion

On a consideration of the purely economic aspects of agricultural technique, we are of the opinion that mechanisation of agriculture is not desirable, mainly on the following grounds:—

- (1) Mechanised agriculture does not lead to the maximum use of land. Considering that we have got only about 0·7 acre land per head of the population, it is necessary to employ the most intensive methods to make this small area yield enough food for the people.

*Agriculture Today and Tomorrow, edited by Sir John Russell, page 63.

(2) Mechanised agriculture would lead to the displacement of a large proportion of the rural population dependent upon land. Considering that we have got a surplus of labour, the use of machines that would increase the number of persons who are unemployed or under-employed is not, in the present circumstances, desirable.

(3) Lack of capital resources and absence of local fuel supply.

Though we have not advocated the general use of large machines to replace human and animal labour, we think there is considerable scope for mechanised agriculture:

(i) On experimental farms, designed to test the productivity of such farms under Indian conditions.

(ii) For the eradication of deep-rooted weeds like *kans*, clearing land under jungle, anti-erosion works such as contour terracing, bunding and gully-plugging, and the reclamation of wasteland by mechanised means.

We have also examined some of the principal disadvantages of small-scale farming and suggested the methods for removing them, namely:—

(i) Speedy methods should be devised to eliminate un-economic holdings. Scattered holdings should be consolidated.

(ii) Organisation of co-operative institutions for credit, purchase of seeds, stock and implements, etc., and for grading, standardisation and marketing of agricultural produce. By these methods the handicaps of a small producer, buyer and seller can be eliminated.

(iii) Social insurance against agricultural calamities, loss of stock, etc.

(iv) An extensive service of trained experts to give technical advice and guidance to the cultivator.

(v) General and technical education of the cultivators.

(vi) Stabilisation of the prices of agricultural produce.

AGRICULTURAL ORGANISATION

Planning in agriculture must be governed by a two-fold aim, economic efficiency and the creation of new social values suited to the genius and traditions of our country. Firstly, it must make for maximum food production and the highest possible standard of living for the community. The people should be able to obtain enough wholesome and nourishing food at prices within their reach, and the efficient cultivator should get an adequate remuneration for his services to the community and safeguarded from poverty and distress. An agricultural policy must aim at the highest development of the national heritage, the full use of both natural and human resources.

But man is not merely an economic being, and does not find his highest fulfilment in the satisfaction of material needs. Economic activity is not an end in itself but only a means to a fuller life. It should, therefore, be so directed and organised as not only to create enough material wealth but also to promote the well-being of the whole man and to subserve desirable social ends. If the production of an abundance of worldly goods cannot be organised except with the loss of individual freedom and happiness, many would prefer an economic system that produced less, provided it gave scope for the full development of human personality and did not lead either to war and imperialism, or to a totalitarian regime. Social values must not be sacrificed to economic efficiency. Reorganisation of agriculture should therefore be consistent with the economic freedom of the individual and the decentralisation of power, social, economic and political, which are necessary for the democratic way of life.

Large-scale production, as such, whether in agriculture or in industry, and whether under a capitalist or a socialist system, has, on these and allied grounds, been subjected to strong criticism, particularly in India, where Gandhiji's teachings about decentralised rural economy, village self-sufficiency and cottage industries and his deprecation of a materialistic view of life have impressed the public imagination and been accepted, within

varying degrees and subject to somewhat different interpretations, by diverse schools of thought including even the Socialist party.

A discussion of this question in any detail would take us too far afield and would hardly be within our scope. But we consider it worth-while to glance briefly at a few salient details as we think that it would, perhaps, bring out more sharply the fundamental differences as well as the meeting-points between those who advocate a system of co-operative joint-farming and those who prefer a system of peasant proprietors. The respective merits of these two systems have aroused considerable public interest, and opinion has been sharply divided among economists, political and *kisan* workers and the public in general, as well as among the members of the Committee. We shall also explain in the sequel how in spite of these persisting differences we have been able to arrive at a unanimous conclusion.

To begin with, it would be worthwhile to describe very briefly the well known difference between a village craftsman and a factory worker, as this description throws into vivid relief, the essential features both of large-scale and small-scale production and the difficulties of planning in a centralised or a decentralised economy. We shall subsequently note their application to agricultural organisation.

A small producer, such as a village artisan, is engaged in many-sided and varying activities. The production of even a comparatively simple commodity requires the performance of various operations and a degree of skill in each. He takes pride in the quality of the finished product, and strives to excel himself. In the variety of design, shape or colour he has an opportunity to exercise his artistic sense and thus finds a creative joy in his work. He is not, however, merely a producer but also a buyer and seller on the market, his manifold activities prevent monotony or unremitting drudgery. He bears a burden of responsibility and is continuously making decisions, however humble their scope, which develop his character and intelligence. Besides this, almost completely before the decay of our village communities by the inroads of commercial marketing and capitalism and the zamindari system, and even now, to some degree, the village craftsman is not exposed to the temptations or perils of

a competitive economy. His work is, in a sense, a private enterprise carried on with the motive of private profit, but it is also a service to the village, in the performance of which he is assured a modest competence and a definite social status. The quantity of goods required, i.e., the demand for his products and their price, is, to a certain extent, determined by tradition. The market is limited but it is certain, and not liable to the fluctuations of purely competitive enterprise. The craftsman is, therefore, on the whole safe and content; he has neither the opportunity nor the desire to acquire vast wealth, his purely acquisitive and selfish instincts are not over-developed, nor does he run the risks that go with the opportunity of acquiring wealth. He is not harassed either by the extravagant personal ambition or the fear and uncertainty that is the characteristic state of mind bred by the capitalist system. He does not stand by himself alone, at war with the persons with whom he deals, the economic forces that affect his livelihood are within his understanding, he knows and is at peace with the world in which he lives.

It is only when one considers all these aspects of our traditional way of life that one can realise the significance of the concept "*dharma*" as attached to a man's calling and the duties of his station.

Nor is this a stagnant or a closed system, the aspirations and conflicts out of which great art and philosophy take birth will continue to exist in almost any social organisation. A continuous economic struggle is not necessary for progress in culture or civilisation.

Most of these incidents applied also to the agricultural producer until our ancient village communities were rudely disturbed by the impact of British rule and the zamindar, and the change-over from subsistence to commercial farming. In the pursuit of agriculture, as of trade, the social bonds and the cohesive force of the community mitigated much of the rigours of competition, the spirit of individualism and personal greed. The village as a self-governing institution, the caste system and the joint family, were, all of them, institutions designed to bring individual purposes and economic motives into harmony with the well-being of the community as a whole, and to co-ordinate

the interests of the individual with the interests of a larger group; the degree of co-ordination being strongest in the smaller group, i.e., the joint family, and thinnest in the largest group, i.e., the village community. Incidentally, we would not like to be judged as acting from a spirit of revivalism; much of this ancient pattern has passed away beyond recall, much of it still lingers, but is no longer suited to present-day economic needs. The evils of the caste system, for instance, are manifest; instead of being a progressive force it is today one of the greatest impediments to individual development as well as co-operation. But these institutions do certainly indicate that the genius of India, more than that of, perhaps, any other country is for the willing co-operation of individuals for social well-being. The imposition of British ideas has distorted and to a certain extent injured our national heritage but it has not completely wiped it out. The organisation of our social life and our habits of mind are not individualistic, at any rate not to the same degree as those of an ordinary European. It is a realisation of this basic fact that constitutes the point of departure for the new scheme of land tenure that we propose.

We may now contrast this picture with the life of a factory worker. He performs only a small and insignificant part in production, he does not determine the shape or the quality of the goods which he helps to produce. The monotonous repetition of the same simple movement throughout his working hours is a mere drudgery that dulls his brain. He takes no decisions and is incapable of understanding the vast and complex organisation of which he is a mere tool. He has thus no opportunities for the development of his character, intelligence or artistic sense. Besides, as all the vital decisions are taken by a small group the worker loses his personal freedom and has merely the status of a slave to a machine, bound to carry out implicitly orders given by a higher authority, whether of the capitalist under the capitalist system, or of the business manager, technician or party boss in the Socialist State. Of course, socialism or communism solve the inherent contradictions, the wastefulness and inequitable distribution of wealth which are incidental to capitalist economy, and are infinitely superior to the latter. But we need not get into all that here. The point we are considering is that certain evils are associated with large-scale production

under any system of organisation, the most important of which are the loss of freedom and the lack of opportunities for self-development. Under the capitalist system the proletariat have no economic freedom, and therefore, some would say, no social or political freedom either. In the Socialist State, they acquire a measure of economic security but they have certainly precious little of social or political freedom, at any rate not in the only completely socialist State that exists today, i.e. the U. S. S. R. Of course, a number of arguments can be advanced to explain this denial of political freedom: the necessity of rigid control in the early stages of a transformation which is so basic and abrupt and requires a re-orientation not only of society but of the psychology of the individual; the difficulties of a socialistic State fare to face with a hostile world, and so on. In spite of these apologies, we are inclined to think that the defects of large-scale production suggested above are inherent in the method of production itself, and cannot be cured by State control. Actually, State control intensifies instead of diminishing them.

The complexity of large-scale production, the vast economic factors involved, and the use of huge machines calls for the service of experts who alone are capable of running it. These experts, i.e., the technicians and the managers are bound to acquire a dominating influence. The bigger the organisation, the greater their power. Now even under capitalism, the large-scale units have a tendency to expand by merger in the shape of cartels and combines. In a Socialist State, however, the ultimate unit would be the State itself. All organisation involves the surrender by individuals of their freedom and concentration of power in the hands of a few, the bigger the organisation the greater the surrender. When the ultimate unit of organisation is the State itself, which is thus possessed of supreme economic, as well as political power and is the repository of all force, the surrender, it can be easily imagined, would be pretty complete and the concentration of power could hardly be more intense.

This difficulty, it may be pointed out here is one of the fundamental problems in planning. When control of economic activity by the State goes beyond the stage of mere palliatives and minimum reforms, it seems to involve the use of force or coercion and the denial of individual freedom in an increasing

measure, corresponding to the scope and pervasiveness of the planning, which in its turn corresponds to the magnitude of the evils it is intended to remove.

Planning, as the very term indicates, involves the substitution of the anarchy and waste of a thousand wills for narrow personal interest by centralised action in which self-interest is subordinated to the interests and the well-being and prosperity of the community as a whole. The experience of the past few decades has shown conclusively that the self-interest of individuals does not add up to the self-interest of the community as a whole and that economic forces cannot contrive a balance by themselves. Within our own narrow compass, the technical problems of agriculture indicate the vital necessity of comprehensive planning.

The difficulty is that, on the one hand, there is no avoiding State direction and control of agriculture if we are to increase food production; on the other hand, it is undesirable to use coercion, or to concentrate power in the hands of a highly centralised State. Decentralised rural economy is an ideal that we have accepted without reservation.

The two conflicting requirements of the situation can be met, in our opinion, by co-operative institutions, ascending in an hierarchy of larger and larger groups up to a roof organisation of the whole province working in close collaboration with the government. There must be a central plan laid down in broad outline by the Government but administered through local institutions which are left free to choose their own methods as far as possible and to make full use of local knowledge, initiative and goodwill.

By a co-operative organisation of society we can thus avoid the evils both of capitalism and the regimentation of the individual under a Socialist State. The chief value of the co-operative movement lies in the fact that its growth is closely related to the training of the individuals in the art of self-government. The extent and scope of the organisation widens, as the people are trained to assume responsibility for administering and directing larger and larger enterprises and to overcome the initial conflicts that arise in any intimate human association from differences

in temperament and personal ambitions. The economic and social control is provided, not by the State, but by the group itself which creates administrative and technical experts from its own ranks. Social morality is developed in exact proportion to the size and functions of the group. By this method the change-over from a capitalist to a socialist economy can be brought about without the use of force by a compulsory and all-powerful State. "As the development of co-operative democracy proceeds on its orderly way, meeting new needs, performing larger and larger functions, the transference of the control of industry from the hands of the few to the hands of the many goes on without social disturbance. It is the orderly and systematic merging of one system into another. Although its end is the very end which economic revolutionists seek, its method is free from violence and cataclysm. It is the peaceful revolution in action."*

Before we go on to discuss the question of co-operative organisation of agriculture, and whether co-operative methods should be applied to the whole field of productive activity including farming, or only to agricultural credit and marketing, we may summarise the arguments against large-scale production from the sociological point of view:

(1) Large-scale production requires an assured supply of raw materials many of which cannot be obtained locally, it also leads to over-production of goods which cannot all be sold at a profit in the local market. For these reasons, as well as the profitable investment of capital which cannot be employed for productive purposes in the home country, highly industrialised countries are obliged to seek economic and political control over comparatively undeveloped areas. This leads to imperialism and war.

Agriculture is itself a primary industry and requires no raw materials. Besides, even if large-scale methods lead to greatly increased production there would be no need to look for foreign markets as we ourselves require all the food that can possibly be produced. It is only the countries which have a large surplus, such as U. S. A., Argentine or Australia,

*Co-operative Democracy Warshaw, page 11.

or countries which are almost exclusively engaged in a special type of agriculture, breeding cattle or pigs for meat, or milk products, as for instance Denmark, that rely upon foreign markets.

Impressed by the high profits made on small farms in this type of agriculture, some economists hold that mixed farming is the only method by which a high standard of living can be assured to the peasant in an over-crowded country and have advocated its general adoption.

A considerable extension of mixed farming is obviously necessary in India where the people suffer from malnutrition and ill-health on account of an unbalanced diet. But market gardening and animal husbandry cater generally for an urban market and require high purchasing power, they cannot, therefore, to any large extent, replace the production of cereals which are our staple food.

(2) An abundance of material goods creates artificial wants, which grow the stronger the more they are gratified; the whole of society has, therefore, to be organised to meet these increasing wants by large-scale production of more and more goods. It is suggested that the materialistic view of life should be abjured and human wants simplified.

This argument again has no application to Indian agriculture, as our problem is how to satisfy even the minimum needs of the people.

(3) In large-scale production, whether under a capitalist or a socialist system, the worker loses his freedom and self-government in daily work. It has, therefore, been argued that the encouragement of cottage industries and peasant proprietorship with its sturdy and independent peasants are alone consistent with a democratic order of society.

The question depends partly upon the size of the group to which the worker belongs. In the family, for instance, no member is really free, work and the profits of work are shared in common. Consideration for the interest of others imposes limits upon the economic and personal freedom of each individual. In spite of this only a few persons have argued that the family is

an undemocratic institution and should be broken up in the interests of the liberty of the individual. It must be remembered that no single value can be regarded as absolute and all institutions designed exclusively with the single purpose of fostering it. Actually, if this argument were carried to its logical conclusion, no association or group or even the State itself would be possible, an element of coercion being a universal feature of all human association. In return for the sacrifice of absolute freedom each member of a family gains a thousand-fold in higher social values, love, unselfishness and the sense of security; personal material worries and anxiety are practically eliminated. An individual is encouraged in the cultivation of social responsibility, self-control and self-discipline. Social status is determined not by material possessions but by the excellence of work and a man's usefulness to his fellow beings. In fact, where there is true companionship the sacrifice of freedom is in itself a virtue. In the Hindu joint family, which is one of the distinctive features of our society, the same principle applies to an even larger group.

We are, however, of the opinion that the workers on a large mechanised farm extending over an area exceeding a thousand acres constitute a group that appears to be too large for the growth of true fellow-feeling, at any rate judging from the present decline of social instincts. Where fellow-feeling does not exist there can be no voluntary co-operation, and the organisation of the group involves bureaucratic control and the subservience of each member to purposes other than his own. Mechanised farming requires a unit of a thousand acres or more, it will, therefore, be necessary to consolidate several villages, the average area of a village being about 300 acres. It is difficult, in the present circumstances, to conceive of a bigger co-operative group than a village community, the organisation of which would not involve a compulsory and irksome surrender of individual freedom.

In fact, as the close subordination of collective farms to Machine and Tractor Stations and to the State in the U. S. S. R. shows, the logic of mechanised farming leads not to voluntary co-operation but to the totalitarian State.

Whether co-operative joint-farming with non-mechanised agriculture and with the village community as the highest unit

is desirable from the social and economic point of view is a question we shall discuss in the next section.

After this review of the merits of mechanised agriculture it does not seem necessary to examine in any detail the different bases upon which it can be organised. We may, however, note briefly the particular characteristics and difficulties of each type of organisation.

(1) *Capitalist farming of the American or British type:*

This does not seem practicable in India owing to the average cultivator's lack of capital resources. A suggestion has, however, been made that after property rights in land have been acquired the State may give land to private capitalists for scientific farming, subject to regulations regarding labourers' minimum wages and conditions of work. As American methods have been rather wasteful of land—causing soil exhaustion in large areas—some conditions to prevent this may also be imposed. It has been argued that capitalist farming can give good wages, better housing amenities and provide social services, it will also lead to the better utilisation of land, and the establishment of ancillary industries such as manufacture of vegetable oil, dairy products, etc.

Another suggestion is to limit capitalist farming to land reclamation and costly plantations requiring capital expenditure which the State is unable to provide.

We are strongly opposed to either of these proposals. The possibilities of attracting private capital for productive purposes in agriculture do not seem very high, considering the lack of interest which has so far been shown by landowners in reclamation of waste or development of their homelands which, in some cases, cover extensive areas. Some capitalist farms, notably sugarcane plantations in India, do certainly compare favourably with an average peasant farm, but as we have shown, this is not the only possible, and is certainly not a desirable, method for improved land utilisation. The same results can be achieved and even excelled by intensive peasant farming. Besides, a system that would deprive the agriculturists of all their rights in land, reduce them to the position of industrial labourers and subject them to capitalist exploitation, hardly deserves serious consideration. It would also increase the surplus unemployed labour and

displace an enormous number of cultivators who cannot be absorbed by any conceivable expansion of industry.

(2) *State farms:*

Under this system, the farm is managed by government officials, the agricultural workers being reduced to the status of wage-labourers.

The incentive for efficient production would be weak both in the managers and the agricultural workers. Russia is the only country to have taken up State farming on a large scale. Their average size in 1929 was about 140 thousand acres per farm; Gigant, the largest of these, being 50 miles long and 40 miles broad, employing about 17,000 workers. In 1939 the number of these farms was 477.

In spite of Russia's rigid control over economic activities and its short way of dealing with incompetent officials, the State farms appear to have been a failure, and later policy was to convert them into collective farms. Swidersky, the official historian, admitted in 1927 that 4 or 5 thousand State farms covering an area of 500 millions during the period of "War communism" did not produce enough food even for their own consumption and for feeding the livestock. Stalin himself addressing the Central Committee of the Party on January 7, 1933, admitted that only a few State farms paid their way. A year later in his report to the seventeenth Congress of the Party he said, "it must be admitted that they still fail to cope with their tasks. I do not in the least under-estimate the great revolutionising role of our State farms. But if we compare the enormous sums the State has invested in the State farms with the actual results they have achieved to date, we will find an enormous balance against the State farms."

In our own province it is doubtful whether Government farms could be run on a commercial basis by the Agriculture Department. The tendency so far had been towards reckless expenditure; if the pay of officials employed to supervise and run them and other miscellaneous expenses were included the cost of production would probably be too high. It must be admitted, however, that of late financial and administrative control over these farms has been greatly tightened up.

The social effects of a system in which the State becomes the chief employer have already been discussed above. As Shri Charan Singh observed—"in such a State all power is vested in the bureaucrats who run the administration and the managers who run the industry and state farms. . . . One has simply to realise the picture of hundreds of millions of Indians literally working under the cold-blooded control of an unimaginably vast and complex bureaucracy, and to dismiss the scheme outright. It is a devastating thought—that of one man or a few sitting at the top and undertaking to direct and control every operation of agriculture throughout this big country. It will amount to building a society in which nobody will count for anything except a politician, an official, the manager of the factory or a farm."*

While we do not recommend the adoption of this system on a large scale, we think the opening of a number of State farms would be desirable for purposes of experiment, growing good seeds, or as models for cultivators, or as stations for supplying costly implements on lease or hire.

Land reclaimed from waste or jungles or costly plantations by the State might also be run on this basis, at least in the early years.

It would, perhaps, be desirable that except for farms for purely technical experiments, of which the utility cannot obviously be judged in terms of money, all other farms must be run on a strictly commercial basis and on an accurate accounting system. If the pay of the officials engaged in the direct management of these farms were to depend upon farm-profits, it would be comparatively easy to attain high standards of efficiency.

(3) *Collective Farming:*

We have described the collective farms of U. S. S. R., Palestine and Mexico in Chapter XII and shall, therefore, give here only a brief account of their essential features in order to compare them with the others. Under a collective farm, ownership of all the land, stock and capital vests in the community as a whole. Private property in land and individual holdings are completely abolished. A partial exception is made in the collective farms in the U. S. S. R., where individual members are allowed to occupy and use small homesteads separately for keeping live-stock and growing vegetables for domestic use.

*Shri Charan Singh's "How to Abolish Zamindari" page 42.

Cultivation is carried on the whole farm as one unit of organisation, under a management elected from among the members, which lays down programmes of daily work, directs and supervises the performance of all agricultural operations, organises credit, marketing, supply, insurance, etc., and special social services such as education, medical aid and recreation centres.

The profits of the farm may be divided in a number of ways. In the U. S. S. R., payment is made on the basis of wages earned by each member according to the work done by him. All work is not treated as equal, remuneration being graded according to the degree of skill and technical knowledge required, with special rewards or bonus for efficiency. Thus, though the means of production are collectively owned and exploited, the motive of economic reward for work done by an individual is to a great extent retained. Supervision over an individual worker, to keep him up to a definite standard of diligence and efficiency, is also exercised; the difference being that in a capitalist farm the supervisor would be a person possessing external authority. In a socialist farm the supervisor is a person democratically elected by the workers from among themselves. In the U. S. S. R. and Mexico, the collective farm, therefore, represents an intermediate organisation between a private enterprise run with the sole incentive of private profit, and a family where the motive for work is not individual gain but the economic well-being of the group as a whole.

In the collective farms in Palestine, both production and consumption are communal, the member shares the food, clothing, housing and other amenities provided by the community by virtue of being a member and not in proportion to the work he has done, his productivity or usefulness. He works not with the motive of profit but from a sense of duty. These farms are commercially successful; like most new settlements, whether co-operative or individual, they were started only with the aid of a central financing agency but after a few years most of them show a profit on the investment. They are run without the aid of the State and within the framework of a capitalist society, showing that at least in some circumstances, it is possible for men to do their work honestly and efficiently from a motive higher than one of private

profit or personal property. Of course, that does not prove that the same social experiment can be repeated elsewhere with the certainty of success. In U. S. S. R. itself, the communes which were analogous to the collective farms in Palestine and represented an ideal of which the State approved, have tended to fall into decay and have been generally superseded by the *kolhoz* or the collective farm which represents a less extreme type, in which concessions are made to the psychology of an unregenerate individual. The *kolhoz* themselves were not organised without a great deal of social disturbance. Indeed, their history is an object lesson in how a co-operative community should *not* be established. It must be recognised, however, that the actual steps taken, either in the Soviet or elsewhere, are not essential features of a policy of collectivisation.

In Mexico, the change-over has been easy and smooth, because what the State was dealing with, were not small peasants clinging fondly to their paternal holdings in spite of poverty and distress but landless labourers. It is, obviously, much easier to collectivise landless labourers accustomed to work on wages under the control of plantation managers and who have, therefore, no habits of individual and economic freedom or attachment to land, to give up. It is not anything extraordinary or uncommon in the psychology of the peasant that makes socialisation of agriculture more difficult than the socialisation of industries, the explanation lies in the fact that an industrial worker is already used to work under an organisation. Indeed, he gains more than he loses by association, where he worked previously under the arbitrary direction and control of the boss, he is now associated with his fellow labourers in a democratic works council which exercises some degree of control over the factors of production. This control in a highly centralised State is bound to have a very limited scope, but at any rate it is better than the conditions to which the worker was accustomed. His economic position is, of course, greatly improved.

It is widely admitted that in cases where large-scale production is inescapable, as for instance, in heavy industries, a socialist organisation is superior to capitalist organisation. The difficulty is, however, that after an industry has been organised on a democratic basis and the inequitable distribution of wealth corrected,

the industry as a whole would still continue to be essentially a capitalist unit, in the sense that its collective production and marketing would still be governed by capitalist motives. It would continue to over-produce, sell at the maximum profit and compete with other units, in a manner inconsistent with the general welfare of the community as a whole. It would be necessary, then, to take a further step and rationalise the relations of all such productive centres by State control. This leads to a regime in which the State acquires supreme economic power the evils of which have already been described. This is the shape which collective agriculture has taken in the U. S. S. R.

But so far as we are concerned this is not an immediate problem. The question would arise only if the basis of Indian economy as a whole and in all its sectors were transformed into a completely socialist society. As this is not being contemplated, much of the criticism that collective agriculture leads to a totalitarian State loses its force. Each collective farm can become a more or less autonomous and democratic unit and left comparatively free from State interference. Co-operative organisation of agriculture does not necessarily involve control by an absolute State. To a large extent, this is the state of affairs in Palestine, where both collective and individual farming exist side by side, and where the autonomous collective farm as a whole deals with a capitalist society on its own terms. In Mexico, there is a much greater degree of supervision, both in finance and in administration. This is largely due to the general ignorance, lack of experience, agricultural skill and organisational ability among the members of the collective farms, who are mostly ignorant and illiterate "peons" or landless labourers. The control is, however, mainly of an administrative nature, designed to correct the shortcomings of the farms. Obviously a similar degree of State supervision, and technical and financial aid, would be required in this country if co-operative farming were introduced. But this may be regarded as a transitional stage, with an increase in general and technical education and co-operative experience, there seems to be no reason why State control cannot be gradually relaxed.

About the success of collective farms no one, at any rate for some time to come, will have the last word. The main difficulty,

to which we have referred earlier, is the lack of adequate data about the U. S. S. R.

About Palestine and Mexico the information available is still more scanty and one has to rely mostly upon opinions, which would naturally vary with the social bias of the observer.

On the whole, it seems safe to assume that these farms have achieved a fair measure of success, comparable with capitalist farms. They are not, however, as profitable as intensive peasant farming at its best.

PEASANT PROPRIETORSHIP

Peasant proprietorship and co-operative farming

The simplest form of peasant proprietorship is the *ryotwari* system prevalent in a number of provinces, notably, the Punjab, Sind, Bombay and part of Madras. Under this system the occupant of land, i.e., the *ryot* possesses a permanent, heritable and transferable interest in land and is liable to pay the land revenue fixed on his holding. The unit of revenue assessment is usually the *ryot's* holding, except in the Punjab where the assessment is made on the village like temporarily settled zamindari provinces and then distributed on the individual *ryot's* holdings.

The *ryot* is regarded as the full proprietor of the land with an unrestricted right of transfer and subletting. In a large number of cases, he does not attend to the efficient cultivation of land himself and sublets it to a tenant-at-will, the term of the sublease is usually short, and rent is often paid in kind as a share of the produce. Only in a few areas have attempts been made to give some statutory protection to the tenant or the share-cropper under the *ryot*. In this respect, therefore, the position of these cultivators is much worse than the position of the tenants in the zamindari system, where rights in land have been progressively modified, giving to the actual cultivator some security of tenure, and fixity of rent. In the permanently settled areas, the tenants usually possess a permanent, heritable and transferable interest. In the temporarily settled areas, they generally hold on a permanent and heritable tenure but with no right of transfer.

Cultivation by non-occupancy tenants is more common in the *ryotwari* than in the zamindari areas. In the Punjab out of 51.17 million acres, 15.25 million acres, i.e., nearly half the land is held by tenants-at-will paying rent in kind (*batai*), amounting generally to half the produce. On land irrigated from wells it is one-third of the produce and sometimes less; the usual practice,

however, is to pay half. Ordinarily the tenant-at-will bears the expenses of cultivation and provides his own plough and cattle, but in some cases the *ryot* provides half the seeds.

In Sind, in about four-fifths of the cultivated area the predominant method is the share-cropping system, by which the cultivator provides his own plough and cattle and gives normally a half share of the crops as rent. These tenants, both in the Punjab and Sind, pay an excessive share of the crop to the landlord. They are rack-rented and poor and lack both the incentive and resources for increased production.

In the *ryotwari* areas as elsewhere, sub-division and fragmentation of holdings has continued unchecked; the economic causes being the same, i.e., decay of cottage industries and excessive pressure upon the land. No attempt to prevent sub-division of holdings by transfer or succession appears to have been made so far, except for an interesting experiment to create impartible holdings made in Bombay in the later half of the nineteenth century which has been described in Chapter X. The plan to create impartible holdings was not well-received and led to administrative and judicial difficulties and had to be given up. No attempt to check sub-division of holdings has subsequently been made, because it cannot succeed unless it is integrated with over-all planning, particularly the growth of subsidiary occupations.

Attempts to check fragmentation of holdings have been made from time to time, in the *ryotwari* areas as well as in other provinces, without any conspicuous success, except in the Punjab. Consolidation of holdings is naturally easier in the *ryotwari* areas because it does not come up against the difficulty of a multiplicity of tenures in addition to the other formidable obstacles which are common to all the systems, namely, the peasant's conservatism and distrust of change, and the difficulty of satisfying everyone that the exchange of land is not to his disadvantage. Even in the Punjab, the total area consolidated is about 2 million acres out of a total cultivated area of over 31 million acres.

Reliable information about the average size of holdings and the number of cultivators holding various sizes of holdings is not readily available. According to an enquiry made by the Board

of Economic Enquiry, Punjab, in 1939, 63·7 per cent. of the owners possessed less than 5 acres each. Most of the farms in the *ryotwari* areas, as elsewhere, have become so small that they hardly provide enough for bare subsistence.

Land is generally held in very small and scattered parcels. On these tiny holdings the standard of living of the cultivator is very low, the surplus is too small in normal years to take the strain of bad years. The capital available is too small for efficient cultivation; this leads to low productivity, the deterioration of the soil and growing indebtedness.

The tendency for ownership of land to pass into the hands of absentee landlords exists in the *ryotwari* no less than in the zamindari areas. In the Punjab, for instance, 2·4 per cent. of the owners hold 38 per cent. of the land.

These features of the *ryotwari* land system are inconsistent with efficiency in agricultural production.

On a careful study of the characteristic defects of the *ryotwari* system and the manner in which similar problems have been tackled in other countries, Shri Charan Singh has drawn up a scheme of peasant proprietorship in his memorandum on "How to Abolish Zamindari" from which the following account has been condensed in his own words :

"The main principles are : firstly that land should be regarded not as a source of rent providing an unearned income for its owner, but as a definite and limited means for employing the labour of a class of citizens whose regular occupation is the tilling of the soil. Consequently, it should be held or acquired only by him who cultivates or is prepared to cultivate it himself, to the total exclusion of rent or income without labour. Secondly, the land being a national asset, the right to hold it should necessarily attach the obligation to use it in the national interest and no body, therefore, has a right to abuse or misuse it, or while holding it not to use it. And if the owner or holder does not fulfil the social and economic duties incumbent upon property, he must be treated as a speculator or defaulter and be diverted.

"The first principle that none should be allowed to derive an unearned income from land suggests two measures:

(i) the raising of the existing tenants to the ownership of their holdings;

(ii) the preventing of the passing of land into the hands of speculators or non-agriculturists in the future.

The second principle that land, being a national asset, should be used to the best possible advantage of the community leads to two others, viz:

(iii) reclamation of wasteland, its distribution among holders of uneconomic farms and, if excess is available, settling of landless agricultural labourers thereon; and

(iv) regulation of the size of holdings and their internal organisation.

Maintenance of peasant proprietary or no land to non-agriculturists

"We have to take steps to see that land is prevented from passing into the hands of absentee or non-agriculturist owners who will not or cannot cultivate the land themselves, but will let it out, be it on cash or produce rents; otherwise if the right of private ownership is retained, that is, if land can be freely sold richer people would gradually buy up big parcels of land and a large section of the peasantry would again be deprived of land, which would, to all intents and purposes, be a return to the old situation.

"The measure suggested is to forbid letting. The detailed proposals are :

(i) That the State should take over at a fair price—at a fixed co-efficient of revenue—the holding of a person who cannot or does not wish to cultivate any longer and cannot negotiate a satisfactory private sale himself.

(ii) That all leases should be declared void *ab initio* except when the lessor is a widow, a minor whose father is dead, a person of unsound mind, a recognised credit association or institution, or a person incapable of cultivating

by reasons of blindness or physical infirmity or because he is confined in jail or is in the military, naval or air service of the country.

(iii) That if the holder does not sell his land to the State, nor does he come within the exceptions enumerated above, but lets out the land to a third person, the land shall be forfeited to the State without compensation.

(iv) That land shall be allowed to be attached, mortgaged or auctioned only for debts advanced by the State or credit associations and institutions recognised by the State and not for private debts.

(v) That henceforward no exproprietary rights of occupancy shall vest in a proprietor on transfer of his land.

Letting is prohibited to prevent the professional money-lender, who does not cultivate the land himself and uses it merely as a commercial investment, from acquiring the land with the object of letting it. The possibility of middlemen exploiting the labour of the peasantry is thus eliminated. The extreme penalty of expropriation without payment in cases of letting has been devised in order to eliminate attempts at subterfuge and evasion of the prohibition against letting. It might be argued that the provision is very harsh; a right to his share of the land in the village ensures a person a retreat and a livelihood if he becomes incapable of earning his living in the outside world; by taking away this right we are, in a way, taking away his old-age pension and insurance. The reply is that unmitigated letting is a source of many evils. In a country where land is scarce and claimants too many, it cannot be that one man can engage in a non-agricultural avocation and retain his land too, while the other goes without any occupation at all.

Regulation of the size and internal organisation of holdings

State policy in this connexion may aim at the prevention or abolition of unduly small farms, the prevention and abolition of unduly large farms and the re-arrangement of farms which

are uneconomically laid out through being scattered or divided into too many plots.

Consolidation—Consolidation has been regarded as the very first step towards improvement of agriculture by agrarian economists all the world over. We, in the United Provinces, have not achieved any appreciable success in this direction, perhaps, a combination of compulsory and co-operative methods coupled with the taking over by the State of the cost of consolidation, or, a very large part of it, would accelerate the process of consolidation at the desired pace. A national or governmental drive from the top and a staff of honest and competent consolidation officers and surveyors, amins, etc., possessing imagination, interest in their work and sympathy for the cultivators, are, of course, the two *sine qua non* of the success of the scheme on any national or provincial scale.

Abolition and prevention of large property—The governing principle of distribution of land would be that no man should have more land than he could himself farm or less than is essential for the maintenance of himself and his family, and, if possible, a reasonable surplus. Large farms whether under the occupation of a proprietor or a tenant should be broken up into small holdings, not exceeding 50 acres in area. Lands thus acquired by the State should be redistributed, firstly among uneconomic holdings so as to make them economic, and secondly among landless agricultural workers. To prevent the emergence of large farms in future, we propose that land should not be allowed to pass to an individual, except through inheritance or survivorship, so as to make his holding larger than 12½ acres altogether. In no case, however, as said before, shall the agricultural property of a person exceed 50 acres.

Abolition and prevention of uneconomic holdings—It is, however, the question of uneconomic holdings that is most baffling. The splitting-up of agricultural holdings into uneconomic units is admitted on all hands as one of the main causes of the peasant's poverty; it is the curse of Indian agriculture in particular.

"The excessive sub-division is due to the laws of inheritance, prevalent both amongst Hindus and Muslims, according to

which land, however little, is liable to be divided amongst all the heirs of the deceased, to the fanatical attachment of the peasant to the land of his forefathers and to the absence of an industrial outlet for the population and the consequent concentration of overwhelming numbers upon agricultural land for their means of livelihood. In industrialisation lies the solution of the problem of agricultural over-population in a large degree. Industrialisation, however, is a long term or distant remedy. Despite industrialisation, there will still be uneconomic holdings, leading to poverty of occupants and waste of national energy. The appeal that the land has for the son of a cultivator, his inborn attachment for the village, his conservatism, the comparative independence of a farmer's life—these and other things will still bind many a peasant's son to his land, however uneconomic it may be and however large and various the openings that industrialisation may offer. It is necessary in these circumstances to change the law of inheritance.

"On an estimate of an economic holding at $6\frac{1}{2}$ acres the proposals are:

Firstly—A person shall sell or let only either the whole of his land if it is less than $6\frac{1}{2}$ acres in extent, if it is more, in lots thereof each not less than $6\frac{1}{2}$ acres in extent or to persons whose holdings would amount to $6\frac{1}{2}$ acres or more in extent but not larger than $12\frac{1}{2}$ acres when the land sold or let is included.

Secondly—That no holding shall be partitioned, gifted or devised or shall devolve on heirs in such a manner as to render any single share or portion thereof allotted, gifted or devised to any co-sharer, donee or legatee or devolving on any other land that he may be already possessing.

Thirdly—If co-heirs cannot each get $6\frac{1}{2}$ acres or more, then male co-heirs, and as between male co-heirs, sons, and, as between those so entitled, the eldest ones in the descending order, shall be entitled to get the property and shall be liable to maintain till majority a minor heir, if any, that has been so excluded.

Fourthly—That a holding whose area is $6\frac{1}{2}$ acres or less shall for ever remain impartible and shall be held absolutely and in severalty by the one person entitled for the time being.

"The question of questions, however, is:

What shall happen to the excluded heir and his rights in the patrimony? We propose that there should be no compensation whatever, except that the successor should be laid under a statutory obligation to maintain the excluded heirs, if any, till they attain majority. It may be said that the proposal is manifestly unjust to the excluded heirs; the reply is that it is based on three very good reasons, viz., firstly, that if the successor is required to pay compensation he shall have to incur debt, which, as has been found by the Provincial Banking Enquiry Committee in the case of Burma, he will, in all probability, be not able to pay off during his lifetime unless he sells his holding to raise the amount. Secondly, that the reform is being advocated in national interest before which individual interest must yield, and there is no question of justice or injustice where the good of society as a whole is concerned. Thirdly, that, rather than an economic holding divided between, say, two heirs and each of them starving or see an owner of an economic holding start his life with an encumbrance round his neck which he will not be able to shake off, it is far better to start one of the two as an owner of an economic holding free from handicaps and to put the other on his mettle. The father, lest his disinherited son fall into a lower economic class than that into which he has been born, will direct his efforts to equipping him as well as he can by training and education for his future career. The excluded heir, too, if he has any guts, will strenuously resist economic degradation and will do his best, aided or unaided, to qualify himself for the battle of life that lies ahead.

"Extent of co-operation—Introduction of co-operative methods in all aspects of the economic life of the cultivator other than actual farming will answer the needs of our country; it is the 'best hope of rural India', as the Royal Commission of Agriculture put it. It offers the surest guarantee against the exploitation of the peasant's ignorance and isolation, as also the best method of bringing the results of scientific research to the door of every peasant. We will not have to 'tear up by the roots any small man's refuge that is left in a world so ridden by hugeness,' as to ask him to sacrifice his sense of pride in his land,

and yet secure for him many of the benefits of large-scale operations, capital and organisation which critics may think of.

*"Non-arable land to vest in panchayat—*We advocate individual possession and also ownership of a sort, only so far as arable land is concerned; there can be no objection to the vesting of ownership and control of *abadi*, waste and pasture lands, thoroughfares, ponds, etc., in the nation or the village community, i.e., the panchayat, preferably the latter."

Difficulties of peasant proprietorship

As we have pointed out in the first chapter, the most dominant as well as the most intractable feature of our agrarian economy is the small size of the holding occupied by the vast majority of the cultivators. No effective solution of the problem of improved production and the crushing burden of poverty can be found until we devise a system in which the unit of agricultural organisation will not ordinarily be below the minimum unit.

The solutions suggested above are:

(i) *An immediate curtailment of large farms whether six and khudkasht or tenants holdings exceeding 50 acres in area, and redistribution of the land among small holdings or landless agricultural labourers—*We have already examined this question in Chapter XIV and arrived at the conclusion that an immediate redistribution of land is not desirable. Even if it were a practicable suggestion the area available by imposing this maximum limit both upon tenant's and zamindar's proprietary cultivation is not likely to exceed about 25 lakh acres out of a total holdings area of 415 lakh acres, i.e., about 6 per cent.

(ii) *Reclamation of wasteland and its distribution among uneconomic holdings—*Just at present it is difficult to form any idea of the area of wasteland that can be recovered, but most of it is likely to be required for afforestation, grass land and growing fodder crops to restore the agronomic balance. In any case, only a small area will be available for cultivation.

(iii) *Change in the law of inheritance*—Among countries where a law of preferred heirs prevails, Belgium, Denmark, Germany and England are highly prosperous countries whose economic conditions are not comparable to those of our province. This leaves two countries, namely, Burma and Rumania. We have no information about Burma, but the following table shows the distribution of holdings in Rumania:

*Percentage of area and number of holdings of various sizes**

	2-5 hectares	2.5 to 12.5 hectares	12.5 to 25 hectares	25 to 125 hectares	Over 125 hectares	Total
Area	2	34	24	21	19	100
Number of holdings	19	56	17	7	1	100

The lowest group consists of holdings not exceeding 2.5 hectares or about 6 acres. The minimum holding in Rumania which cannot be divided by sale or succession is about 5 acres. In other words, the law affects an area of land less than 2 per cent. of the total, and a number of holdings less than 19 per cent. In comparison with this, the fixing of a minimum impartible holding of 6½ acres as suggested would affect over 45 per cent. of the total area and over 85 per cent. of the holdings of the province. In the conditions prevailing here, a measure that would displace all the younger sons of the lowest class of peasants, who comprise no less than 85 per cent. of the total, would have social and economic consequences that cannot be contemplated with equanimity. The bonds of family affection are, perhaps, stronger in our country than in most others and a law that threatened to break up the family and deprive the younger sons of their inheritance, however small and pitiful, might arouse a spirit of resistance before which even the disturbances preceding the collectivisation of agriculture in the U. S. S. R. would pale into insignificance. It is hardly necessary to point out that the measure, apart from its social consequences, would be economically unsound. The possession of land is "the small man's only refuge", and gives

* "Agr. in Reforms in Western Countries," *Nanavati and Anandji*, p. 81.

him social security and a means of living. Small holdings, as we have already said, constitute perhaps the greatest handicap to efficiency in production, but if no other choice were possible, most people would prefer an increase in the number of uneconomic holdings to an increase in landless labourers. It is true that we have a surplus of labour on land and there is consequently unemployment, but a solution of this problem that would give full employment to some and no employment to the many would hardly be an improvement.

This scheme of land tenure, as any other, has necessarily to be integrated with the development of cottage industries; but there is already such a large class of landless labourers—approximately 400 labourers to 1,000 cultivators—that there is no likelihood in the immediate future of them all, not to speak of the displaced heirs, being absorbed in some gainful occupation. Shri Charan Singh argued that some of these "excluded heirs will form the intelligentsia of the province or the country; they will fill the learned professions, man the higher services, provide the managerial and technical staff of large-scale industry and start small-scale industry all over the countryside". It is not easy to see how the small peasant, with a holding of less than 6 acres, will be able to afford giving his sons expensive general or technical education, when today he is sometimes reluctant to send him to a free primary school because even a small boy can make himself useful on the farm.

(iv) *Restrictions on transfer of land to prevent multiplication of holdings below 6½ or above 12½ acres*—Imposition of minimum and maximum limits is, in our opinion, necessary, but this law by itself cannot bring about a radical change in the number of uneconomic holdings within a measurable period.

It must be noticed that the economic holding has been estimated by us at about 10 acres. Even this appears to be, if anything, greatly under-estimated as the opinion of economists, to which reference has been made in an earlier part of this chapter, would show. Even accepting Shri Charan Singh's estimate, we find that if the total area were distributed at 6 acres per cultivator, as many as 53 lakhs out of 122 lakhs, i.e., over 43 per cent. of the total number

of cultivators would be displaced. On the basis of 10-acre-holding, 81 lakhs, i.e., over 66 per cent. would be displaced.

An untrammelled right of transfer is a dangerous gift in countries where agriculture is over-crowded. What each cultivator longs most for is a little larger patch of land. It is, therefore, only natural that when he has by great self-sacrifice managed to scrape together or borrow a little money, his first desire is to purchase more land. As most of the cultivators suffer equally from land hunger, there is intense competition and the market-price of land is forced up to fantastic heights out of all proportion to its economic value. The cultivators are obliged to take over the land at a monopoly price, making up the difference between this monopoly price of land and its economic value by their infinite capacity for starvation. The pressure of these economic forces has given the landowners an opportunity to fleece the rural population of its surplus wealth periodically. The constant round of ejections and new leases of land are used to deprive the thrifty part of the population of their accumulated capital. This explains why it has been found impossible in actual practice to prevent the extortion of *nazrana* in spite of well-meaning legislation, and the result has been that a great part of the agricultural wealth produced by the cultivators has been appropriated by zamindars. The surplus wealth has all been used up to acquire or maintain possession of land, and very little is left with the cultivator for buying good stock, implements or seeds or for improvement of land. The impoverishment of the cultivator means the impoverishment of the land.

An untrammelled right of transfer under a system of peasant proprietorship would create a somewhat similar situation. There would be, it is true, fewer transfers as there would be no zamindars with the right of ejecting tenants to force the pace. But when a transfer did take place, the price of land in the open market would be even higher, the right in question being not merely the right of occupancy but full ownership of land. If a cultivator who obtained a holding on transfer were made to pay the market price he would be left with too little capital for efficient farming. It is necessary to ensure that savings are invested primarily in the improvement of land and not in its acquisition. This cannot be done so long as land remains a commodity for sale and purchase in the open market.

CO-OPERATIVE FARMING

The essential features of co-operative farming are:

- (1) A co-operative farm would be organised on the basis of voluntary association, without the exercise of any coercion by the State.
- (2) The members would pool their stock, land and capital. The farm would be exploited as one unit under an elected management.
- (3) The agricultural technique will not be mechanised.
- (4) The private property of the individual in his land would be recognised in so far as he would be entitled to a share of a part of the profits in proportion to the land contributed by him.
- (5) The rest of the profits would be distributed on the basis of wages for work done.
- (6) The members would be free to live and eat separately. In other words, consumption will not be organised collectively.

Co-operative association becomes necessary when the small scale of any enterprise places it at an economic disadvantage. This form of organisation provides for the small producer the economies of large-scale enterprise in obtaining credit, purchase of stock, equipment or raw material, marketing of produce, largely increased capital resources and staying power, technical knowledge, optimum use of labour, land or other factors of production, efficiency of work on account of division of labour and efficiency of organisation and management.

It must be admitted that some of these economies can be effected by a co-operative organisation which stops short of the main productive activity, i.e., agricultural production. The peasants could join in buying essential commodities and marketing of

produce and still cultivate their separate holdings on an individualist basis. This has been done successfully in Denmark and some other European countries.

The difficulty about this is that in conditions of extreme poverty and indebtedness partial co-operation cannot succeed. The slow growth and comparative failure of co-operative credit, in this and other provinces, was due not only to administrative defects and a backward rural society, but also in a large measure to the poverty of the members, their chronic indebtedness and inability to pay back loans. In these circumstances, co-operative credit was like throwing many down into a bottomless pit in a vain effort to fill it up. Besides, if co-operation does not extend to agriculture, it will not be possible to reduce the inordinately high cost of cultivation and the inefficient management. It is, therefore, necessary to organise larger farms which would possess more capital resources, effect economies in the cost of cultivation and realise the technical possibilities of increased production.

It would be useful to consider this question in the light of the technological problems mentioned in Chapter 1, and to see how they are related to each other and to the question of sufficient capital and organisation. The very first thing that strikes one is that all these technical problems are intimately bound up with one another, and the futility of efforts made hitherto to tackle them may be ascribed partly to the fact that they were viewed in isolation and their dependence upon the system of agricultural organisation was not adequately realised.

Consider the question of the scarcity of manure and its use as fuel. Attempts merely to educate the cultivator are futile. Government reports sometimes lay much stress upon the organisation of propaganda and publicity with an unconscious desire to lay the blame upon the long-suffering cultivator. The primary reason, however, is economic and not the ignorance or conservatism of the peasant. With the growing pressure on land it is obvious that such tree-lands as could be reclaimed with the small capital and primitive implements of the cultivator would be cleared and tilled. The increasing deforestation would throw a greater burden upon such forests as remained and would lead to their denudation. Owing

to difficulties of transport and the high cost, such fuel as was available elsewhere would not be within the means of the rural population and no alternative would be left except to burn cow-dung.

The small cultivator has neither the capital nor the organisation to undertake large afforestation schemes in wastelands which are not available for cultivation.

The remedy, therefore, lies in the supply of organisation and capital, either by the State or co-operative effort.

Take the question of green manure and the restoration of the fertility of the soil by proper rotation of crops. It has been generally acknowledged that the Indian cultivator knows the value of both, but he cannot manage proper rotation of crops because he is obliged to grow crops that would feed him from season to season and also to raise cash crops to pay off his rent, the illegal exactions of the zamindar, the demands of the village usurer and to buy a few necessities. He would grow green manure crops if he could. But the choice is one between a food crop that will yield an immediate return and the prospect of a future gain by the increase of the productivity of the soil. With a small patch of land barely enough to yield a meagre subsistence for himself and his dependants, and which yields him no surplus of security for the periodic calamities and fluctuations of the market prices of agricultural produce, it is obvious that he will be compelled by the necessity of the present to surrender the prospects of future gain. A small patch of land which yields insufficient surplus is, therefore, prohibitive of a scientific rotation of crops or mixed farming. Besides, it prevents him from growing only those crops that are suitable under the climatic conditions, and the nature of the soil. Chemical fertilizers are not available because his cost of production is so high that it yields him no surplus for their purchase, even though they may be paid for in the increased yield.

Problems connected with soil deterioration cannot, therefore, be met by the cultivator with a small farm on an individualist basis.

Soil erosion cannot obviously be dealt with by an agency without large capital and organisation. The cultivator can

neither reclaim the land that has been eroded nor prevent the process of further soil erosion.

Similarly, the question of improvement of live-stock cannot be solved upon the present basis or upon any land tenure system that bears a fundamental resemblance to it. The individual cultivator simply cannot set apart any considerable part of his land for growing fodder crops. When the choice is between starvation for himself or for his cattle, it needs very little imagination to perceive which would suffer. Nor does he always have land which it would be economic to set apart for the growth of fodder crops. Another person with such land would not consider the produce of fodder crops advantageous for there would be no market for them. Similarly, the development of pasture lands on such cultivable waste as lies in the vicinity is not within the capital resources or organisational ability of the small farmer. The small unit of organisation, i.e., the small holding, is obviously inadequate for restoring the agronomical balance between cropped land, forests and pasturage, or for the proper distribution of the cropped area between fodder and other crops. What is thus lacking is, again, organisation and capital. The extension of canal irrigation was hindered by the question of the cost of the works and the recurring expenditure as against the likely profit. While this consideration only shows how profoundly the British Government cared about the well-being of its unfortunate subjects, the fact remains that financially unsound works cannot be undertaken on any very large scale. Now, water and manure are admittedly the two most important means of increasing production. But the cost of production of an average farmer is so high that he cannot afford to pay the high scale of rates that are needed to make the construction and running of canal works economically sound to the Government. Roughly, about 35 per cent. of the irrigated area is irrigated with wells. There is a great scope for improvement. But it is not worthwhile to construct a well for the small scattered holding.

Improved seeds cannot be used in adequate quantities, for one thing, they are not available, secondly, they require more manure and water than can be supplied. To say nothing of improved seeds the cultivator cannot even keep good seeds of

his own produce. He has to part with a large part of his produce immediately after the harvest and later on buy such grain as he can get for his own consumption and for planting. Improved implements cannot be employed partly because there has not been enough research work. The use of such implements as are available is sometimes precluded by the low draught power of his bullocks. They require manure and water in much larger quantities than is available and are intrinsically too dear.

These are some illustrations which show that with the present size of holdings intensive farming is simply not possible.

The necessary capital and organisation are not present today and cannot be supplied, if the size of holdings and methods of production remain after the abolition of zamindari substantially as they are now.

Of the two alternatives, State control or co-operative control, the former is not socially desirable. Besides, it is doubtful whether the State itself would have the necessary resources and administrative personnel to effect all these reforms within a reasonable time. To achieve maximum results State aid should be supplemented by the initiative and effort of local organisations.

We have seen that an optimum peasant farm can hold its own against large-scale farms, but that argument would merely show that peasant farming on economic units is an efficient type of agricultural organisation, not peasant farming on tiny holdings.

The choice lies, therefore, in either converting the average holdings into economic units each of the size of about 10 acres, or else to pool them together in co-operative farms of which the economic unit would naturally be larger. We have seen that there is no practicable method of increasing the size of holdings on an individualist basis. The only alternative, therefore, is to try out co-operative farming.

Two questions remain to be considered:

(1) Whether there will be an effective incentive for work on a co-operative farm? It has been said that the "magic of private property turns sand into gold", i.e., that a proprietor works hard and to the best of his capacity only because he feels that his

profit depends upon his own effort. In a co-operative enterprise, where his economic reward depends not upon his effort alone but upon that of a large number of workers, each individual might feel that if he slackened or shirked his work, it would not matter, or that if he put in hard and conscientious work, he could not be always sure of a corresponding reward. This certainly does point to a deficiency in the social psychology of today, when the desire for individual profit has been exalted above practically all other human motives. We must remember, however, that even today private profit is not the only incentive for work, the sense of duty plays a significant part which is not adequately recognised on account of the abstract concept of "economic motive" formed by the science of economics for its own purposes. In early societies, as we have seen, co-operative effort and social control extended over much wider spheres of life and activity than it does now. It is necessary, therefore, to re-educate the individual. This re-education involves not the creation of new motives and impulses, a task that would be obviously impossible, but only a shift of emphasis from acquisitiveness to higher social values. The development of co-operative institutions must, therefore, be accompanied by a planned and comprehensive scheme of social education.

It cannot be denied that there will be considerable initial difficulties. We must remember, however, that the motive of economic reward can be retained to a large extent even in a co-operative enterprise, for instance, the bonus system in the collective farms in the U. S. S. R. Effective supervision and the knowledge that at least the individual's share in the produce depends largely on his own activity or usefulness should, on the whole, be enough to ensure a high standard of economic efficiency.

(2) The degree of an individual's loss of freedom—this as we have indicated above depends upon the size of the group. Where the group is small enough for the growth of a sense of corporate life and management is run on democratic lines, the loss of freedom is compensated for by the sense of solidarity and personal security. As the individual gains social education, the group might be enlarged.

Some suggestions can be offered tentatively on the broad principles of organisation of these farms. They will need to be tested in the light of experience when co-operative farms have been actually formed.

(a) The members should voluntarily agree to join the farm. Cultivators, wishing to join subsequently, would be accepted only with the consent of the majority of the existing members.

(b) It may be necessary to prescribe the minimum value of the stock or share capital to be contributed by each member on joining the farm. The exact amount would have to be fixed after a careful evaluation of the minimum capital and stock required by each farm with reference to local conditions. Those who are not in a position to make the minimum contribution may be given credit, to be paid off gradually out of their earnings on the co-operative farm. In most cases, the total investment which the members can conveniently make will probably not be enough to cover the minimum needs of the farm. The balance should be provided by the State, either as a subsidy or a loan, at a low rate of interest or free of interest.

(c) The land, stock and implements would belong to the co-operative farm and a member expelled from or voluntarily leaving the farm would not be entitled as of right to get his holding back, but he should, as far as possible, be given an equal area of land elsewhere. As co-operation involves willing association, a member who is dissatisfied or cannot get on with the group should be free to resign. The only grounds for expulsion would be persistent failure to do minimum work or disorderly behaviour. If members who leave the farm are allowed to take back their land, a few disaffected members would be in a position to break up the farm, making it impossible for those who remain to carry on. It would be, therefore, desirable as a general rule to give an equivalent area of vacant land, but the stock, implements, and capital contributed by him may be returned.

(d) The management of the farm would be autonomous, subject to general supervision by the State, which would be

progressively relaxed. But provision should be made entitling the State to give such directions as may be necessary. Model rules for co-operative farms would also be framed by the State. A trained worker, appointed by the State, would be himself a member of the co-operative and would carry out the tasks allotted to him and share the life and the surplus produce like other members.

(e) Where membership of the co-operative farm is small, all the adult members should plan together the next day's work and assign specific tasks. If the membership is large enough to make this inconvenient, a small committee elected every year would assign the day's task for each member and communicate it to him. The broad principles of work would, however, be laid down by meetings of all the members. If convenient, work may be assigned to members or groups of members on the basis of specific plots of land.

(f) A record would be maintained of the work done from day to day by all the members. This record may well be kept by the trained workers deputed to each co-operative farm. Such a trained worker may also be appointed as chairman of the general assembly for a period of one year to begin with. Subsequently the office would be elective, but it may be hoped that if the trained worker has done his work with tact, he may be re-elected subsequently. In the beginning it would probably not be expedient to divide work into different categories according to its nature. Work may be evaluated only in terms of working hours put in by the members or by his family. Work by a child may be treated as a fraction of an adult's work, depending upon his age and physical strength. Later on, when division of labour becomes more definite, agricultural operations of various kinds may be graded.

Distribution of the produce

(g) The produce would be first used for—

- (i) the payment of land revenue and canal rates,
- (ii) the payment of interest and, if possible, part of the capital of loans taken by the farm,

- (iii) working capital necessary for the next year including purchase of seeds, implements, etc.,
- (iv) permanent improvements,
- (v) starting subsidiary industries,
- (vi) increasing common amenities,
- (vii) reserve fund.

The savings for all items except (i) would depend upon the amount of surplus. In some cases it may not be possible to save anything towards these items.

A working member would be entitled to the following remuneration out of the surplus:

- (i) interest at the current rate and depreciation on the cattle, stock or share capital contributed by him,
- (ii) remuneration for land contributed by him, equal to the revenue payable on the land,
- (iii) wages on the basis of work-day unit. Until there is further division of labour and growth of technical skill, all labour should be deemed equal and wages calculated at a flat rate on the basis of hours of work. The wage should not be less than the average wage of agricultural labour in the locality.

We would not recommend any priority in payment on any of the above items. The total remuneration for all the members should first be calculated on the above basis, if the surplus available for distribution is less, the remuneration of each member should be reduced rateably. If the surplus is large, the balance should be divided rateably on the basis of work-day units put in by each member.

The share of the surplus produce awarded to each member would be his private property. Living quarters, clothing and food would be separate for each family. There would be, of course, nothing to prevent two or more members joining in a common mess if they wish.

Difficulties of co-operative farming

There are insuperable obstacles to the immediate establishment of co-operative farming on a large scale. It can be achieved only by a slow process of experiment and evolution. The conditions in which collective farms were established in the Soviet and in Palestine, their economic and political background, the psychological attitude of the people were so different that though they are instructive examples they cannot serve as models. Besides, many of the features in the internal organisation, the agricultural technique and the method of the distribution of surplus produce in collective farms would be inapplicable to conditions in India and arouse widespread opposition. The broad principles as well as the line of development of co-operative joint farms in the province would, therefore, have to be worked out by a process of trial and error.

The main obstacles to the adoption of co-operative farming are:

(1) The peasant's attachment to his land, a strongly developed sense of property, love of independence and his ingrained conservatism are impediments to the establishment of co-operative farms on a voluntary basis. There are, besides, the existing social discord and factions in the village.

There can be no question of applying coercive methods as in the U. S. S. R. A democratic government representing the people cannot think in terms of coercing the vast mass of peasantry. Besides, how can one force a people to do a thing voluntarily and of their own free will? A co-operative village community cannot be established by violence. Due importance must be given to the human factor and the minds of the people reconditioned before a new social experiment can hope to succeed.

It has been suggested that all cultivators of uneconomic holdings should be compelled immediately to pool their land and join co-operative farms so that cultivation of uneconomic holdings which is wasteful and inefficient may be prevented. Only cultivators who possess holdings of economic size or above may be allowed to carry on cultivation on an individualist basis. Those who make this suggestion seem to disregard the fact that the

great majority of holdings are uneconomic and that if this proposal were accepted it would be tantamount to an immediate establishment of co-operative farming by force over practically the whole land. Even on the low estimate of $6\frac{1}{2}$ acres as an economic holding, the number of cultivators of uneconomic holdings is over 85 per cent. of the total, with 10 acres as the minimum it is about 94 per cent. of the total.

In view of these figures it is hardly necessary to comment upon the impractical nature of this suggestion.

(2) Even if co-operative farms were established their maintenance and successful working would require a degree of managerial skill and technical knowledge which is at present not to be found in the ordinary villagers. It has also been noticed that where the general level of education is low, as in the co-operative farms in Mexico, there is more likelihood of friction and lack of good will among the members and a great deal of State supervision is required. It would, therefore, be necessary to undertake schemes for the general and technical education of farmers and to provide efficient and trained personnel for giving advice and for the supervision and management of co-operative farms. The State will also have to maintain strict supervision over the finances and accounts of the co-operative farm. It will have to set up an agency for providing finance, both long-term loans for permanent improvement of land or for starting subsidiary industries, and short-term loans to provide working capital. This agency will also give financial advice, see that investments are made prudently and, in general, exercise control and supervision over the commercial side of co-operative farming. The State cannot, at present, provide the necessary technical and administrative personnel. Merely to start co-operative farming even in a single village would require much careful planning, technical knowledge and administrative skill.

These difficulties can be met with in the following manner:

(i) *The lack of technical and administrative personnel—*

By recruitment and training of persons who would be called upon to organise and in the early stages to supervise the management of co-operative farms. The detailed rules for

recruitment and training would have to be worked out in consultation with the Agricultural and Co-operative departments and such organisations as the All-India Spinners' Association and the All-India Village Industries Association. It would be necessary as far as possible to require the staff for this purpose, (i) to have some previous experience of social work, (ii) to be prepared to look upon their work not as a job, with a fixed pay, but as an opportunity for social service. The experience of the managers of collective farms in Palestine is, in this instance, extremely instructive. These managers tended to look upon their work as a job and treated the members of the co-operative farms as mere wage-earners or employees under their control. This led to friction and ultimately to the end of the experiment. Collective farms established subsequently were self-managed. It would be, therefore, necessary to recruit the staff from people usually residing in rural areas, with some previous experience of social work and deep sympathy with and knowledge of village life. In the first instance they may be appointed, provided the members are willing, as managers and accountants, etc. Later on all positions of authority in the co-operative farm should be purely elective. In any case, their wages should be calculated in the same manner as those of other members of the co-operative farm.

(ii) *Establishment of demonstration co-operative farms*—All new settlements on reclaimed land in the province should, as far as possible, be organised on co-operative joint farming principles. It would be easier to persuade new settlers to join such farms. They would be getting land, more or less as a gift, and on account of the great hunger for land would probably be willing to accept it on any terms which the Government chose to offer. These would also serve as experimental stations for trying out different ways of organisation and management.

(iii) *Propaganda*—The State should organise intensive propaganda for making co-operative farms attractive and explaining their advantages to the people.

(iv) *Small co-operative farms*—The village is the ultimate unit of co-operative farming. The establishment, however,

of a farm comprising the whole village with its heterogeneous elements and large population would, at the present time, be very difficult and would require more technical knowledge and organisational ability than would at present be available. To start with, a smaller unit may be accepted. Some of the group settlements in Palestine started with as few as 10 adult male members and their families and a minimum area of 50 acres. This may, to begin with, be accepted as the smallest unit for a co-operative farm.

Incentives for voluntary co-operation :

As we have suggested, once demonstration farms have been established intensive propaganda and education must be carried on in the countryside. This alone, may, however not furnish enough incentive for voluntary co-operation. Some special inducements or advantages should be offered.

These would be :

- (i) A low rate of rent for co-operative farms.
- (ii) Provision of credit for productive purposes and for working capital, as a state subsidy, or a loan free of interest, or at a specially low rate of interest.
- (iii) Sale of improved seeds, implements, etc. at a low price.
- (iv) State aid if the crops fail on account of agricultural calamities.
- (v) Special aid by the State for medical, sanitary and educational facilities, construction of roads, wells, etc.
- (vi) Where a co-operative farm exists it should be given the right (1) of acquiring wasteland in a suitable area, proportionate to the cultivated area of the farm, for growing fodder crops, pasturage and for planting fruit or timber trees; and (2) a suitable area of cultivated land that falls vacant.

As soon as a small co-operative farm is established, immediate steps should be taken to consolidate its land free of cost.

The consolidation may be carried out in consultation with the members of the co-operative farm and the village *panchayat*.

Difficulties in both schemes

The proposals outlined above can be regarded as no more than a plan for trying out an experiment that may have tremendous significance for the future development of our economy. Some members are doubtful about the likely result and the success of a rural society organised on the basis of co-operative joint farming. But we are all agreed that the experiment must be vigorously pursued and in conditions most favourable to its success. Much of the social value and economic significance of our proposed scheme of land tenure depends upon the measure of success achieved in the organisation of co-operative farms.

The fact remains, however, that neither peasant proprietorship nor co-operative farming offers a practicable scheme for immediate adoption. The basic difficulties of both appear to be insurmountable.

NEW SCHEME OF LAND TENURE

The Chairman of the Committee has drawn up a scheme of land tenure with the basic ideas of which we are all in entire agreement. Generally economic progress is hampered by the slow development of social ideas and a backward social structure; a scheme perfect in itself from the economic point of view is useless if it is too far in advance of current social ideas, or if it is likely to arouse strong opposition among the people. But the proposed scheme of land tenure is, in our opinion, so designed that it is certain to arouse keen enthusiasm in the countryside and will at the same time facilitate the rehabilitation of agriculture.

The broad principles of this scheme are:

The development of intermediaries was an exotic growth not suited to the genius of the people. The recognition of the permanent, heritable and transferable rights of the cultivator in the land in his possession along with the development of corporate, social and economic life in the village represents a system that reconciles the two opposed views of peasant proprietorship and co-operative farming and combines the advantages of both, avoiding at the same time their attendant evils. To achieve this two-fold purpose, it is proposed to invest the village community with certain vital functions in a decentralised agrarian economy, the exercise of which is necessary for the revival of our ancient village republics and for the joint management of factors of production in which the village has a common interest. At the same time the cultivator must be given rights in land which will give him a feeling of pride and confidence, a sense of social security and incentive for efficient farming.

A vital defect of the alternative schemes examined in the earlier sections of this chapter is their rigidity. We consider it essential that the new land system should be flexible and permit us to try out different methods of agricultural production to discover by a practical trial their advantages and shortcomings under the conditions prevailing in our own province. The

future pattern of our rural economy must not be static and unalterable, but be evolved progressively and without social disturbance out of the experience gained by our experiments and under the pressure of new economic and social forces that will be released by the abolition of the zamindari system.

Under this scheme the village community will have the following functions:

Functions of the village community

(i) Joint ownership of all the land in the village including arable land, waste, *abadi*, etc., shall vest permanently in the village community and shall not be transferable.

(ii) The settlement of revenue shall be made on the village as a whole, and all the cultivators, i.e., *panch hissadars*, will be jointly and severally responsible for its payment. The revenue assessed on the village will be revised periodically, say, every 20 years.

(iii) The village community may with the sanction of the Government adjust the revenue on individual holdings on the basis of valuation.

(iv) Collection of land revenue from the *panch hissadars* shall be made by the village community on a commission of 5 per cent. Where the village *panchayats* are not effectively organised, a person nominated by the village will be appointed as the headman or *lambardar* for collection of revenue at 5 per cent. commission. We have examined the question of collection of revenue in greater detail in a later chapter.

(v) Wastelands, forests, tanks, common wells, pastures and markets will be under the ownership and common management of the village community subject to existing rights of user. The income from these sources will go to the village community.

(vi) Consolidation of holdings through the agency of the village community by the consent of two-thirds majority of the cultivators.

(vii) The village community will as far as possible act as the agency for schemes of agricultural development and co-operative finance and marketing.

Rights of cultivators or panch hissadars

Except for certain areas of land specified in section 30, U. P. Tenancy Act, where it is not expedient to grant permanent rights there shall be one universal form of land tenure. For the present the existing differences in rent will be allowed to remain, but they shall be progressively equalised as settlement and revision of revenue operations are undertaken from district to district.

All the cultivators will have the status of "panch hissadars", i.e., they will possess permanent, heritable and transferable rights in land. Their rights will be recorded in the *khewat* or the register of proprietary rights, and their payment to the State will be treated as revenue and not rent.

It has been considered necessary to give a right of transfer to the cultivators:

(a) To give them psychological satisfaction and the incentive for efficient cultivation by making them proprietors of their land.

(b) To provide credit for agricultural finance. At present the cultivators cannot get a loan on reasonable terms as they cannot offer their land as security.

(c) To give mobility to our land system. If a right of transfer is not given, even inefficient and unwilling cultivators will be tied to the land.

The right of transfer will be subject to the following restrictions:

(1) The price will be regulated. If the price is not regulated, land being scarce and having a monopoly value, the market value would be too high, with the result that the incoming cultivator would be deprived of most of his capital and left with too little working capital for efficient cultivation. The statutory price of land should be determined with reference mainly to the following considerations:

(i) The price should ordinarily be high enough to cover the credit required by the cultivator for buying cattle, building wells and permanent improvement or acquisition

of land. In other words it should be enough security for medium and long-term loans.

(ii) This requirement of credit can be assessed accurately only when we have adequate statistics on the question. But it should not be put at such a high figure as to be beyond the paying capacity of the cultivator. The cultivator certainly requires credit for good cultivation, but if the credit made available to him is so big that it cannot be paid out of the surplus produce within a reasonable number of years, the only result would be that the cultivator would eventually be obliged to part from his land.

For the present the price of land will be 12 times the circle rate *plus* any compensation for improvements that may be settled between the village community and the cultivator, or in the event of a dispute between these two, fixed by the Collector.

(2) All transfers will be made through the agency of the village community, which shall have the right to settle this land with a suitable person of its own choice. The village community will pay the regulated price to the outgoing and recover it from the incoming cultivator. In the settlement of vacant land the village community will give first preference to holders of uneconomic holdings and landless agricultural workers.

(3) The right of transfer shall be so exercised that the *panch hissadar* who transfers a part of his holding is not left with a small uneconomic holding of less than 10 acres. If the *panch hissadar* possesses a holding of less than 10 acres he shall be allowed to transfer only the whole of it.

(4) The accumulation of large holdings will be prevented by fixing a maximum limit of 30 acres for the acquisition of land by transfer other than succession.

(5) Further sub-division of small uneconomic holdings by transfer or succession will not be allowed. A drive for consolidation of holdings will be made through the agency of the village community.

(6) To prevent the re-emergence of the landlord-tenant relation the cultivator shall have no right to sublet except in the case of disabled persons, such as minors, widows, people suffering from physical infirmity, or in the military service of the State or in

jail, etc. Sub-leases shall be made through the agency of the village community on a rent which will not exceed by more than 50 per cent. the rent paid by the cultivator himself. A sub-lease made in contravention of these provisions shall be void, and the land so sublet shall lapse to the village community.

The restrictions on subletting will come into force immediately on the commencement of the new Act. In cases where land is already sublet the tenant-in-chief should recover possession or take necessary steps to that end within six months of the expiry of the period under section 295A, Tenancy Act, or the terms of the sub-lease whichever is later. On his failure to do so the rights of both the tenant-in-chief and the sub-tenant will be extinguished, and the land shall lapse to the village community.

Sir will be demarcated before compensation is determined. The officers concerned may do so *sub moto* even if no application is presented by either party.

(7) The cultivator must cultivate the land himself. If a purchaser of land does not cultivate the land for two "fasals" and does not arrange for its efficient cultivation through the village community, the land may be forfeited by the village community.

(8) The right of succession shall be governed not by personal law but by the provisions of the present Tenancy Act to prevent fragmentation and sub-division of holdings.

Composition of the Village community

While there was general agreement about the functions to be exercised by the village community, there was some difference of opinion about its composition. Among the functions described above there are some that can be exercised properly by the *sanyukt hissadari* or the coparcenary body of revenue payers, i.e., all the cultivators of land; others that should as obviously be exercised by the whole village community composed of all the permanent residents of the village including cultivators and non-cultivators. But the opinion of members diverged regarding a few of the functions, some suggesting that they should be vested in the coparcenary body, others that they should be vested in the village community as a whole.

There was general agreement that the management of wastelands, trees, forests, sources of *sayar* income, *abadi*, and pathways, common wells, tanks and water-channels shall vest in the village community, composed of all the permanent residents of the village including cultivators and non-cultivators. The use of these is a matter of common interest for the whole village and they should, therefore, be managed by the whole village.

There was also no dispute regarding functions which can properly be exercised only by the coparcenary body of revenue payers, i.e., the *sanyukt hissadari*. Joint and several responsibility for the payment of land revenue, collection of land revenue, redistribution of land revenue among *punch hissadars*, consolidation of holdings, distribution of seeds, implements, *takavi* loans and other activities connected with improvement of arable land shall vest in the *sanyukt hissadari* or coparcenary body to the exclusion of non-cultivators.

The difference of opinion centred round the composition of the village community to whom the functions of—

- (i) leasing vacant cultivable land,
- (ii) subletting,

should be assigned. Shri Charan Singh proposed that these functions should be assigned to the coparcenary body on the ground that it was only this body which was concerned with the efficient utilisation and management of land. Shri Radha Mohan Singh agreed with him. The majority of the Committee, however, felt that if this proposal was accepted the coparcenary body would have an opportunity to monopolise land and the interests of the landless classes would suffer. These functions, which involve great economic power, should not be vested in a class, but should be assigned to the whole village community so that they may be exercised in the common interest of the community as a whole. If a single class were given this economic power it would create a sharp economic conflict between cultivators and non-cultivators making the harmonious development of community spirit difficult. We, therefore, recommend by a majority that these functions should be exercised by the whole village community composed of both cultivators and non-cultivators.

Co-operative farming

For the development of co-operative farming, the Committee accepted the scheme described earlier. As soon as a minimum of ten adult cultivators or agricultural labourers, holding a minimum area of 50 acres, agree to cultivate the land jointly a co-operative farm may be established. Efforts should be made to encourage the establishment for these farms by setting up demonstration co-operative farms on newly reclaimed land and by propaganda. The State should give the co-operative farms technical and financial aid and exercise the necessary general supervision. The advantages offered to a co-operative farm will include a preferential right of acquiring wastelands in a suitable area proportionate to the farm for growing fodder crops, pasturage, fruit and fuel and dairy farming. It will also have a preferential right to a suitable area of additional cultivated land that falls vacant. The co-operative farms will be assessed to revenue at rates lower than those applicable to individual cultivators.

We further recommend that the Government should set apart Rs.10 lakhs from its general revenues for establishing co-operative farms.

Conclusion

It will be observed that this scheme of land tenure answers the criticism of those who argued, largely from interested motives, that the abolition of zamindari would create a gap in rural economy which it would be difficult to fill. The question of an agency for the collection of revenue is examined in the sequel. We may, however, anticipate the argument to point out that the only thing that could be said in favour of zamindars was that many of them knew the conditions of their tenants and sometimes showed generosity and allowed the rents of some cultivators to fall in arrears if they felt that its collection would cause great hardship. There was, therefore, but only in very rare cases, what may be called a human touch in their dealings with their tenants. Collection of rent, directly by the State, it was said, would be a wooden, mechanical process, incapable by its very nature of discrimination in individual cases. A tenant who, for some reason or the other, was unable to pay rent by the appointed date, either by borrowing money or from his own surplus, would

be driven out of his holding and thus deprived of his means of livelihood. The agency of the Goan Panchayat for the collection of revenue is, however, not open to this objection. The collection of revenue will be in the hands of the cultivating class itself through its elected representatives who will be able to adjust their work to the convenience of their fellow-villagers.

One other function of the zamindars was the leasing of vacant lands. This again, we have left to the villagers themselves. The management of lands of common utility, such as wastelands, forests, *abadi*, pathways, common wells and tanks will be in the hands not of an individual, who too often subordinated the interests of the community to private gain, but in the hands of those people who stand most to profit by its good management. It seems reasonable to hope, therefore, that with adequate State aid and guidance which it will be possible to give after the elimination of intermediary rights, these lands which are so essential a part of village economy will be utilised to their maximum capacity.

Reasoning from the well-known defects of the *ryotwari* system some critics have argued that though zamindari could be abolished by a State decree, it would not be so easy to replace it by a system which would ensure better agriculture and larger profits to the peasants. These arguments derived their strength merely from the ignorance of the critics who thought that the only alternative to zamindari was the *ryotwari* system. We need not repeat the reasons already given to show that under the agricultural organisation proposed by us, the peasant will have greater incentive and larger resources for efficient cultivation and will be able to profit by technological improvements which it should be the duty of the State to make available to him. By reducing the rents of cultivators of holdings below 10 acres in size and by the substitution of a graduated rate of revenue in place of a flat rate (*vide* Chapter XX), we have tried to remove the principal defects of the present system of land taxation and to adjust the land revenue to the cultivator's ability to pay. In so far as peasant farming continues, we have, by giving a restricted right of transfer, provided the peasant with a reasonable security for the credit he needs, guarding at the same time against the passing of land into the hands of non-agriculturists. The restrictions on the maximum

size of the holding will prevent the development of large-scale capitalist farming and the accumulation of large estates in the hands of an individual at the expense of other cultivators who would in that case be either crowded into ever decreasing parcels of land or forced to become agricultural labourers. The restrictions on sub-letting will prevent any one from owning land merely for the sake of exploiting the labour of others.

By adopting a limited table of inheritance, making holdings below the economic size impartible and by regulating transfers we have also done what we could to check the multiplication of dwarf holdings.

We hope further that the creation of a simple and uniform tenure will remove at least one of the impediments to the consolidation of holdings. The enthusiasm created by agrarian reform should be utilised by the State to make a determined drive for the consolidation of holdings on a large scale. The task should be facilitated by the growth of social responsibility and the co-operative spirit which will follow the establishment of village republics.

In this new society the growth of co-operative institutions for the supply of rural credit and for marketing should also be comparatively easy, provided the necessary State aid and supervision are forthcoming.

Aware as we are, however, of the fact that an adequate solution of the poverty of the peasant and of inefficient agriculture cannot be found merely in a scheme of land reform however carefully conceived, we have stressed the necessity of developing cottage industries for removing some of the surplus population from land.

We also recognise that, in the existing conditions, individual peasant farming must continue although it is hoped that this will be only a temporary phase, for the ultimate solution of our problem lies in the development of co-operative joint farming. But unless we are prepared to face social upheaval and economic chaos, co-operative farming cannot be immediately introduced on a large scale. We have, accordingly, suggested a modest beginning in the shape of small co-operative farms spread over different parts of the province so that their advantages may be demonstrated to the cultivators.

CHAPTER XX

REVISION OF LAND REVENUE

Land revenue and rent are the modern equivalents of the king's share of the produce, which has been levied in India from times immemorial as a special tax on all land. In the Hindu period the ruler took a share varying in normal times between one-twelfth and one-sixth, rising to one-fourth in times of war or a grave emergency. The revenue was collected in kind, not from the individual cultivator, but from the village community through its representative, i.e., the headman. The king's share was increased in the Muslim period and finally fixed at one-third of the produce under Todar Mal's settlement. The land was carefully surveyed and divided into four classes according to the fertility of the soil. The share of the State was commuted into money, calculated on the basis of a ten years' average produce and 19 years' average of prices. This settlement continued for nearly a century. The land tax was unalterable except by the command of the king. But as the authority of the central government grew weaker, special imposts called "*abwabs*" were added to the revenue by local rulers, amounting in some cases to as much as a third of the "*tumur*" or standard assessment. The laxity of control exercised by these local rulers also led to various abuses, in many cases the tax-gatherers collected much more as revenue and *abwabs* than they accounted for to the State.

In spite of these administrative shortcomings land was subject to only one impost payable equally by all the cultivators, i.e., the king's share which in theory was fixed and unalterable by local officials or revenue collectors. The British land policy, by creating full proprietors with a body of subordinate cultivators has resulted in creating two distinct payments for the property or occupation of land, namely, the rent paid by the cultivator to the intermediary and the revenue paid by the latter to the State. We need not pause to consider the anomalies and injustice involved in this dual system, as with the abolition of the *zamindari* system land will be subject to a uniform system of taxation applicable to all the cultivators or *panch hissadars*.

The great majority of the cultivators today are liable to pay a rent which is determined initially by contract and regulated on a number of considerations during settlement or roster operations. The rent varies largely from place to place, even for the same class of cultivators, the range of variation being in many cases so wide that it is difficult to find any apparent justification for it. It also varies with the class of cultivator, the rent in the case of the privileged or superior classes being much lower than in the case of inferior tenants. The following table shows the wide disparity in the average incidence of rent in 1353 Fasli:

	Incidence of rent in rupees per <i>adhi</i>	
	In Agwa	In Avud
Permanent tenure-holders	1-9	..
Fixed-rate tenants]	3-97	..
Expropriatory tenants	4-70	5-12
Occupancy tenants (all kinds)	4-78	3-67
Hereditary tenants (all kinds, including tenants on special terms in Avudh).	6-00	6-38
Non-occupancy tenants	5-84	7-01

As compared with these rents, the proprietor whose ability to pay is the highest is assessed to merely nominal revenue on land in his proprietary cultivation. The land is first assessed at occupancy rates, then a deduction of 15 to 30 per cent. is allowed, finally only the land revenue, i.e., about 38 per cent. of the figure thus arrived at, is what the zamindar pays to the State for the exceptionally good class of land which he cultivates as his *sir* and *khudkasht*. It is difficult to estimate the average revenue for an acre of *sir* or *khudkasht* as their revenue-rates are not separately computed but on a rough calculation it is likely to be about Re.1 per acre only. There is apparently no economic justification for these different rates payable on land cultivated by zamindars or different classes of tenants. The only valid reasons for different rates are the productivity of the land, the cost of cultivation, economic facilities, the ability of the individual cultivator to pay, etc. The complexity and

anomalies that have arisen on account of the tortuous historical development of the land system, and for which there are no sound fiscal reasons, should be progressively eliminated.

In a consideration of the future policy of land taxation the following main problems have to be examined:

(i) the measures for the introduction of a uniform rate of land revenue applicable to all cultivators or *panch hissadars*, irrespective of the historical origins of the various classes of proprietors and tenants into which they are at present divided,

(ii) whether the future land revenue payable by the cultivators should be equivalent roughly to the present occupancy or hereditary rates, or whether it should be reduced, if so, the extent of this reduction. Should the future land tax payable by the cultivators be equivalent to the land revenue payable for the land by the intermediaries,

(iii) whether it is desirable and practicable to introduce the principles of income-tax assessment in the assessment of land revenue, in particular, whether the following features of income-tax can be adopted:

(a) a minimum below which the net income of the cultivator shall be exempted from payment of revenue,

(b) a yearly estimate of net assets for every revenue-payer,

(c) a graduated scale of assessment, the rate increasing with the net assets,

(d) a special rate of assessment or super-tax on incomes exceeding a certain amount,

(e) liability of the rates to vary not merely after the full term of settlement has expired but from time to time.

(iv) whether direct land taxation should be substituted wholly or partly by an indirect tax on produce, taken at railway stations or principal markets.

We shall first take up the last two questions as they raise basic and fundamental issues.

The most outstanding feature of land taxation in India is that it is a tax *in rem* and not *in personam*, i.e., a tax on things and not on persons. In the *ryotwari* areas land revenue is a charge primarily upon land and not upon the *ryots*; it is levied at a uniform rate on land of similar description, irrespective of the total net assets or income of the occupant. In the United Provinces some allowance is made in the assessment of land revenue for the net income and the economic conditions of the proprietor, but the allowance has a limited range. The graduation of land revenue is not scientific or equitable, as it is so slight that full allowance cannot be made for wide disparities in the incomes of intermediaries. Though the percentage of revenue to net assets is lower in the case of small proprietors it is not low enough, so that the burden borne by them is relatively much heavier than the burden borne by the large proprietors. In the case of rents with which we are mainly concerned there is practically no element of progression. The rent is assessed upon the productive capacity of the soil, irrespective of the size of holding and the net income of the cultivator. Since it is levied at a flat rate, the rent is regressive and falls with an extremely unequal burden upon different classes of rent-payers. A flat rate of say Rs.6 an acre may represent a very small fraction of the total net income of a large or medium holder, while it may, in normal times, eat up practically the whole surplus of a small producer and impose an intolerable burden. It has been widely recognised that this inequitable system has been one of the major obstacles to rural progress, and accounts partly for the inefficient cultivation and for the chronic indebtedness of the vast mass of peasantry. The tendency in modern times has been to substitute taxes *in personam* for taxes *in rem*, so as to adjust the burden borne by the individual revenue-payer to his ability to pay. The canon of equity was defined by Adam Smith in the following terms:

"The subjects of every State ought to contribute to the support of Government as nearly as possible, in proportion to their respective abilities, i.e., in proportion to the revenue which they respectively enjoy under the protection of the State. In the observation or neglect of this maxim consists what is called the equality of taxation."

This canon of equity has been progressively recognized as one of the fundamental elements of a sound system of national finance. Taxation is not merely a question of taking a little more or a little less money from a citizen for the use of the State, it raises much wider issues and determines to a considerable extent the economic organisation of the community.

As Professor Ely remarked :

"Taxation may create monopolies, or it may prevent them; it may diffuse wealth, or it may concentrate, it may promote liberty and equality of rights, or it may tend to the establishment of tyranny and despotism; it may be used to bring about reform, or it may be so laid as to aggravate existing differences. . . ."

A preliminary question for decision is whether the land revenue payable by *panch hissadars* in future should be regarded as rent or as a tax, i.e., whether the land revenue should be based upon factors which determine valuation or price-making or those of taxation. If the revenue is regarded as rent, the State may well be held entitled to the full differential value of land, i.e., the entire surplus of the value of the produce above the cost of production. If, on the other hand, the land revenue is to be regarded as a tax, its incidence must correspond to the burden of tax borne by other revenue payers belonging to the industries and the professions. A simple test is whether the coparcenary body of *panch hissadars*, i.e., the *sanyukt hissadari* is to be treated as the effective owner. If so, the State is entitled not to charge rent but only revenue which must be judged by the canons of taxation and which must not impose a burden upon cultivators much heavier than the burden borne by non-agriculturist classes. The question of ownership is crucial so far as the juridical aspect is concerned. Curiously enough, the Taxation Enquiry Committee, though it held that the State was not the owner of land, was yet rather doubtful about the nature of land revenue and advanced a number of arguments to show that it partakes of the nature of rent. As Gyan Chand has shown in "Fiscal Reconstruction in India" none of these arguments have much weight or cogency. We need not, however, get drawn into

*Taxation in American States and Cities, page 55.

a lengthy discussion of this question which has been rightly called a "profitless-war of words". What is important is not so much the correct classification or designation of land revenue, as its effect upon the well-being of the cultivators and the community as a whole. A demand which affects the interests of the overwhelming majority of our population must not be so heavy as to take their entire surplus and deprive them of incentive. It must leave to the poorest section of our society, i.e., small holders, something more than a margin of bare subsistence.

We consider it necessary to introduce an element of progression in the taxation of land with the two-fold purpose of relieving the small holder of an intolerable burden and giving him an opportunity for efficient cultivation on one side and of reducing disparity in the distribution of national wealth on the other. This question was examined in 1936 in detail by the Punjab Land Revenue Committee which came to the conclusion that any scheme similar to the assessment of incomes for the purposes of income-tax would be administratively impossible, and that exemption of agricultural incomes even at a lower level than the minimum industrial or professional incomes would involve the loss of almost all of the provincial revenue from land.

We think, however, that income-tax principles can be progressively introduced without changing the basic structure of revenue assessment or imposing a heavy financial or administrative strain upon the Government.

In the first place we do not suggest a yearly estimate of net assets for every revenue payer on the lines of income-tax assessment. This would obviously be impossible. The assessment of revenue would, therefore, have to be based upon the net assets of the cultivator determined during settlement operations. The income of the cultivator from non-agricultural pursuits would be beyond the scope of this inquiry.

As the recorded rents, which form the principal starting point of present-day settlement operations in the United Provinces, will vanish with the abolition of rent-receivers, the basis of assessment will have to be altered from rents to net produce. The revenue demand will thus depend on the calculation of the gross outturn and the costs of cultivation. The gross outturn varies

mainly with the class of soil, the system of cropping and whether the land is irrigated or dry. After estimates of gross outturn have been made, it will be converted into money-value, based generally upon normal prices in the local markets, where most of the surplus produce is sold. From the gross money-value, the cost of cultivation will have to be deducted to give the net produce. In Madras the cost of cultivation is first worked out on the best soil. The cost of cultivation on inferior soils is then estimated by making deductions proportional to the lower gross outturn on inferior soils. The underlying assumption is that the cost of cultivation varies directly with the gross produce. This assumption is obviously wrong, for the cost of cultivation bears no fixed proportion to the gross outturn. It is larger on inferior soils than on superior soils. Besides, within certain limits, it varies with the size of the holding, being larger on larger holdings. But beyond certain limits it remains fixed whatever the changes in the size of the holding. It will be necessary, therefore, to estimate the cost of cultivation not on the best soil as in Madras, but on different kinds of soils, and different sizes of holdings separately. We will thus get a number of different standard rates of net produce.

All this is a work of great difficulty and introduces so many factors regarding which it will be impossible to obtain accurate statistical data that it seems an almost hopeless task to make the assessment of revenue scientific and eliminate speculative and conjectural elements from it. We must bear in mind, however, that the assessment of the land tax in most countries is open to criticism and the best that can be done is a near approximation to accuracy. Scientific precision will, from the nature of things, remain for long only a distant ideal. Within these limits an element of progression can be introduced in the assessment of revenue. One-fifth of the net produce on a farm of economic size may be regarded as the standard rate which should be gradually reduced for the smaller farms and enhanced for large farms. The progression either way must be a percentage of the total revenue payable by the cultivator. To take a simple example, suppose that at the standard rate of Rs.5 per acre the revenue of a farm of 10 acres amounts to Rs.50. Now, if the revenue of a smaller farm at this rate amounts to Rs.40 it may be further

reduced by 10 per cent. to Rs.36, if the revenue is Rs.30 it may be reduced by 20 per cent. to Rs.24, if the revenue is Rs.20 it may be reduced by 50 per cent. and so on. In the same way the standard rate would be progressively enhanced for holdings above the economic unit.

We do not think it possible at this stage to specify the exact rate of progression. This can be worked out only when adequate statistics of the value of the gross produce, costs of cultivation, the net produce and farmer's family budgets and standards of living in various regions of the province and under various systems of cropping are available. We recommend that a thorough survey by the random sampling method should be immediately undertaken. When these figures have been obtained, the standard rates, and the rate of progression, may be worked out with due regard to both the fiscal implications to the State and the taxable capacity of the individual. We wish, however, to emphasize that though equality of burden is an ultimate ideal, it may not be possible in the immediate future to readjust the burden of land revenue completely on a line with the burden of taxation borne by non-agriculturist classes. In the interim period, therefore, the present system of land taxation may be retained, even in spite of its various defects, with an introduction of the principles of graduation only to the extent to which it is not financially embarrassing.

The next question is the imposition of a minimum limit below which agricultural incomes should be exempted from the payment of land revenue.

An objection often advanced against exemption or graduation of revenue is that it would encourage subdivision. This argument has in our opinion no weight as sub-division can be easily stopped, as we have proposed, by making holdings below the economic size impartible.

There are, however, other and, in our opinion, more valid objections to the total exemption of small holdings. Land revenue has for long been the mainstay of provincial finance and if the principles of income tax are carried to their logical conclusion, it would practically disappear. Besides, land revenue has

since times immemorial been a charge upon all cultivated land, whatever the size of the holding. The liability of all land to pay some tax is thus imbedded in our traditions. Another reason is that most of the small holders occupying holdings of an acre or less, carry on agriculture as a subsidiary occupation. As we have already pointed out it will not be administratively possible to take non-agriculturist income into account in the assessment of land tax. If, therefore, these small holders are totally exempted from payment of land revenue, the burden of taxation upon them will be less than that upon agriculturists who have no subsidiary occupations and who carry on cultivation on a farm of a little larger size as their principal or only source of income. For these reasons, we do not propose the imposition of an exemption limit.

It has been suggested that the land revenue may be substituted by a tax on produce at railway stations or principal markets. The underlying reason for the suggestion is that such a tax would apply only to the surplus, as each farmer keeps what he needs for his subsistence and sells only the surplus. The tax would be thus adjusted to the capacity of the revenue-payer. The Taxation Enquiry Committee rejected this proposal on the following grounds:

(1) All farmers do not grow enough for their needs. Farmers who grow industrial crops would have to purchase their necessities out of the surplus which paid the tax.

(2) The effect of the tax would be to substitute road traffic for railway traffic.

(3) The possibility of double taxation as the produce does not travel to its ultimate destination, but may be collected at one depot and again transported by rail. The produce that was put on the rail more than once might pay the tax several times over.

(4) Ultimately the effect of the tax would be to reduce the quantities of goods paying the tax and thus necessitate increasing the rate in order to make up for the revenue lost.

In addition to these defects there are the administrative difficulties of assessing and collecting such tax. Besides, according to the adage "an old tax is a good tax", inasmuch as the

revenue payers have got accustomed to an old tax and do not feel its burden so sharply as that of a new tax. The land revenue is, therefore, from this point of view, superior to this scheme of an indirect tax.

Another, and perhaps the strongest, objection to this scheme is that indirect taxes are usually shifted to the consumer. This shifting is easiest in the circumstances of a scarcity inflation prevailing at present. An indirect tax on essential commodities is less equitable than a direct tax as it falls heavily upon the poorest section of the society. All systems of taxation include some indirect taxes only because it is fiscally necessary to tax even the lowest strata, but they are necessary evils and cannot be regarded as superior to a direct tax. So far as the canon of equity is concerned, we have already shown that this can be progressively realised by a steep graduation of revenue rates.

We may now take up the first two questions, namely, the measures for equalising rent-rates and their reduction.

In the first place, we see no particular merit in the substitution of the present land revenue rates for the present rent rates except the psychological appeal to the cultivators. The present land revenue is designed to leave a part of the unearned income to the intermediaries, it has no necessary relation to the surplus of the individual cultivator. The land revenue is assessed on a partly graduated basis according to the economic conditions of the proprietors. If the incidence of land revenue is applied to cultivated land the result would be that the tenants of small proprietors would gain at the expense of the tenants of large proprietors and tenants in permanently settled areas most of all. A reduction of rents, particularly in the case of small holders, is, in our opinion, necessary but this reduction need not bear any relation to the revenue rates, the economic basis of which cannot be justified.

The extent by which rents can be reduced immediately depends primarily upon the financial resources of the State. As we have shown earlier, the net additional gain of the State on the abolition of zamindari after charges on compensation, payment

to public works and trusts and the likely fall in revenue have been met is about rupees 2·8 crores.

Out of this something between Rs.100 lakhs and Rs.150 lakhs must be reserved for unforeseen contingencies. We would like to make it quite clear that this is a very narrow margin of safety and an attempt to go beyond this may create grave difficulties. The balance of Rs.150 lakhs may be used to give relief to small cultivators on a graduated basis.

We recommend that the hereditary rates should be reduced according to the following scale:

Size of holding	Reduction in annas per rupee in the hereditary rate of rent
Up to one acre .. .. .	.. 6 annas
Exceeding 1 acre but not exceeding 4 acres ..	.. 4 ..
Exceeding 4 acres but not exceeding 8 acres..	.. 2 ..
Exceeding 8 acres but not exceeding 10 acres	.. 1 anna.

The rents of occupancy tenants with the same sizes of holdings should be reduced in such a manner that their rent does not exceed the incidence of rent of hereditary tenants after this reduction. In the case of non-occupancy tenants, the rents should be reduced so that they do not exceed the rents of hereditary tenants for land of similar description, and in the same sizes of holdings.

The appendix to this chapter shows the total estimated reduction on this basis in the rents of hereditary and occupancy tenants. This amounts to about Rs.129 lakhs. No estimate can be made regarding the reduction in the rent of the non-occupancy tenants, as the valuation of their land at hereditary rates is not known. At a rough guess, the reduction is likely to be about Rs.3 lakhs or so. The rents of other tenants need not be considered in forming an estimate as they are in most cases lower. But the same principle would apply in their case also.

The total reduction amounts roughly to about Rs.132 lakhs, and gives relief to over 80 lakh persons or roughly 70 per cent. of the cultivators. We must bear in mind that the estimate is not accurate, it is, in fact, no more than a conjecture, as the necessary statistics are not available. In making this estimate we have assumed that hereditary and occupancy tenants are grouped in

the same way according to the size of holdings. Actually the hereditary tenants may be grouped more heavily in the lower categories than the over-all provincial average. Besides, we have assumed that the average provincial incidence of hereditary and occupancy rents applies also to the smaller holdings. The likelihood is that the smaller tenants of both these classes pay rents above the average. When the rates of reduction are actually enforced, the total reduction will probably amount to Rs.150 lakhs. If, however, the total reduction falls below this figure the balance should be kept in reserve fund for the encouragement of co-operative farming and consolidation of holdings.

To prevent sub-division of holdings in an attempt to take undue advantage of these provisions we recommend that the basis of relief should be the size of holdings on 1st July, 1947. Sub-divisions of holdings made subsequent to that date may be ignored.

This scheme has, in our opinion, the merits of both introducing a graduated system that can be worked out by patwaris without much difficulty or error and also to a certain extent of equalising rents in the lower categories. The complete elimination of the present invidious distinctions between one class of tenant and another, uniformity in revenue rates and their adjustment to the taxable capacity of each individual will be achieved after fresh settlement operations have been completed from district to district. In so far as the present rent structure is not modified by the scheme proposed above, the existing inequalities may be allowed to remain for the present. This interval will give the present privileged tenants, and specially the expropriated zamindars, time to adjust their standard of living to the new conditions.

Statement showing the number of persons cultivating or otherwise occupying land, within parganas, whose names are recorded in Part I of the khatauni, arranged according to the total area held by each person during the Fash year ending June 30, 1945 (1352 Fash), the total area of land comprised in the holdings of different sizes in the United Provinces (Almora and Garhwal Districts and the Hill Pathis of Naini Tal District excepted), and the proposed amount of reduction in rents of certain classes of tenants

Size of holdings in acres	Total no. of persons	Percentage of this total no. of persons in the grand total of column 2	Total acres in series	Percentage of total acres to the grand total of column 4	Area of hereditary tenants in lakhs of acres calculated on the basis of column 5	Rent of hereditary tenants in lakhs of Rs. (based on column 5)	Area of occupancy tenants in lakhs of acres (based on column 5)	Rent of occupancy tenants in lakhs of Rs. (based on column 5)	Rate of reduction in rents in acres	Amount of reduction in lakhs of Rs. in the case of hereditary tenants	Amount of reduction in lakhs of Rs. in the case of occupancy tenants	Incidence of rent per acre of hereditary tenants after reduction of the existing rent
1	2	3	4	5	6	7	8	9	10	11	12	13
Not exceeding .5 ..	26,42,431	21.6	9,23,457	2.2	3.50	21.27	3.71	12.76	6 ams	7.98	2.73	3.7
Exceeding .5 but not 1 ..	19,95,900	16.3	15,55,708	3.8	6.19	36.75	4.67	22.04	..	13.78	4.76	3.7
Exceeding 1 but not 2 ..	22,65,597	18.0	23,61,150	5.9	13.37	79.29	10.69	47.50	4 ..	19.82	3.16	4.4
Exceeding 2 but not 3 ..	14,29,860	11.6	35,73,178	8.6	14.02	83.16	10.54	49.88	..	20.79	3.23	4.4
Exceeding 3 but not 4 ..	9,92,496	8.1	34,57,670	8.4	12.00	81.23	10.23	48.72	..	20.31	3.27	4.4
Exceeding 4 but not 5 ..	7,03,472	5.7	31,50,323	7.6	12.39	73.49	9.53	44.08	2 ..	9.19	..	5.2
Exceeding 5 but not 6 ..	5,14,653	4.2	28,16,063	6.8	11.08	65.76	8.36	39.44	1 ..	8.23	..	5.2
Exceeding 6 but not 7 ..	3,78,480	3.1	24,46,436	5.9	9.62	57.03	7.26	34.23	1 ..	9.87	..	5.6
Exceeding 7 but not 8 ..	3,83,200	3.1	21,12,043	5.1	8.31	49.32	6.27	29.58	..	3.08	..	5.6
Exceeding 8 but not 9 ..	2,15,980	1.8	18,20,099	4.4	7.17	42.55	5.41	25.52	..	5.66	..	5.6
Exceeding 9 but not 10 ..	1,70,729	1.4	16,17,358	3.9	6.36	37.71	4.80	22.62	..	9.36	..	5.6
Exceeding 10 but not 12 ..	2,06,345	1.7	32,64,937	5.3	8.97	53.18	6.77	31.90	..	..	..	..
Exceeding 12 but not 14 ..	1,28,902	1.1	17,76,344	4.3	7.01	41.58	5.29	24.94	..	111.76	17.23	..
Exceeding 14 but not 16 ..	95,820	0.8	14,23,074	3.4	5.94	33.88	4.18	19.72	..	..	..	..
Exceeding 16 but not 18 ..	68,940	0.6	11,31,355	2.8	4.66	27.08	3.44	16.24	..	..	..	..
Exceeding 18 but not 20 ..	51,415	0.4	9,73,096	2.4	3.91	23.21	2.95	13.92	..	..	..	..
Exceeding 20 but not 25 ..	70,412	0.6	15,70,473	3.8	6.19	38.75	4.67	23.64	..	..	..	..
Over 25 ..	1,34,655	0.9	33,10,373	12.9	21.03	123.74	15.67	74.82	..	..	..	..
Grand Total ..	1,22,78,299	100	4,13,16,480	100	163.00	867.00	123.00	580.00	..	..	..	..

Incidence of rent of hereditary tenants Rs.5.9 per acre on total holdings area.

Incidence of rent of occupancy tenants Rs.4.7 per acre on the total holdings area.

CHAPTER XXI

COLLECTION OF LAND REVENUE

On the abolition of intermediaries the State will come into direct contact with the cultivators, and it will be necessary to create an organisation for the collection of land revenue from them. The magnitude of the task can be judged from the fact that the State will have to deal with roughly about a crore of cultivators paying a total demand of over 20 crores. Today it realises the land revenue demand of about 7 crores from about 20 lakh zamindars, with the help of their representatives, i.e., *lambardars*. We do not know the number of *lambardars* with whom it has to deal, but obviously the total number must be a small fraction of 20 lakhs. The facts that most of these cultivators possess few tangible assets except their cattle and a few agricultural implements, the produce of their land and their right of occupancy; that they are generally illiterate, easy to deceive and unable to resist illegal demands, and that the vast majority of them will be required to pay very small amounts of money, add greatly to the complexity of the problem.

We have recommended the settlement of revenue with the coparcenary body of the village, all the *panch hisadars* being jointly and severally liable for the payment of the land revenue settled on the village. This would help in the re-integration of the village community and strengthen the feeling of corporate life and duties. But until the scope of co-operative activities is widened, the principle of joint responsibility will in practice have little meaning. The liability for the payment of revenue will, for the present, rest primarily upon the individual cultivator, and it will not be possible to enforce joint responsibility to any great extent.

The following alternative methods for the collection of revenue deserve consideration:

- (i) realization through *lambardars*, i.e., lessees or farmers of revenue,
- (ii) realization by government agency, either (a) by paid staff visiting the villages in their circles and collecting

revenue from the *panch hissadars*, or (b) payments to be made by the *panch hissadars* themselves directly at sub-treasuries.

(iii) realization through *gaon panchayats*.

We may now examine the relative merits of the different methods.

1. Realisation through lessees or farmers of revenue on commission :

This appears to be the most common agency in *raiyatwari* provinces.

In the Punjab all the landowners are jointly and severally responsible for the payment of the whole revenue on the estate. Each share-holder is, therefore, liable not only for the demand in respect of his own holding but also for any arrears that may arise in respect of another holding. Where there are recognised subdivisions of an estate such as a *patti* or *taraf*, the joint and several responsibility for arrears is, in the first instance, enforced against the share-holders in the sub-division and not against the whole community.

The revenue is collected from the landowners and paid into the tahsil treasury by the village headman or *lambardar*. The share-holders are not allowed to pay in revenue directly by cash or by money order. It is the duty of the patwari after each harvest inspection is over to give the headman a list, showing the demand due under different heads (land revenue, local rate, etc.) from the owner of each holding. He also helps the headman by explaining accounts and by writing the receipts to be given to the share-holders. But he is forbidden to collect or handle the revenue. The patwari is also required to give each headman, for presentation at the tahsil, a memorandum (*arz irsal*) showing under the proper heads the amount to be paid in. The procedure for payment at the tahsil treasuries is similar to the procedure in the United Provinces.

The Punjab Land Administration Manual points out that the headmen are often compelled to give small gratuities to members of the tahsil establishment, specially to the revenue accountant.

This practice is common in the United Provinces also. The Deputy Commissioners in the Punjab have, therefore, been authorised, if they wish, to introduce the system of payment of land revenue into the treasury, without pre-audit by the *wasil-baqi-navis*. According to this system it is essential that a correct *kistbandi* should be supplied to every patwari so that he may be able to give a correct *arz irsal* to each headman paying in an instalment of revenue. The headman pays the money direct to the treasurer who signs a receipt on the back of the *arz-irsal* which is then taken to the *siyaha-navis* and *wasil-baqi-navis* by whom entries are made in the usual way.

If a default occurs the arrears may be recovered either from the *lambardar* or from the share-holders. If the *lambardar* shows that he had exercised proper diligence and that delay in realisation was not due to his own neglect, the arrears are recovered from the share-holders. When a *lambardar* finds difficulty in inducing his co-sharers to pay their quota on account of private enmity the tahsildar or the naib-tahsildar often goes to the village and helps him in realising the arrears. Misappropriation by a needy *lambardar* is not uncommon. Whenever this occurs the *lambardar* is dismissed.

The legal processes for the recovery of arrears are:

(a) By service of a writ of demand on the defaulter.

(b) By arrest and detention of the defaulter. This form of coercion is extremely objectionable. "When the defaulter is living in circumstances which make him fear imprisonment and when he has resources which enable him at once to pay the demand, this process may be effective but on the poor and embarrassed it is not likely to have any effect, whilst to the unfortunate but honest and industrious man it is a cruel hardship."*

(c) By distraint and sale of his movable property and uncut crops. The Deputy Commissioner or any other officer of the first grade can distraint and sell the crops and the movable property of the defaulter. But the exemptions prescribed as regards sales and execution of decrees apply, and in addition so much of the produce must be left unattached as the Deputy Commissioner thinks necessary

*Punjab Land Administration Manual.

for seed, and for the subsistence of the defaulter, his family and exempted cattle until the next harvest. The objections to this process are that the usual defaulter being a small ryot whose personal property is of little value, the amount realised by attachment and sale is generally very little, while the harassment and injury caused is out of all proportion to the amount realised.

(d) By transfer of the holding in respect of which the arrear is due. The holding of the defaulter may be transferred by order of the Deputy Commissioner to any solvent landowner or landowners in the estate who may be willing to pay the balance due and to accept any conditions which the Deputy Commissioner may prescribe. He may, for example, stipulate that the defaulter shall be given part of the land to cultivate at a fixed rent. The term of transfer is now limited to a period not exceeding 15 years or when the defaulter pays the amount due.

(e) By attachment of the estate or holding in respect of which the arrear is due. This process is known as *kurk tahsil* and is obviously unsuited to the case of an ordinary peasant holding.

(f) By annulment of the assessment of that estate or holding. Direct management accompanied by annulment of assessment is known as *kham tahsil*. This and the subsequent processes cannot be resorted to except with the assent of the Financial Commissioner. *Kham tahsil* is only suitable in the case of a whole estate and is very seldom resorted to except in case of contumacy or gross mis-management by a village community.

(g) By sale of that estate or holding. This is also very rare.

(h) By proceeding against other immovable property of the defaulter.

In the Central Provinces also the land revenue in *ryotwari* villages is collected by a *patel* appointed by the revenue officer, usually *tahsildar*, with due regard to his ability to perform his duties, the wishes of the *raiyats* and hereditary claims. The *patel* is entitled to a commission on the revenue collected by him.

Collection of revenue through a lessee or farmer on payment of a commission appears to be the most easy and convenient method. If this is adopted, the village *lambardars* appointed with due regard to their ability and status and the wishes of the village community would fill the gap created by the abolition of zamindari. The *lambardars* would take the place of the zamindars and so far as the Government is concerned the existing system of collection would need little alteration. As against the practical convenience of this method there are certain vital objections. The village *lambardar* would possess much power and authority which he might be tempted to abuse. The office cannot be made fully elective as every cultivator will obviously not be fit to hold it. It will be necessary to insist that the *lambardar* should be a person of sound financial status so that, if necessary, the arrears of revenue may be collected from him without great difficulty. The office would, therefore, be open only to a few persons in a village, and the revenue authorities will have to be given a voice in his appointment. In effect, therefore, the office will not be elective. It seems undesirable to re-introduce the system of revenue farmers after the abolition of zamindari if an effective substitute can be found.

2. Direct collection by Government agency—

(a) Collection by paid staff.

This can be organised on the same lines as the collection of canal dues at present. This is entrusted to *kurk amins* specially appointed for the purpose if the *lambardars* are unwilling to do the work. The standard of collection per *kurk amin* is Rs.3,000 a month. The *kurk amin* is assisted by two peons. A *naib-tahsildar* is required to supervise the work of about eight *kurk amins*. A canal *muharris* is required to deal with the work of ten *kurk amins*.

Each *kurk amin* maintains the following registers:

(1) Canal *jamabandi*—This register shows the amount due from each tenant. Collections are also entered in it as soon as they are made.

(2) Receipt book—with counterfoil (A), receipt (B) and coupon (C). As soon as payment is made by a tenant the

kurk amin gives to the payer the receipt and coupon from the receipt book and enters the running total on the counterfoil.

(3) Cash-book.—As soon as any money is paid towards the satisfaction of the canal demand the *kurk amin* makes necessary entries in the cash-book. At the end of each day he checks the amount of money in his possession with the running total in the counterfoil and with his cash-book.

The naib-tahsildar in charge of each circle arranges to meet the canal *kurk amin* of his circle on fixed dates at the tahsil headquarters, checks the accounts and gets the money deposited in the treasury. The canal *muharris* enters the amounts deposited in his *khatauni*. In the case of outlying circles the naib-tahsildar orders the *kurk amin* to come to a convenient police station, checks the accounts and arranges to have an escort of two constables to have the money taken to the tahsil.

The tahsildar is generally responsible for supervising and checking the work of naib-tahsildars. He has particularly to see that all amounts collected have been deposited without undue delay and have been credited to the *mahals* and *fasls* to which they relate; that items are not unnecessarily left outstanding and that processes have been promptly executed. Canal accounts are checked in the same way as land revenue accounts. To watch the progress of collections, periodical statements of collections are submitted to the Collector.

Expenditure on direct collection of canal dues so far amounted to about 2 pice per rupee, but with increased scales of pay and the larger organisation required for collection of the whole revenue it has been estimated that the cost will come to about an anna per rupee, i.e., 6½ per cent.

(b) Direct payment at sub-treasuries.

Another possible organisation for the collection of revenue is the establishment of sub-treasuries for direct payment by the cultivators, as in Kotah State. Obviously a large number of sub-treasuries will be required so that the outlying villages within a sub-treasury may not be too far distant and the

journey may not be inconvenient or too expensive. If a sub-treasury circle is about as large as the circle of a police station, the proposal will mean an increase in the number of sub-treasuries from 203 to 745. The amount that may be realised by a sub-treasury officer on the average will be 20 crores divided by 745 or Rs.27 lakhs approximately. The number of persons to be dealt with will be about 16,000. The following staff will be required at each sub-treasury:

	Rs.
One sub-treasury officer, cum-tahsildar at Rs.250 per mensem for 12 months	2,000
One treasurer at Rs.60 per mensem for 12 months	720
One money tender at Rs.40 per mensem for 4 months	160
One accountant	} at Rs.90 per mensem each for 12 months
One <i>uzel-bagi-savir</i>	
One assistant accountant	} at Rs.75 per mensem each for 12 months
One assistant <i>uzel-bagi-savir</i>	
Six <i>cedars</i> at Rs.80 per mensem each for 12 months	6,480
Eight peons at Rs.35 per mensem each for 12 months	2,380
Five Sub-treasury guards at Rs.40 each for 12 months	2,400
Contingencies—one waterman for 12 months at Rs.25 per mensem	300
Three fan pallots for 6 months at Rs.25 per mensem each	300
Other contingencies	340
Grand total	21,000

The total cost will be $21,000 \times 745 = \text{Rs.}1,56,45,000$, i.e. about 7.7 per cent. of the total demand.

There are serious objections to any scheme of direct collection of land revenue by Government. Many of the witnesses, including some officials, have strongly criticised the existing system for the collection of land revenue and characterised it as corrupt, mechanical and wooden. In the first place, a government agency, lacking intimate knowledge of the conditions and needs of each cultivator, would be unable to distinguish between cases where delay or default was due to contumacy and cases of genuine hardship or inability to pay. The ordinary coercive processes would have to take their course and a cultivator unable to pay the revenue by the last date, either by borrowing or from his own resources, would ultimately be ejected from his holding and deprived of his means of living. If on the other hand, the collecting staff is given discretion to suspend collection of revenue in a few chosen cases, it would, in

the first instance, be unable to exercise its discretion rightly on account of lack of personal contact and direct knowledge of the conditions of each cultivator; secondly, it would, in some cases, be tempted to sell the privilege and take a bribe in consideration of the suspension of revenue. A zamindar, it has been said, is bound in his own self-interest to make some allowances for his tenants. He has usually close personal relations with many of his tenants, and this sometimes mitigates his harshness and greed. But the vast hordes of petty officials swarming over the countryside, inevitable in any system of direct collection, will be no less greedy and probably much more harsh.

3. Gaon panchayats

The most suitable agency for the collection of revenue is, of course, the *gaon panchayat* to be set up under the Panchayat Raj Act. The Act provides for a contract by the *panchayat* for the collection of government dues on payment of a fixed percentage as collection charges. The large sphere of work assigned under the Act to the *gaon sabhas* and their executive and judicial bodies will necessarily involve the appointment of some paid staff. It is perhaps difficult to say yet when exactly *gaon panchayats* will start functioning effectively in the whole province. But there is no reason why they should lag behind the abolition of zamindari.

It is difficult to estimate how many *gaon panchayats* are likely to be formed, the total amount of rent within their circles and the number of cultivators each *gaon panchayat* will have to deal with. The number of *gaon panchayats* to be established has been estimated departmentally at 50,000. The rent to be collected by each will, therefore, be roughly about Rs.4,000. A commission of 5 per cent. on this works out at about Rs.200. This does not seem a very large sum but at any rate it should be enough for the payment of honorarium to the staff that the *gaon panchayat* will have to employ for its other activities. Besides, even if the *gaon panchayat* cannot employ paid staff, there is no reason why it should be unable to collect rent from the cultivators. The *patwari* could act as the village accountant. It will be his duty to prepare *jamabandi* for each instalment, and give a ledger book showing the amount of each instalment to all the tenants and a consolidated *jamabandi* to the *gaon sarpanch*. The

patwari could also help the *sarpanch* by writing out receipts and maintaining the account but would not himself either collect the rent or handle the money. The village *sarpanch*, or some other member of the executive, could collect the rents and pay them at the *tahsil* sub-treasury.

Conclusion

We consider the collection of revenue through *gaon panchayats*, on a commission of 5 per cent., the most suitable method. This will help in reviving the old traditions of a closely-knit village community and will develop a sense of social responsibility and co-operation in the people.

The *gaon panchayat* will also be able to deal more considerately with the individual revenue payer than any purely official agency, and make the necessary adjustment in cases where the punctual payment of revenue may be beyond the capacity or involve great hardship to the cultivator. For this purpose we suggest the desirability, even in normal seasons, of allowing the *gaon panchayat*, if necessary, to deposit only 95 per cent. of the total demand, 5 per cent. to be regarded as short collections. The *panchayat* would have the right to choose which of the cultivators in the village should be allowed a period of grace for the payment of their revenue. The arrears should ordinarily be recoverable the next year with a low interest of, say 5 per cent. If the arrears are not recovered the next year, or if in any particular year the *gaon panchayat* does not deposit at least 95 per cent. of the total demand, the Government could take action against the defaulters. The arrears could be recovered by some of the processes described above.

This margin of 5 per cent. is intended to cover only individual cases of hardship; when there is a widespread calamity the usual measures for suspension or remission of revenue should be applied.

As the *gaon panchayats* may not in the first stage cover the whole province we would suggest a combination of the two methods, i.e., collection through village *panchayats*, wherever possible, and through *lanbardars* where necessary. The *lanbardars* would also be entitled to a commission of 5 per cent. on the revenue collected.

CHAPTER XXII

SOME ALLIED PROBLEMS

Agricultural Labour

One of the most baffling and urgent problems of rural rehabilitation concerns the landless labourer. The rapid growth of this class is an alarming symptom of the economic deterioration of the country. The Census of 1882 returned 7.5 millions as landless day labourers, by 1921 their number had increased to 21.5 millions and in 1931 to 35 millions. During the twenty years between 1911 and 1931 the number of labourers per one thousand cultivators had increased from 254 to 417.

Tables showing classification of occupations were not prepared in the Census of 1941; up-to-date figures are not, therefore, available. In an article in the *U. P. Information* published in August, 1947, Dr. Radha Kamal Mukerji estimated the present number of agricultural labourers to be as high as 60 to 70 millions, including in this class, small allotment holders who engage in other occupations to supplement their income. Dr. Gyan Chand's estimate also supports this view.

The growth of this surplus population has been due to the decay of cottage industries and the increasing pressure upon land, the growing indebtedness of the agricultural classes, and transfer of land from cultivators to non-cultivators and the increase in the number of absentee landlords. As Dr. Radha Kamal Mukerji observed in the "Land Problems of India", every circumstance which has weakened the position of the small holder has increased the supply of agricultural labourers. In normal years the number of agricultural labourers tends to increase at a faster rate than the agricultural class owning or holding land for cultivation.

The landless labourers lead a life of semi-starvation, are unemployed for a large part of the year; their wages even during the period of employment are very low. They possess no reserves for bad seasons or years, and their vitality is low, so that as a class they suffer most in times of agricultural scarcity or famines, or

fluctuations in the market prices of agricultural produce, and are most susceptible to pestilence and disease.

Agricultural wages are generally lower than industrial wages for a number of reasons. Firstly, agricultural labour is scattered and unorganised, and agricultural employment is seasonal in character, these facts prevent any collective bargaining. The wages are fixed by the law of supply and demand, and as we have noted, the supply tends to exceed the demand; there are more workers than jobs. There is, thus, no controlling factor in the private negotiation between the employer and the worker except the customary wages of the region. The force of this customary wage to a certain extent prevents the worker from being beaten down into the acceptance of a lower wage in normal times, but it tends to act as a retarding influence when the price level rises; on the whole it offers no effective security or protection to the labourer, who is compelled to accept much less than a living wage, in fact, any wage whatever that is offered. Secondly, the zamindari system has given rise to the creation of a "labour reserve". The *halwaha* bound to the zamindar has a status no higher than that of a serf. The agricultural labourers are driven by their poverty into debts which they have no means of repaying except by lifelong work as serfs on the fields of their creditors. An official report describes this in the following terms: "The average agricultural labourer is not infrequently compelled in times of stress to mortgage his personal liberty. In return for a small sum of money, which he may happen to need at the moment, he agrees to serve the man from whom he has borrowed. The money is not repaid, nor is it intended to be repaid; but the borrower remains a life-long bond-slave of his creditor. For his work, he merely receives an inadequate dole of food and to all intents and purposes is in the position of a medieval serf."* This debt-bondage has, to a certain extent, checked the upward trend of agricultural wages.

Again, the fact that most of the labourers belong to the depressed classes and have a low social status prevents them from demanding or receiving reasonable wages for their work. The supply of labour is augmented by small-holders who are willing to take up work at low wages as a subsidiary occupation. Lastly, the supply of labour is not limited by any law preventing the

*Quoted by Wadia and Merchant in 'Our Economic Problem', page 240, from District Board, 'Agrarian Serfdom in India,' in *Indian Sociologist*, July, 1942.

employment of children. All these factors depress the wages of agricultural labour.

In the United Provinces wages are paid in kind as well as in cash. This is based on old traditions and is helpful to the worker as he gets both grain for his food and the cash which he requires to purchase non-agricultural commodities, such as cloth. There is, however, a marked tendency for cash payments to replace grain payments. The quinquennial wages survey of the United Provinces in 1934, recorded an average cash wage of 3 annas a day; in some regions it was as low as $1\frac{1}{2}$ annas a day. According to the U. P. Wage Census of 1944, the cash wages for unskilled labour varied from 4 annas to 10 annas, of ploughmen engaged on monthly pay from Rs.3 to 6 up to Rs.25 to 30 per month. Among skilled labourers the wage of a carpenter, to take an instance, varied from 8 annas to 32 annas a day. The average wages are now considerably higher, but we are not in possession of exact figures as no survey has been made recently. But along with the rise in wages the cost of living has also risen.

Except the Famine Code, which provides for employment in times of famine, it has not been possible, so far, to take any measures for giving economic relief or security to the landless labourers. The reform of the land system and the development of agriculture, in so far as they will raise the standard of living of the agricultural producers and create a demand for more goods and services, will, to a limited extent, indirectly improve the economic condition of the agricultural proletariat. It must be clearly recognized, however, that the relief will be comparatively small and agriculture, by itself, being already over-crowded, offers no solution of the vast problem created by this needy, drifting and unemployed surplus population. The development of large-scale industries cannot absorb more than a very small fraction of this class. The answer to this problem must be sought in the creation of new sources of employment by the development of cottage industries and in the regulation of wages.

It may perhaps appear on a superficial observation that the problem of the landless has no relation to our work which is concerned exclusively with the problem of land reforms. This is effectively answered by the fact that no agricultural system can hope to be stable while it is subject to the enormous

pressure exerted by the swarming mass of unemployed rural labour. Nanavati in "Indian Rural Problem", has pointed out that the average efficiency of the Indian farmer has greatly deteriorated on account of the fact that a large number of people who do not possess adequate equipment, knowledge or training for agriculture have been forced to take to cultivation on the loss of their traditional occupations. While these conditions last, it will be difficult to prevent the re-emergence of a landlord-tenant system in some form or other, and the restrictions on subletting proposed by us may be difficult to enforce. The pressure of this surplus population and the lack of alternative employment leads to the continuous diminution of the size of holdings, which is one of the biggest obstacles to the rationalisation of agriculture.

In these circumstances, the urgent necessity for the creation of new sources of employment and for a minimum reform in the shape of wage regulation cannot be over-emphasised.

There are two principal methods for the regulation of the wages of agricultural labour, namely, collective bargaining and State intervention. The two methods are not entirely distinct and quite often both are applied simultaneously and supplement each other. State intervention alone, i.e. fixing a minimum wage by statute is sometimes unsuccessful unless it is assisted by an organisation of agricultural labour to ensure the proper functioning and prevent the evasion of the State regulations. Collective bargaining by itself is weak and difficult to organise, particularly in a country like India, where labour is so plentiful. Workers organisations alone would naturally find it difficult to make themselves effective and secure by their own effort, the necessary regulations of the wages and conditions of agricultural labourers. Besides, a trade union is necessarily unable to protect the interests of workers who do not belong to the organisation. Such gaps can be avoided only by State intervention fixing the minimum wages for each individual worker. It would, thus, appear that a combination of both the methods is necessary.

The duty of the State to secure a minimum standard of living to the agricultural as well as industrial workers has been widely recognised. In the years after the first World War, regulation of agricultural wages has been effected in a large number of countries. Minimum wages are fixed by statute or by State

machinery in England, France, Poland, Hungary, the United States, etc., through collective bargaining between agricultural workers and employers' organisations, in some cases with State assistance; in Denmark, Sweden, Norway, Netherlands, and Italy. In Egypt also a wage regulating system has been recently introduced.

In India the Minimum Wages Bill introduced by the Central Government is a first step in this direction, and the Provincial Government can follow it up by fixing suitable minimum wages, which may, if necessary, vary in different regions of the province.

The minimum wage will apply only to those jobs which are paid in cash. We hold that wages in kind, wherever and for whatever job they are paid, should not be abandoned, as this would upset the wage-structure at a time when the prices of foodstuffs are very high. On the whole, payment in kind, accompanied by payment in cash for some jobs, will maintain an equilibrium between the food and other requirements of the labourer. The relation between cash and kind wages should, however, be determined.

This form of State intervention by fixing a minimum wage and making the payment of a lower wage illegal has, however, the difficulty of being rigid and unalterable except by amending legislation. A more elastic procedure, which we consider preferable, would be to set up a special machinery somewhat on the lines of the Agricultural Wages (Regulation) Act, 1924, of England, or similar Acts in a number of other countries. The machinery consists of wage boards for various regions, consisting of representatives in equal numbers of workers and employers, in some cases, also of members appointed by the Ministry of Agriculture. The boards form a hierarchy with the National Board at the top. The fixation of wages may be either left entirely to the wage boards, or standards may be fixed by the Government, within which the maximum and minimum rates are to be fixed.

It would also be necessary to provide for the recognition of trade unions of agricultural workers, if and when they are formed.

Stabilisation of Agricultural prices

We have pointed out elsewhere in our report that the level of income in India is the lowest in the world. This naturally means that the consumer has little buying power, and consequently

prices of goods have normally to fall to a relatively low level before the produce can be taken off the market. To the various ills, therefore, from which the cultivator suffers, is added the low level of prices, which in turn means a low level of agriculture: "the cultivator has no inducement to take to agricultural improvements". As the report of the Prices Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries, so aptly puts it—"Agriculture perhaps is the only business in which the producer continues to produce irrespective of profits, because to him it is not the pursuit of an occupation but a way of living".

After pointing out how the low level of prices discourages investment and prevents the adoption of new techniques which, despite extra labour and expenditure, will lead to a reduction in cost, the Committee concludes as follows:

"The position which emerges from the above survey is that an insufficient over-all supply, subject to wide variations from year to year, coupled with lack of adequate purchasing power, has resulted in a chronic state of under-consumption and a low standard of living for the bulk of the population. This highly unsatisfactory state of affairs cannot be remedied without active and large-scale assistance by the State. While the potential resources of the country are sufficiently large to permit the necessary expansion in production, it can only eventuate if adequate measures of agricultural improvement are undertaken. Agriculture, however, involves a high degree of risk, on account of climatic and biological factors, and it is carried on by a large number of unorganised producers. Measures of improvement will, therefore, not be undertaken in practice unless a certain degree of stability and a reasonable level of income are assured to the producer through a programme of State assistance. Measures of general economic development, such as the organisation of large-scale and small-scale industries, and the construction of public works, will assist by creating fresh avenues of employment of the population now surplus on land and increasing the demand for agricultural products through a rise in the national income. It is, however, essential to take more direct measures to secure the adoption of more intensive agriculture on a scientific basis, and the State

should launch an intensive programme of agricultural investment and development, directed towards improving efficiency, increasing production and raising the standard of living of the agriculturist and the agricultural labourer".

Generally speaking, any all-India economic policy would be difficult to formulate and enforce at the present time because the internal price-structure in the country will depend upon many factors such as the settlement of the sterling balances, the management of currency and exchange, and the relative development of industries and agriculture. Super-imposed on these factors will be the nature and extent of international relations. Notwithstanding all this, however, the question of guaranteeing a fair price to the cultivator and thereby preventing a collapse, such as the one that occurred in 1930, is one which should claim the first attention of Government.

It would be impossible, even if it were necessary, for us to give a summary of the conclusions and recommendations of the Prices Sub-Committee that would do justice to the erudition coupled with sound commonsense displayed by the writers of the report. We agree with almost all these recommendations but would like to make certain observations which appear to be relevant in the context of conditions as they obtain in the United Provinces.

Principles of Price Fixation

As regards the principles of price fixation, we agree with the Prices Sub-Committee that, in respect of the commodities selected for price fixation, the fair price (which is after all what concerns the producer most) should be calculated, where practicable, on the basis of the costs of production of a producer who represents the bulk of the producers of the commodity concerned. We also agree that till the costs of production can be reliably ascertained, by the Bureau of Economics and Statistics contemplated by the Prices Sub-Committee, the fair price should be based on the parity between agricultural prices and agricultural costs prevailing during the quinquennium 1924—29, during which period, it is generally accepted, the cultivator got a fair margin of profit for his labour. In other words, the fair price should bear the same ratio to agricultural costs as the price of 1924-29 bore to the agricultural costs

of that period. We are well aware of the difficulties that will have to be faced in ascertaining the costs of production as they were in 1924-29. But whatever data are available in the shape of price and cost-of-living indices should be utilised. Identical data for the present period should also be collected and utilised. Another important factor which should be taken into consideration in working out fair prices is the price at which the commodity in question is imported into the country, because the import price would directly affect the prevailing price to a considerable extent. When a particular price has been obtained as the fair price for a particular commodity on the basis of the above data, it should not be accepted straightaway, but should be adjusted to the present-day conceptions of what is fair.

We agree that the figures of agricultural costs should be worked out on the basis of a suitably weighted index number of the prices of cloth, kerosene, salt, *gur*, sweet-oil, iron and steel, bullocks, manures, oil-cake and fodder. We would like to add to this list, the two items of labour and implements as well, unless it is intended that the latter is already covered by iron and steel. The weights which should be assigned to these commodities is a matter for detailed inquiry. The only thing, however, that can be said with certainty is that weights which would have been given to these commodities in 1924-29 would not hold good for the present time, if not for all, at least for some of them.

We are also of opinion that the fair prices should be calculated for the most important producing area only. This is because the average for the country as a whole would be a mathematical product liable to error and not understood by the common man. Once the fair price for the most important producing areas has been fixed, the fair price for other areas can be worked out by providing a suitable differential. This differential will in the main be the replacement cost. As the differential will be represented by the replacement cost, it will have to be expressed in the form of a fixed amount rather than as a percentage.

We also agree with the Sub-Committee's recommendation that the fair price should be the minimum price during the period of transition from war time levels to normal levels of prices. Prices will remain high during this period and it seems, therefore, to be quite just to accept the minimum price of this period as

the fair price. We are of opinion that the transition period should be the period during which conditions remain abnormal and that in the post-transition period, instead of having a fixed price equivalent to the fair price, it would be advantageous to maintain a range of prices between a minimum and a maximum. We are, further, of opinion that the minimum price should be below the fair price, but we are not prepared to accept the view that the difference between the fair price and the minimum price should be limited by any stated percentage and would prefer to leave the discretion to the price fixing authority. We suggest this only with a view to imparting greater flexibility to the system of price adjustment.

We are of opinion that where the minimum price is to be reduced for over-all economic reasons as a necessary preliminary to general price reduction, care should be taken to see that the reduction given at any one time is not large. We would not, however, like to fix a maximum by which the price can be so reduced. We consider that this should also be left to the discretion of the price fixing authority.

We feel that fixing a rock-bottom price below which the price should in no circumstances be allowed to fall is almost an impracticable proposition. This is because nobody can say with any degree of certainty as to what the value of the rupee will be a few years hence. So, if a particular rock-bottom price is fixed today and five years later the value of the rupee substantially depreciates or appreciates, the rock-bottom minimum will have no meaning, and if the rock-bottom minimum is fixed for short periods such as a year or two, it will for all practical purposes be nothing more or less than the minimum price. A rock-bottom price, fixed as it should be for a long period, is likely to have its repercussions on the fiscal position of the country, and we feel that it can never be safe to entail the future finance of the country by fixing a price now which may prove to be too high a few years hence, and thus unduly strain our resources.

Which food grains should be selected

The committee recommend that a minimum and maximum price should be determined for the principal foodgrains, viz.,

wheat, rice, *jwar* and *bajra*. The United Provinces are not greatly interested in the latter two foodgrains, because barring some export of *bajra* and *jwar* which used to take place in pre-war years, most of these products are almost entirely consumed by the cultivator himself, leaving only a small surplus for the market. In any case we are of opinion that, if prices of wheat and rice which are international crops and which furnish by far the greater portion of the marketable surplus of the country, are controlled, they will have the desired effect on the prices of other foodgrains including barley, maize and gram, which are of sufficient importance in the economy of this province. Wheat and rice are also the only two crops of which stocks can be built up with the help of imports from other countries. There are, besides, difficulties in the way of storing *jwar* and *bajra* which cannot be stored for any sufficiently long period without considerable deterioration.

Commercial crops

The sub-committee also recommend the extension of principles of price fixation to the commercial crops, viz., cotton, jute and sugarcane. We think that the same arguments as in the case of *jwar* and *bajra* will apply to these commodities as well. The United Provinces are, of course, not concerned to any great extent with jute, although this year an attempt has been made to bring 5,000 acres of land under this crop. As for sugarcane, the optimum area, which can be cultivated in the province so as to ensure a fair return to the cultivator, is about 2.5 million acres. Beyond this, cultivation of sugarcane will become unprofitable, and the area is not likely to go beyond it. Cotton too is not an important crop, at least at present, in this province.

We consider, therefore, that it would not be necessary to control the price of these commercial crops, as we are of opinion that, as in the case of cereals and millets, the prices of these commodities will also be influenced by the prices of rice and wheat.

Other Commodities

The Sub-Committee recommend also the fixation of minimum and maximum prices of commodities like oil-seeds, fruits, vegetables and animal husbandry products such as milk and fish. We are of opinion that oil-seeds will easily follow the prices of wheat,

while practical considerations would be in the way of regulating the prices of fruits, vegetables and animal husbandry products, because of their extreme perishability and the want of adequate cold storage for them. In any case, fruits, vegetables and animal husbandry products are at present of small importance in the national economy of the country.

(Sd.) GOVIND BALLABH PANT.

(Sd.) HUKUM SINGH VISEN.

(Sd.) CHARAN SINGH.

(Sd.) JAGAN PRASAD RAWAT.

(Sd.) AJIT PRASAD JAIN,*

(Sd.) VISHWAMBHAR DAYAL
TRIPATHI

(Sd.) Z. H. LARI †

(Sd.) RAM CHANDRA GUPTA.

(Sd.) BEGUM AIZAZ RASUL †

(Sd.) KAMLAPATI TRIPATHI.

(Sd.) ABDUL GHANI ANSARI.

(Sd.) RADHA MOHAN SINGH.

(Sd.) B. N. JHA.

*Signed subject to note appended.

†Signed subject to minutes of dissent appended.

MAIN CONCLUSIONS AND RECOMMENDATIONS

CHAPTER I—OUR MAIN ECONOMIC PROBLEMS

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Our estimate of the size of an economic holding with due regard to agricultural conditions in the province is about 10 acres	23

CHAPTER VIII—LAND RECORDS AND AGRICULTURAL STATISTICS

Planning to be effective must be based on sufficient information. The effects of the revolutionary changes in rural economy consequent on the abolition of zamindari should be carefully watched and the Government should be in a position to foresee and anticipate difficulties. It is necessary, therefore, to re-organise the statistical machinery and the land records system	193
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The patwari should not have the power to record any changes in cultivatory possession except under orders of a competent authority	195
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CHAPTER IX—ASSESSMENT OF MARKET VALUE

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One set of multiples for compensation should apply to the whole province, without distinction between different regions or estates	213
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CHAPTER XIV—INTERMEDIARIES AND THEIR ELIMINATION

A cultivator or tiller of the soil means a person who (i) performs all or some of the manual tasks of cultivation, (ii) provides the finance, (iii) manages and supervises the holding and (iv) takes the risks involved. Of these functions only the last three are essential	364
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The ideal is that the cultivator and his family should contribute most of the labour required. But the employment of hired labour on a permanent or casual basis is permissible, so long as the cultivator finances and supervises production and takes all the risks involved	365
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A permanent agricultural labourer whose wages are paid wholly or partly as a share of the produce and who, therefore, shares the risk of the enterprise is to be deemed a sub-tenant	368
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An intermediary is a rent-receiver who does not perform any of the essential functions of agricultural production	368
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We recommend that the following classes should be regarded as cultivators in regard to the land comprised in their holdings, viz:

- (a) fixed-rate tenant,
- (b) tenant holding on special terms in Avadh,
- (c) ex-proprietary tenant,
- (d) occupancy tenant,
- (e) hereditary tenant,
- (f) non-occupancy tenant including (i) tenant of *sir*, (ii) sub-tenant, (iii) tenants of land mentioned in section 30 of the Tenancy Act,

- (g) grove-holder,
- (h) rent-free grantee, and
- (i) grantee at a favourable rate.

All classes intervening between the above-mentioned categories and the State are to be regarded as intermediaries 369

The intermediaries are:

- (1) proprietor,
- (2) under-proprietor,
- (3) sub-proprietor,
- (4) thekadar,
- (5) mortgagee in possession,
- (6) permanent lessee in Avadh, and
- (7) permanent tenure-holder 369

The various categories of land belonging to the zamindars should be dealt with in the following manner:

Sir and *khudkashi* in the personal cultivation of the landlord will be retained by him with the same rights as are given to other cultivators 370

Sir and *khudkashi* let out to tenants will be governed by the provisions of the U. P. Tenancy Act 371

A zamindar's groves will remain with him 371

All intermediary rights in respect of the holdings of tenants and grove-holders should be abolished 371

Forests outside the village boundaries should be entrusted to the Forest Department to be treated and developed as government forests. Forests inside the village boundaries and waste lands should be entrusted to the village communities for management; in both cases subject to the customary rights hitherto enjoyed by the villagers 373

Abadi and pathways should belong to the village community. House sites held in severalty at present

should, however, belong to the individuals who are in possession 374-75

The present owners of private wells should be allowed to remain in possession. All public wells, i.e., wells with a common right of user, as well as tanks, *tals* and water channels should belong to the village community for management and use in the public interest 375

Trees on waste land and boundaries of holdings should belong to the village community. Trees on holdings and in the *abadi* will continue to belong to their present owners 375

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Inferior proprietors—

Under-proprietors, sub-proprietors and permanent lessees in Avadh should be dealt with in the same way as zamindars 376

Land in the cultivation of *thekadars* should revert to the zamindar if it was his *sir* or *khudkasht* prior to the grant of the *theka*. *Sir* or *khudkasht* let by the *thekadar* should be deemed to have been let by the zamindar. There are, however, some persons recorded as *thekadars*, who are actually tenants and not collectors of rent. Persons belonging to this class should be regarded as permanent occupants of land. If a *theka* was granted in lieu of maintenance, the land in the personal cultivation of the *thekadar* should not revert to the zamindar so long as the right of maintenance subsists 376-77

A mortgagee in possession should be dealt with as a creditor of the landlord. On the abolition of zamindari the mortgagee-in-possession will cease to have any right in the land in his personal cultivation. Land which was previously the *sir* or *khudkasht* of the landlord shall be restored to him 377

Tenants—

The following classes of tenants possess permanent or stable rights:

- (1) fixed-rate tenants,
- (2) tenants holding on special terms in Avadh,
- (3) exproprietary tenants,
- (4) occupancy tenants,
- (5) hereditary tenants, and
- (6) grove-holders.

All these tenants should be given permanent, heritable and transferable rights, with certain restrictions on the right of transfer and subletting recommended in Chapter XIX ... 378-79

The following classes have not got permanent or stable rights:

- (1) rent-free grantees,
- (2) grantees at a favourable rate of rent, and
- (3) non-occupancy tenants including (i) tenants of *sir*, (ii) sub-tenants, (iii) tenants of land mentioned in section 30 of the U. P. Tenancy Act of 1939 379

Grantees, rent-free or at a favourable rate of rent, should be given the same rights as other cultivators ... 380

Sub-tenants should be treated as temporary occupants for the period of their tenure according to contract or until the expiry of the period under section 295A of the U. P. Tenancy Act.

Tenants who have sublet their land should be treated as cultivators both in regard to the land under their own cultivation and the land settled with sub-tenants ... 381

Persons occupying land in which hereditary rights do not accrue under section 30, U. P. Tenancy Act, should be regarded as temporary occupants. We do not recommend any change in their status ... 383

<i>Guzaradars</i> who have been given allotments from <i>sir</i> or <i>khudkasht</i> in lieu of maintenance allowance in cash should be allowed to retain their land according to the terms of the grant or for so long as the right of maintenance subsists. After their right to hold land has expired, it will revert to the grantor	383
Tenants' mortgagees should be allowed to hold land as temporary occupants until the mortgage is liquidated ...	383
Where land with public rights of user (such as <i>khalyan</i> , pasturage, etc.), has been encroached upon within the last two years, the village community should have the right to remove the occupants and restore the land to the original user	384

Redistribution of land—

On a careful consideration of the difficulties (summarised on page 389) we do not think that the results achieved by the redistribution of land would be commensurate with the discontent and hardship resulting from it. We, therefore, recommend that no limit be placed on the maximum area held in cultivation either by a landlord or tenant. Everybody now in cultivatory possession of land should be allowed to retain his whole area	389
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CHAPTER XV—COMPENSATION

In calculating compensation the assets from <i>sir</i> , <i>khudkasht</i> and proprietary groves, which a zamindar is allowed to retain, will not be included	394
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The assessment of compensation should be based upon the recorded rents and circle rates of the <i>Fasli</i> year preceding the year in which the compensation rolls are prepared. In the case of <i>sayar</i> , 12 years' average income, and in the case of forests, average income during the period of renovation should be taken into account	405
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The gross income of an intermediary will be deemed to consist of:

- (a) cash-rents paid by tenants and grove-holders,
- (b) cash-rents paid by tenants of *sir* which the intermediary is not allowed to retain,
- (c) the income from grain-rented land,
- (d) rents paid by grantees at favourable rates of rent,
- (e) assumed rent at hereditary rates on land included in holdings on which rent has not been determined and land held without title,
- (f) twelve years' average of *sayar* income,
- (g) average income from forests 405

The following deductions will be made from gross assets to give the net assets: 405-406

- (a) land revenue,
- (b) cesses, and
- (c) estimated percentage of gross assets to be deducted as cost of management and irrecoverables, varying from 5 per cent. in the case of the small zamindars to 15 per cent. in the case of the biggest zamindars 406

The gross assets of all the zamindars amount to Rs.1,877 lakhs and their net assets to Rs.915 lakhs ... 406

On the abolition of zamindari the net land revenue of the State will amount to Rs.1,805 lakhs (after deducting 10 per cent. as cost of management and irrecoverables and the *sayar* income which will henceforth belong to the village community). As the present land revenue and local rates amount to Rs.777 lakhs, the gross additional gain of the State will come to Rs.1,028 lakhs ... 407

In considering the total effect of the scheme upon the financial position of the State we must also take into account the expenditure or the loss of revenue under the following heads:

- (1) Loss in revenue from court fees, stamps and registration estimated at Rs.150 lakhs a year,

(2) annuities to *waqfs* and trusts equivalent to their expenditure for religious or charitable purposes. This has been estimated at Rs.50 lakhs a year, and

(3) reductions in the rent of uneconomic holdings amounting to Rs.150 lakhs a year.

After allowing for these deductions the net additional revenue of the State on the abolition of zamindari will be about Rs.678 lakhs a year 407

We are of the opinion that the major part of this net additional revenue should be paid as compensation to the intermediaries reserving a small margin to cover unforeseen contingencies and for schemes of agricultural development 409

The multiples should be graded, the highest being applicable to the intermediaries with small incomes and the lowest to those with the largest. In the case of zamindars paying up to Rs.10,000 land revenue, the multiples suggested range from 25 times to 8 times. In the case of zamindars paying over Rs.10,000 land revenue, the compensation will be calculated on a slab system, multiple 8 being applied to the property paying Rs.10,000 land revenue and multiple 3 to the rest 411

The same multiples shall be applied to intermediaries other than proprietors on the basis of the net income of each intermediary 411

The total compensation at these rates will amount to approximately Rs.137 crores and the annual payments on bonds at 2½ per cent. interest for forty years will be about Rs.5.5 crores. This leaves an additional gain to the State of Rs.1.3 crores a year 411-12

We apprehend the possibility of partition of property, i.e., splitting up an estate falling in a high income group into a number of small estates with the object of getting a higher multiple. While there can be no objection to partition of property among collaterals, a partition effected among sons when the father is alive,

may be easily made to defeat the proposals regarding compensation. We, therefore, recommend that any transfer of property from father to sons whether by partition or gift, where the father is alive, and made since the Assembly resolution on abolition of zamindari should be disregarded in assessment of compensation ... 412

In assessing compensation, a joint Hindu family will be treated as one unit in so far as it consists of a father and sons, but in the case of brothers and others living together, where the father is dead, each shall be treated as a separate owner ... 412-13

The proposal for discrimination in the case of estates originally granted for help in suppressing the 1857 uprising examined and rejected. It is impossible to correct a wrong committed nearly a hundred years ago. In assessing compensation no discrimination should be made on the basis of how and when an estate was acquired ... 416

The same rates of compensation will apply to banks that have acquired landed property ... 416

Public and charitable institutions should be assured their present income in the form of permanent annuities equivalent to their present expenditure for public and charitable purposes including the amount set aside by them as reserve fund. The annuity thus paid will be subject to such revision in future as may be necessary in view of the increase or decrease in the rent rates of the *waqf* property acquired. Mixed *waqfs* and trusts should be given an annuity equal to their expenditure for religious and charitable purposes, the rest of their property to be treated like ordinary zamindari.

Waqf-alal-aulad to be treated like ordinary zamindari on the same basis as a joint Hindu family, i.e., the beneficiaries shall be treated as one owner in so far as they consist of a father and sons, and as separate owners in case of others, the father being dead ... 417

In assessing compensation the State shall have the discretion to disregard *waqfs* and trusts created after the Assembly resolution on the abolition of zamindari ... 418

Persons to whom proprietary rights have been transferred under sections 28(i) and 28(ii) of the U. P. Encumbered Estates Act to be treated like ordinary zamindars ... 418

CHAPTER XVI—METHOD OF PAYMENT OF COMPENSATION

Payment of compensation in cash, whether to all the zamindars or to the smaller zamindars alone, would lead to inflation ... 422

We recommend that compensation to zamindars paying up to Rs.2,000 land revenue should be given in the form of negotiable bonds. In the case of bonds given to zamindars paying land revenue exceeding Rs.2,000, half the amount should be negotiable, provided that the negotiable amount is not less than the compensation corresponding to Rs.2,000 land revenue. The balance is to be held as a fixed deposit in a co-operative bank. To protect the interest of the zamindars the State should guarantee the capital as well as the minimum rate of interest, i.e., $2\frac{1}{2}$ per cent. The zamindars would be entitled to withdraw their money from the bank with the permission of the Collector, if they wish to invest it for a *bona fide* productive purpose ... 426

In the case of minors and widows the entire amount of the bond should be non-negotiable except under the orders of the Collector ... 426

The bonds issued by the Government, whether negotiable or non-negotiable should be redeemed in the course of 40 years and carry an interest of $2\frac{1}{2}$ per cent. payable in six-monthly instalments ... 426

CHAPTER XVII—INTERMEDIARIES' DEBTS

The debts of intermediaries fall into the following categories:

- (i) loans secured by a charge or mortgage of landed property,

(ii) loans secured by a charge or mortgage of property other than land,

(iii) loans secured partially by a charge or mortgage of landed property and partially by property other than land, and

(iv) unsecured or simple loans 428

We recommend the following measures for the liquidation of intermediaries' debts:

(i) Loans secured by a charge or mortgage of landed property should be scaled down in the same proportion as the compensation bears to the market value of land 431

(ii) Loans secured by a charge or mortgage of property other than land need not be adjudicated or liquidated in connection with proceedings for the abolition of zamindari 431

(iii) Mixed loans should be apportioned. The part secured by property other than land need not be liquidated. The part of the loan secured by landed property should be scaled down in the proportion which the compensation bears to the market value of the landed property involved ... 431

(iv) Unsecured loans of non-agriculturists need not be adjudicated. The unsecured loans of agriculturists should be scaled down in the same way as loans secured by landed property 432

An agriculturist may be defined as a person who is assessed to a local rate not exceeding Rs.25 a year, and who has not been assessed to income-tax in any one of the three years preceding the enactment of the law abolishing zamindari rights 433

The market value of the land should be deemed to be the value immediately preceding the Assembly resolution on the abolition of zamindari. Before finally fixing the market-value the Government may, if it considers it desirable, consult an expert tribunal 434

An exception will be made in cases where the creditor is:

- (i) Government, Indian or Provincial;
- (ii) a local body such as a District Board or a Municipal Board;
- (iii) co-operative societies;
- (iv) a public bank, registered according to the Indian Companies Act, 1913, and which is entered on the Schedule of the Reserve Bank.

In these cases the debt will not be scaled down and may be recovered up to the full amount of the compensation. The balance that cannot be recovered in this manner will, however, not be recovered from any other property belonging to the intermediary ... 435

Bonds issued under the Encumbered Estates Act should be paid in full. The amount due on them should be recovered from the debtor-landlord in the same manner as other public dues ... 435-36

Mortgages made under the Encumbered Estates Act or the Bundelkhand Alienation of Land Act will be treated like ordinary mortgages ... 436

Guzaradars whose maintenance is a charge upon the land will be regarded as creditors of intermediaries. Their maintenance charges should be scaled down in the same manner as loans on the security of land ... 436-37

Adjudication of debts will be compulsory. Debts that are not notified within the specified period will be deemed to have become barred ... 437

All cases pending in Civil Courts and unsatisfied decrees will be transferred to the Compensation Officers for re-adjudication. As soon as acquisition proceedings are taken up a moratorium on debts should be declared ... 437

CHAPTER XVIII—ADMINISTRATIVE MACHINERY

All the work in connection with proceedings for the abolition of zamindari should be performed by the same set of officers, i.e., Compensation Officers, to avoid delay. They should be vested with powers to assess and apportion compensation, to decide questions of title, adjudicate debts and decide the nature of *waqfs* and trusts and their average expenditure on public or religious purposes ... 438-39

The rent-rolls will be prepared by the patwaris at tahsil headquarters under the supervision of the usual land records staff and a specially recruited staff with some settlement experience. Income from *sayar* and forests will be assessed by the Compensation Officers themselves ... 439

The landlord should be required to furnish details of all his intermediary rights and all creditors should be required to file written statements showing their claims within three months. If the landlord has intermediary rights in the jurisdiction of more than one Compensation Officer, all his cases will be transferred to the Compensation Officer in whose jurisdiction he ordinarily resides ... 439-40

The work of Compensation Officers will be supervised by a Compensation Commissioner assisted by two Assistant Commissioners under the control of the Board of Revenue 443

Appeals from the orders of Compensation Officers will lie with a special judge. Appeals from the decisions of these special judges will lie with a special tribunal on points of law only. The tribunals should be composed of three members, one of them possessing the qualifications necessary for appointment as a Judge of the High Court. There should be one tribunal for every division ... 443-44

The total expenditure on the administrative machinery has been estimated at about Rs.154 lakhs ... 444

CHAPTER XIX—THE FUTURE PATTERN
OF RURAL ECONOMY

The abolition of zamindari and its replacement by a more efficient and progressive organisation is a necessary pre-requisite for the improvement of agriculture.

While no progress is possible today until zamindari is abolished, we must remember that the zamindari system is only one among a number of factors contributing to agricultural inefficiency. The psychological change and the social enthusiasm aroused by this measure should be utilised for making an organised and co-ordinated effort for agricultural reconstruction ... 457-58

In considering alternative schemes of agricultural technique and organisation the first question is whether we should aim at the mechanisation of agriculture ... 461

There is no evidence to prove that mechanised farming leads to increased agricultural production. Peasant farming, at its best, particularly in regions where mixed farming and market gardening is practised makes for the maximum use of land ... 466-67

Experiments must be made to test the scheme drawn up by Shri Maya Das for increased production through mechanisation. If the experiments bear out his thesis the question of mechanisation may have to be reconsidered ... 471

Mechanisation of agriculture not recommended because—

(1) judging from available data it does not lead to the maximum use of land;

(2) it would displace a large proportion of the agriculturist class. Considering that we have got a surplus of labour, the use of labour-saving machines is not desirable;

(3) we lack capital resources and fuel ... 475-76

Though we do not advocate extensive mechanisation, there is considerable scope for it:

(1) on experimental farms to test their productivity under Indian conditions;

(2) for eradication of deep-rooted weeds, anti-erosion works and reclamation of waste lands ... 476

The following methods for removing the principal disadvantages of small farms should be adopted:

(1) speedy methods to eliminate uneconomic holdings. Scattered holdings should be consolidated;

(2) organisation of co-operative institutions for credit, purchase of seeds and implements, and for marketing;

(3) social insurance against agricultural calamities;

(4) organisation of an extensive service of technical experts;

(5) general and technical education of cultivators; and

(6) stabilisation of agricultural prices ... 476

Planning in agriculture must be governed by a two-fold aim, economic efficiency and the creation of new social values suited to the genius and traditions of the country ... 477

Large-scale production in a socialist state leads to concentration of power, economic and political, in the hands of a managerial state, and the loss of individual freedom. Our ideal is decentralised rural economy ... 481

Co-operative organisation avoids the evils of capitalism and socialism. It combines the advantages of a large scale enterprise with the freedom of the individual and the development of the highest social values ... 485

Co-operative organisation must begin with small groups. In the present circumstances we cannot conceive of a co-operative group larger than the village community ... 485

Capitalist large-scale farming should not be permitted at all ... 486

State farming an undesirable system. A few State farms should, however, be maintained:

(1) as experimental and model farms; and

(2) land reclaimed from waste and costly plantations by the State may in the beginning be run as State farms.

All State farms, other than those for purely technical purposes, should be run on a commercial basis. The pay of officials should depend upon farm-profits ... 488

Collective farms in other countries have achieved a fair measure of success. But collective farming on a mechanised basis is not advocated on account of the objections against mechanisation noted above ... 492

The *ryotwari* system is defective and should not be adopted ... 495

The main defects of a scheme of peasant proprietorship are:

(1) it offers no solution of the problem of un-economic holdings;

(2) the law of primogeniture which is an essential part of this scheme is an impracticable measure;

(3) if land remains a commodity for sale and purchase in the open market, rural capital will be invested primarily in acquisition and not in improvement of land. The incoming cultivator will be deprived of his capital accumulation and have little capital left for efficient farming 501—504

The difficulties in the immediate adoption of co-operative farming are:

(1) The peasants' attachment to his land, and strongly developed sense of property. The use of force being ruled out, the minds of the people must be reconditioned before this new social experiment can succeed.

(2) Lack of the necessary managerial skill and technical knowledge among the people ... 514-15

The methods for meeting these difficulties are:

(i) recruitment and training of the necessary personnel who would organise and help in running these farms;

(ii) establishment of co-operative farms on reclaimed land;

(iii) propaganda for explaining the advantages of co-operative farming;

(iv) small co-operative farms must be started first. A minimum unit should consist of 10 adult members owning altogether at least 50 acres;

(v) special advantages should be offered to induce cultivators to join co-operative farms. These include—

(1) a low rate of rent,

(2) provision of cheap credit or State subsidy,

(3) sale of improved seeds, etc., at low price,

(4) State aid, if crops fail,

(5) State aid for providing social services and construction of roads and wells, etc.,

(6) the co-operative farm should have a preferential right to acquire suitable areas of waste and arable land 515—17

Neither peasant proprietorship nor co-operative farming offers a practicable scheme for immediate adoption. The system of small co-operative farms is to be regarded as an experiment on the success of which depends much of the social value and economic significance of the scheme outlined in the sequel 518

The underlying principles of the new scheme of land tenure recommended by us are:

(1) the village community must be given certain vital functions in a decentralised agrarian economy, the exercise of which is necessary for the revival of our ancient village republics and the joint management of factors of production in which the village has a common interest;

(2) the cultivator must be given permanent heritable and transferable rights in land to give him a sense of social security and incentive for efficient cultivation	518-19
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The functions of the village community are:

- (i) joint ownership of all the land in the village,
- (ii) settlement of revenue with the village as a whole,
- (iii) authority to adjust revenue on individual holdings,
- (iv) collection of revenue with 5 per cent. commission,
- (v) joint ownership and management of waste land, forests, tanks, common wells, pastures and markets,
- (vi) the village community will act as the agency for consolidation of holdings,
- (vii) the village community will act as the agency for schemes of agricultural development and co-operative finance and marketing

520

The rights of cultivators or *panch hishodars* are:

- (i) permanent heritable and transferable rights in land;
- (ii) the right of transfer shall be subject to the following restrictions:
 - (a) the price will be regulated at 12 times the circle rate and compensation for improvements,
 - (b) all transfers shall be made through the agency of the village community. The village community will pay 12 times the circle rate and compensation for improvements to the transferor and recover it from the person of its choice with whom it settles the land. In the settlement of vacant land it will give first preference to landless labourers and holders of uneconomic holdings,

(c) the right of transfer shall be so exercised that uneconomic holdings are not multiplied,

(d) the accumulation of large holdings will be prevented by fixing a maximum limit of 50 acres for the acquisition of land except by succession;

(iii) holdings less than 10 acres in area will be impartible. A drive for consolidation of holdings should be made through the agency of the village community;

(iv) subletting will not be allowed except in the case of minors, widows and disabled persons, etc. Sub-leases, where permissible, shall be made through the agency of the village community at a rent not exceeding by more than 50 per cent. the rent paid by the cultivator himself.

Sub-leases made in contravention of the above rules shall be void and the land so sublet shall lapse to the village community 521—23

The restrictions on subletting will come into force immediately on the commencement of the new Act. In cases where land is already sublet the tenant-in-chief should recover possession or take necessary steps to that end within six months of the expiry of the period under section 295A, Tenancy Act, or the term of the sub-lease whichever is later. On his failure to do so the rights of both the tenant-in-chief and the sub-tenant will be extinguished and the land shall lapse to the village community 523

Sir will be demarcated before compensation is determined. The officers concerned may do *so suo moto* even if no application is presented by either party ... 525

The cultivator must cultivate the land himself. If a purchaser of land does not cultivate the land for two *fasals* and does not arrange for its cultivation through the village community, the land may be forfeited by the village community 523

The right of succession shall be governed not by personal law but by the provisions of the present Tenancy Act to prevent fragmentation and subdivision of holdings 523

Some of the functions of the village community described above should be exercised by the village community as a whole including all the permanent residents of the village, whether cultivators or non-cultivators, others by the coparcenary body of <i>punch-hissadars</i> , i.e., <i>sanyukt-hissadari</i>	523
Joint and several responsibility for the payment of land revenue, collection of land revenue, distribution of seeds, implements, <i>takavi</i> loans and other activities connected with agricultural improvement shall vest in the <i>sanyukt-hissadari</i> to the exclusion of non-cultivators	524
The management of waste lands, trees, forests, sources of <i>sayar</i> income, <i>abadi</i> and pathways, common wells, tanks and water-channels shall vest in the village community composed of all the residents of the village including cultivators and non-cultivators	524
Subletting and leasing vacant land which involve great economic power should not be vested in a class, but should be assigned to the whole village community including cultivators and non-cultivators so that these powers may be exercised in the common interest of the community	524
Efforts should be made to encourage co-operative farming with small units. The State should set apart Rs.10 lakhs for this purpose	525

CHAPTER XX—REVISION OF LAND REVENUE

The differences in the rents of various classes of cultivators should be progressively eliminated	529-30
Land revenue should in future be based upon estimates of average produce and costs of cultivation on various classes of soil and different sizes of holdings	533-34
The land revenue should be graduated. The standard rate should be progressively reduced on holdings below 10 acres and increased on holdings above this size	534-35
We do not recommend the total exemption of un-economic holdings from liability to pay revenue	536

We do not recommend the substitution of land revenue by a tax on produce levied at railway stations or principal markets 537

We recommend an immediate reduction of rents on uneconomic holdings, at the rate of 6 annas per rupee on holdings up to 1 acre, 4 annas on holdings up to 4 acres, 2 annas on holdings up to 6 acres and 1 anna on holdings up to 10 acres. This reduction will apply to the hereditary rates of rent. The rents of other tenants will also be reduced so as not to exceed the rent of a hereditary tenant for land of similar description and in the same size of holding 538

The total reduction is estimated at about rupees one crore and a half and will benefit over 80 lakhs of persons, or roughly 70 per cent. of the cultivators 538

To prevent subdivision of holdings in an attempt to take undue advantage of these provisions we recommend that the basis of relief should be the size of holdings on 1st July, 1947. Subdivisions of holdings made subsequently to this date may be ignored 539

CHAPTER XXI—COLLECTION OF REVENUE

Collection of revenue should be made through *gaon panchayats* on a commission of 5 per cent. 549

The demand each year should be limited to 95 per cent. of the revenue. The balance of 5 per cent. to be utilised by the *gaon panchayat* to allow a period of grace to some of the cultivators who may not be in a position to pay their revenue. The arrears should be ordinarily recoverable in the next year 549

Where *gaon panchayats* do not exist revenue may be collected through *lambardars* on a commission of 5 per cent. 549

CHAPTER XXII—SOME ALLIED PROBLEMS

AGRICULTURAL LABOUR

There is an urgent necessity for the creation of new sources of employment, such as cottage industries for the surplus population on land 553

Minimum wages of agricultural labour should be fixed on the lines of the Agricultural Wages (Regulation) Act, 1924, of England 554

Trade unions of agricultural labourers should be recognized, if and when they are formed 554

STABILISATION OF AGRICULTURAL PRICES

We are in general agreement with the recommendations of the Agricultural Prices sub-committee 556

A minimum and maximum price should be fixed for only the two principal crops—wheat and rice 559

MINUTES OF DISSENT

Note of Dissent by Shri Z. H. Lari, M.L.A.

1. The proposals of the Committee as a whole suffer from two drawbacks, one,

absence of planning, covering the entire economic field, and the other,

dominance of political considerations.

At the time when the resolution giving rise to the formation of the Committee was passed, the United Provinces Legislative Assembly adopted another resolution on the 14th of August, 1946, which ran as follows:

"This Assembly is of opinion that liquidation of capitalism in all its forms is essential to the well-being of society and trusts that necessary steps to bring about the socialisation of the principal means of productions, exchange and distribution will be taken as soon as possible."

2. Two years have elapsed, yet nothing seems to have been done to give effect to this resolution. The result is that the scheme propounded by the Committee is lopsided and does not adequately meet the situation to be created by abolition of zamindari, particularly displacement of a large number of persons who were employed in connection with maintenance of zamindari system. It is but natural. Mr. Sampurnanand, the Hon'ble Minister for Education, rightly observed on some other occasion:

"Life is one whole and piecemeal reforms invariably lead to catastrophe. A Government, which undertakes large-scale rural planning must simultaneously create industrial work for those who will be relieved from agricultural work. Unless this is done and avenues provided for the absorption of the surplus rural population, there will be unrest and the very purpose of the planning will be defeated."

The Committee is itself conscious of the necessity of providing alternative employment; but the failure of the Government to implement the resolution of 14th August stood in its way.

3. When the above-mentioned resolution of 14th August came before the Assembly the Opposition wanted to so amend it as to accept the principle of wiping out of debts as well. The amendment fell through, primarily on the ground that the Government was itself contemplating appointment of a Committee to go

into the question of debts. Subsequently, the Government did appoint a committee; but nothing seems to have been done so far. The result is that while dealing with the question of liquidating debts payable by zamindars, the Committee had no materials before it and had to grope in the dark. Had the Government appointed a committee to suggest implementation of the Resolution passed by the United Provinces Legislative Assembly on August 14, and had the Government further taken steps to co-ordinate the working of this Committee as well as the committees dealing with Liquidation of Capitalism and question of debts, it would have been possible to bring forward a comprehensive scheme, covering the entire economic field of the Province and calculated to improve the lot of teeming millions residing in these provinces. In the absence of all this, the recommendations of the Committee inevitably fall short of the necessities of the situation.

4. I have stated above that recommendations are at times motivated, primarily by political considerations. This is most apparent in determining the amount of compensation on the one hand and reluctance to take any effective steps to consolidate holdings—the crying need of agriculture.

5. It is not possible for me to endorse some of the recommendations of the Committee. I may at first enumerate them:

(1) I do not agree that sub-tenants should not acquire tillers' rights and be liable to ejection even though the tenant-in-chief be possessed of economic holding.

(2) I cannot subscribe to the recommendation that no maximum limit be imposed upon either the *sir* or *khudkasht*, or the tenant's holding.

(3) I cannot countenance the suggestion that tenants of *sir* and *khudkasht* be liable to ejection even though the landholder may be in possession of an economic holding.

(4) I disapprove of the recommendation that entire compensation payable to the zamindar be liable to attachment in payment of debts.

(5) I entirely disapprove of the recommendation that there should be no imposition of an exemption limit with regard to payment of rent. I hold that it is unjust and cruel to impose rent on such holdings as cannot yield any surplus.

6. To take the last first. The report at page 531 observes:

"The rent is assessed upon the productive capacity of the soil, irrespective of the size of holding and the net income of the cultivator. Since it is levied at a flat rate, the rent is regressive and falls with an extremely unequal burden

upon different classes of rent-payers. A flat rate of say Rs.6 per acre may represent a very small fraction of the total net income of a large or medium holder, while in normal times it may eat up practically the whole surplus of a small producer and impose an intolerable burden. It has been widely recognized that this inequitable system has been one of the major obstacles to rural progress, and accounts partly for the inefficient cultivation and for the chronic indebtedness of the vast mass of the peasantry."

The report further admits:

"A demand which affects the interests of the overwhelming majority of our population must not be so heavy as to take their entire surplus and deprive them of incentive. It must leave to the poorest section of society, i.e., small holders, something more than a margin of bare subsistence."

But curiously enough the report ends with the recommendation that there should be no imposition of an exemption limit, although it discusses in detail and comes to the conclusion that a holding less than 10 acres is uneconomic and a large number of tenants possess uneconomic holdings. The Report is really irreconcilable on this point.

7. It is argued that if the demand on the tenant is regarded as rent, the State may well be held entitled to the full differential value of land, i.e., the entire surplus of the value of the produce above the cost of production. If, on the other hand, demand on the tenant is to be regarded as a "tax", its incidence must correspond to the burden of tax borne by other revenue payers belonging to the industries and other professions. But this argument loses all relevance when it is remembered that the Committee comes to the conclusion that State is not the landlord; but ownership vests in actual tillers. As observed by J. B. Jaffer and G. S. Berry in their book "Indian Economics"—

"If private ownership of land is granted, it seems to follow logically that the Land Revenue is a Tax and not a rent."

I may quote here further discussion of the point by the same authors:

"We agree with Baden-Powell's verdict that the controversy is profitless war of words. It is profitless because it is endless. There are arguments for and against each of rival theories and some people would be impressed by one set of arguments and others by the opposite set, and this is not necessarily owing to any conscious bias on either side. It is also profitless because no important question of actual

practical policy at present in debate seems to depend on how it is settled, and it is the practical aspects of the matter that are important rather than the technical juridical position. *If land revenue is not so limited as to leave the proprietor something beyond the barest necessities of life, the full and unconditional admission of the ryots' proprietary rights in his holding is worth absolutely nothing to him, just as, if all his present rights in land, of sale, mortgage, etc. are left intact and the Government assessment is moderate, it does not matter to him if the Government formally consider themselves the Universal landlords.* Again, it is sometimes said that if we admit state landlordism we should have to admit also the right of the state to exact the full economic rent, but this is a consequence from which we cannot altogether escape, even if we prove that the state is not the landlord, because it is a universally accepted maxim of taxation, that theoretically, the whole of the economic rent may be absorbed in taxation without in any way hurting the tax-payer, provided we can be quite certain that we have isolated the economic rent (the real unearned increment) and not included in it other elements, namely, wages, profits, and interests The state cannot afford to stand merely on legal rights; it must be prepared to be judged by moral standards and the Government in this country have rarely, if ever, sought to dispose of complaints about excessive assessment merely by taking shelter behind the theory of State Landlordism. They have generally tried to argue, whether successfully or not, that the land revenue is not really as burdensome as alleged by its critics. Even supposing that the state is the landlord, we must expect it to behave at least like an enlightened landlord, and therefore, in its own interest, it should regulate the land revenue in such a manner as not to trench upon the legitimate profits of the cultivators and reduce his incentive to work or lower his efficiency. A benevolent and enlightened landlord would not, for instance, exact a rent from uneconomic holdings. He would rather consolidate the holdings and would charge rent only when they are of such size as to pay the costs and leave a surplus. The case for exemption of uneconomic holdings can, therefore, be argued quite as well on the assumption of Government Landlordship as otherwise. The policy of a moderate levy receives further support from the consideration that the state has no interests separate from those of the people. The state serves itself best by serving the people because the state is the people".

The authors further observe :

"The land tax is faulty in that it taxes the modest agricultural incomes from holdings which are admittedly uneconomic There is no doubt if we wish to nationalise our system of taxation uneconomic holdings will have to be exempted."

8. The above would show that in theory as well as in equity, the demand on the tiller can only be in respect of a portion of the surplus; but obviously in the case of uneconomic holdings there is no surplus and as such there can be no question of any rent from a tenant in possession of only uneconomic holdings. The same is the conclusion arrived at by various committees appointed by the Congress from time to time. The writers of the Report on Agrarian Distress in the United Provinces, which was compiled in 1931 by the Agrarian Sub-Committee appointed by the United Provinces Provincial Congress Committee, say :

"Rent should be the first charge on surplus, but it can be a charge on surplus alone."

The Congress Agrarian Enquiry Committee appointed in 1956 and comprising among others Pandit Govind Ballabh Pant, Messrs. Purshotam Dass Tandon, Lal Bahadur Shastri and others concluded as follows :

"The correct theory of rent ought to be that a tenant should pay only that amount as rent which remains after meeting his personal and family expenses and the prime cost of production."

The irresistible conclusion is that the tenant whose holdings do not yield any surplus be exempted from payment of any rent. This is exactly what the Congress Agrarian Enquiry Committee Report recommended in 1936. To quote their own words :

"It is essential that the existing burden of rent should be reduced and the uneconomic holdings exempted from rent."

To the same effect are the resolutions passed by Peasants' Conference presided over by notable Congressmen.

9. I wonder why the members of the Congress on the Committee should now deviate from the principle adumbrated by their own organisation and resolve against exemption of uneconomic holdings. It is the duty, to my mind, of the Congress Government to redeem their pledges at least in this respect, which affects the well-being of at least one crore of people.

10. The next question arises: what should be the area of holdings that are to be exempt from payment of any rent? The Committee has, after due consideration, come to the conclusion that any holding less than 10 acres in area should be deemed an uneconomic holding. Ordinarily, all such uneconomic holdings should be exempt from payment of any rent but for the purpose of exemption I would, in deference to the wishes of the majority, take a stricter view and recommend exemption of only such holdings as by no stretch of imagination yield any surplus but only suffice just to meet the barest necessities of life.

11. An average family of a tenant may be taken to include the tenant, his wife, a child exceeding 12 years and another child below 12 years of age, in all 4 members. The foodgrain, sufficient to feed this family for a year, would come to 365×28 , i.e., 15 maunds, 58 seers and 12 chattaks. It would be conceded that 8 chattaks for an adult and 4 chattaks for a minor is the minimum food required per day. Now the average produce per acre in India according to the latest issue of "Estimate of Area of Yield and Principal Crops in India" published in April, 1948, by the Directorate of Economics and Statistics, Ministry of Agriculture, Government of India, is as follows:

Foodgrain				Production in pounds
Rice	..	..	..	717
Wheat	..	..	..	580
Jowar	..	..	..	327
Bajra	..	..	..	214
Barley	..	..	..	703
Gram	..	..	..	483

Mr. J. K. Pande, Economic Adviser to the United Provinces Government, gives the following estimates for food production per acre. It is to be noted that he himself regards the production figures to be generally over-estimated by about 10 per cent.:

Foodgrain				Production in pounds
Rice	..	..	..	800
Wheat	..	..	..	590
Jowar	..	..	..	600
Bajra	..	..	..	500
Barley	..	..	..	900
Gram	..	..	..	690

10 per cent. of the produce will go towards supply of seed. Accordingly whatever estimates may be taken as correct, 2 acres are absolute minimum to supply the foodgrains to keep the tenant's family alive. Besides, the family would require clothing and other necessities of life such as salt, *gur*, fuel, etc. Considering

the present high prices one acre may yield enough to meet these requirements. The writer of the 1931 Census Report had to admit that:

"Yet even the debt-free peasant is desperately poor. We have seen that a considerable proportion of cultivators are working on uneconomic holdings from which even in favourable years, they can scarcely derive sufficient to keep body and soul together."

And the Committee has itself come to the conclusion that:

"The high prices of foodgrains and commercial crops really benefited only the substantial landlords and the small section of the peasantry which held economic holdings . . . for the poor peasants, and agricultural labourers, the war really meant further pauperisation . . . It may, therefore, be safely said that they did not get any advantage as a result of the rise of the price. The United Provinces Government Report on Marketing of Wheat revealed that about 40 per cent. of cultivating population have no surplus to sell at all."

This 40 per cent., one can presume, are those who have holdings not more than 2 acres. The exact number of such cultivators is about 6 millions. The Committee further quotes with approval the United Provinces Government Report on Marketing of Wheat that:

"Out of the remaining 60 per cent. 33 per cent. have to part with practically all their wheat in payment of their rent, debt and like charges."

It means that about 65 per cent. of the tenants have no surplus to buy clothing, etc. therewith. If we look at the figures of tenants having holdings up to 3 acres, the total of such tenants comes to about 8 millions, that is to say, two-thirds of the entire number of tenantry.

12. From whatever angle the subject is approached, the conclusion becomes irresistible that cultivators having less than 3 acres in area have no surplus of any nature whatsoever and demand of any rent from them is unjustified. At the same time I cannot forget that on very substantial grounds the Committee has held that holdings less than 10 acres in area are uneconomic and it follows therefrom that such holdings are also entitled to relief. Considering that in western districts yield is greater than in eastern districts but for the time being there should be uniformity, I would put the exemption limit at 2 acres and would suggest that rental on holdings between 2 and 3 acres be reduced by 8 annas

in the rupee, while holdings between 3 acres and 5 acres should get the benefit of 4 annas in the rupee and the rest of the uneconomic holdings to 2 annas in the rupee. This would mean a reduction of 4 crores in the total rental.

13. Such a step should not be considered extraordinary. It is admitted that the total rental demand in 1893-94 was 1,224 lakhs and by the year 1944-45 it rose to 1,783 lakhs, showing an increase of 559 lakhs, while the land revenue increased from Rs.593 lakhs to 682 lakhs only. If the proportion of land revenue to rental demand in 1893-94 were to be maintained, the rental demand has to be reduced by at least 4 crores. The mere fact that zamindari is going to be abolished should not deprive the tenant of the relief that he would otherwise be entitled by bringing down the undue increment in rental. Had the zamindari system continued, any popular Government would have been bound to take away from the zamindar undue increment in rental demand. What I suggest is that this reduction instead of reverting to each tenant rateably should go to those tenants who are really entitled. And the relief suggested would benefit two-thirds of the peasantry.

14. The above suggestion is very modest when compared with the recommendation of the Congress Agrarian Enquiry Committee. They recommended that, "all these uneconomic holdings should be exempt from rent or land tax by whichever name it may be called." Among the reasons, which the Committee gave, was that all these uneconomic holdings possess virtually no ability to pay rent and a rent imposed on uneconomic holdings naturally results in lowering the physical efficiency of the cultivator and his family.

15. The above suggestion is in regard to immediate relief. Alongside it is necessary to make long-range arrangements for assessing rent on true principles of taxation, that is to say, exemption of all uneconomic holdings and assessment of others on a progressive scale.

16. It is unnecessary to meet the objection that the principle of exemption and graduation of revenue would encourage subdivision of land. The Committee has met this objection by saying:

"This argument has in our opinion no weight as subdivision can be easily stopped as we have proposed by making holdings below the economic size impartible."

The eminent authors of "Indian Economics", Jather and Berry, observe as follows:

"Not a very forceful objection against the exemption of uneconomic holdings is that it would encourage subdivision.

The proper remedy for dealing with the evil of subdivision is to do so directly by suitable legislation and not indirectly by a manipulation of land revenue system."

17. The main objection to the exemption of certain category of holdings is that the scheme of compensation payable to the zamindars leaves only one crore as surplus. This is a queer argument. First thing to be done is to prune the rental demand of its illegal growth and thereafter determine the amount of compensation, and not first to determine the compensation and then turn round to the tenant and say, "You hold your soul in patience for 40 years before you get the relief you are entitled to". This amounts to hitting the tenant below the belt.

18. Besides, any scheme of taxation should not touch those who are not in a position to pay. If there be any deficit in the provincial budget on account of the relief proposed, the only proper course is to re-adjust incidence of taxation in accordance with the needs of the province. The revenue receipts have expanded enormously during the last 12 years. In the year 1937-38 the receipts amounted to 1,233 lakhs, while it rose to 2,940 lakhs in 1946-47 excluding Government of India's subvention for post-war schemes and now it stands at about 3,800 lakhs excluding subvention for post-war schemes from the Central Government. This expansion has resulted in much avoidable, if not wasteful, expenditure. At the time of presentation of the last budget, the Finance Minister gave out that he would be introducing two financial measures, one,

"To tax agricultural incomes above a suitable minimum" and the other,

"To impose tax on sales."

The first could affect only the rich while the second hits the poor and the rich alike. The Government forced through the second measure but did not even introduce the first, although as far back as 1936, the Congress Agrarian Committee Report recommended:

"To distribute more equitably the burden of taxation we recommend that agricultural incomes, which are free from income-tax at present be assessed to that tax like other incomes on a progressive scale."

However, any deficit of 2 to 3 crores can be easily met by avoiding expenditure on non-nation-building departments and enforcing fresh measures of taxation, such as Death Duty.

19. Now I will take up other points of difference serially.

20. A tenant-in-chief is no better than an intermediary in relation to his sub-tenant. He is a mere rent-receiver just like the zamindar and all considerations apply with equal force to the

necessity of doing away with this intermediary between the State and the tiller of the soil. The very fact that a tenant sublets his tenancy shows that he is either not interested in actual cultivation or has other pre-occupations. The reasons given for recommending that tenants-in-chief should retain their status as cultivators with regard to their land sublet to others are unconvincing. It is incorrect to say that sub-leases are always on a temporary basis. My experience shows that sub-tenants exist with a long period of cultivation to their credit. The other ground that sub-leases have never been recognized as conferring any sort of occupancy rights on the sub-lessee, is mere begging the question. The question of the status of a sub-tenant has arisen because a sub-tenant has no occupancy rights. To my mind there is no occasion for denying rights which belong to actual tiller to a sub-tenant. Exception can, however, be made in the case of those tenants-in-chief, who have uneconomic holdings, i.e. less than 10 acres in area and may be allowed to eject sub-tenants to the extent of making their holdings economic; but no more. It should be noted that sub-tenants occupy about 8 per cent. of the cultivated land and to provide for their ejection is wholly unjustified and will adversely affect a large number of people. I would, therefore, suggest that sub-tenants be given the status of cultivators, with regard to the land sublet to them except in cases when the land in their possession is required to make up an economic holding for their tenant-in-chief.

21. I am strongly of opinion that a maximum limit be imposed on the area of *sir* and *khudkasht* that may be possessed by a landlord as well as a tenant's holding, which a cultivator may be allowed to retain. I put this maximum at 50 acres. My reasons are as follows:

(1) The first reason is to be found in the Report itself. The conclusion arrived at by the Committee is that the amount of gross produce per acre diminishes as the size of the farm increases. Below are quoted some tables from the Report to illustrate the conclusion:

(a) Results of survey made in 1917-23 by Larson in Denmark

Size of farm	Gross output per acre				
	£ s.				
Under 25 acres	20 1
25 to 50 "	15 4
50 to 75 "	15 2
75 to 100 "	13 10
100 to 250 "	12 8
Above 250 "	12 4

(b) Results obtained in an economic investigation
conducted in U. S. A. in 1922

Size of farm					Gross output per acre
					£
40 acres	..	..	..	..	54
80 "	..	..	..	..	48

(c) Results obtained in a survey of Swiss agriculture

Size of farm					Gross output per acre
					£ s. d.
7½ to 12½ acres	..	..	..	..	22 11 7
12½ to 25 "	..	..	..	..	18 0 3
25 to 37½ "	..	..	..	..	17 17 2
37½ to 75 "	..	..	..	..	16 2 3
Above 75 "	..	..	..	..	13 17 7

(d) Results obtained in a survey of English farm

Size of farm					Gross output per acre
					£ s. d.
1 to 50 acres	..	..	..	..	11 19 9
50 to 100 "	..	..	..	..	9 19 2
100 to 150 "	..	..	..	..	7 19 1
150 to 250 "	..	..	..	..	7 15 9

The tables clearly show that produce per acre begins to diminish when a farm goes beyond 50 acres and continues to increase till it reaches 50 acres. No doubt in a large farm expense per acre diminishes and consequently net yield to the cultivator is greater; but in India we are primarily concerned with greater production. Already there is a deficit of foodgrains. The figures compiled by various authorities show that while total acreage has increased total production has declined. It is feared that with continuous increase in population there will be greater deficits. Necessarily it follows that we should eliminate every cause which may count for lesser production. It having been found above that gross production per acre diminishes when farm exceeds 50 acres, it is essential that we must put this maximum limit on area to be possessed by a tiller, whether landlord or tenant.

(2) The second reason can also be gleaned from the Report: it says,

"A large farm efficiently organised and managed can on the other hand be run with the help of hired labour. If we permit the growth of such farms most of the tenants would be reduced to the status of wage-earners. As agricultural labour is necessarily weak and unorganised it would be a

task of considerable difficulty to provide effective statutory safeguards and ensure for them a living wage."

One of the main reasons for the abolition of zamindari is to create a sense of self-respect and independence in the mind of the tiller of the soil. Employment of labour on farms on large scale would undermine this objective, and lead to exploitation by agricultural capitalists. Such a contingency cannot be treated with equanimity.

(3) Abolition of zamindari would displace a large number of people employed in connection therewith. The figures collected by the Congress Agrarian Committee show that in 1921, 1,36,221 persons were employed as managers and agents by the zamindars. Many of them would be interested in cultivation and to throw them out of employment without providing alternative occupation for them is fraught with danger. There are many refugee families who would like to be settled on land. Then there are tenants having only uneconomic holdings and landless labourers. All these should be settled on land or be given further land to render their holdings economic. And land can only be had if a maximum limit is put on area one can possess. The main objection adduced by the Committee is that there is not enough land to be distributed among the "have-nots". That may be so; but even assuming that only 25 lakh acres would be released if we put the maximum at 50 acres, there is no reason why this amount of land should not be redistributed. If 10 acres of land is given to each cultivator, this amount of land will create 2,50,000 economic holdings and will provide maintenance for at least 10 lakhs of people. This is not meagre, knowing as we do, that overwhelming majority of rural population lives in abject poverty.

(4) Redistribution of land, even on limited scale, would give fillip for reclamation of land which is at present described as *not available for cultivation*. Faced with increasing shortage of foodgrains, it is necessary to do every bit to increase production. This redistribution, above all, would have a moral import and value. It would accelerate the process of socialisation.

22. I am against ejection of tenants of *sir* and *khudkasht* for the reasons that are mentioned above in regard to sub-tenants, unless the landlord has got uneconomic holding in his possession and wants to eject his *shikmi* merely to have an economic holding. It may be borne in mind that the United Provinces Tenancy Act, 1939, forbade ejection of tenants of *sir* and *khudkasht* lands

for five years. Even after the expiry of five years ejection proceedings were stayed by the executive order of the Provincial Government. As a result, these *shikmis* have been in possession of these holdings for at least 12 years. There seems to be no valid reason to disturb the possession of these tenants and deprive them of their means of livelihood unless it be necessary in the interest of the State. The interest of the State no doubt demands that holdings, so far as possible, should be economic. Accordingly, the only exception should be made in favour of those landlords and to this extent only that they can eject their *shikmis* within a year in order to make their holdings economic. To recommend that provisions of the United Provinces Tenancy Act in regard to ejection of tenants of *sir* and *khudkasht* be retained and then to further recommend that existing tenants of *sir* and *khudkasht* be not ejected immediately on the passing of the new Act is meaningless.

23. Recommendations of the Committee in respect of debts payable by zamindars are retrograde at least in one respect, namely, no part of the compensation is to be immune from liability to pay debts. The latest debt legislation, i.e. the United Provinces Encumbered Estates Act, 1937, and the United Provinces Debt Redemption Act, 1940, classify land under two categories:

one protected land, and the other non-protected land.

"Protected land" means land liable to pay land revenue up to Rs.250. Such land cannot be sold or permanently alienated in execution of decrees for payment of debts. Only self-liquidating mortgages could be given for 20 years. Even the existing debt legislation was not deemed adequate by the Legislature and in response to popular demand the Government appointed a committee in the beginning of 1947, presumably to suggest further legislation, with a view to wipe out debts to a considerable extent. Unfortunately, as I have mentioned above, nothing tangible has been done in this regard.

24. The Expert Committee on Rural Indebtedness appointed by the first Congress Government estimated debt owed by zamindars to be at Rs.135 crores. There is nothing to show whether the position has deteriorated or improved since then. In any event the principle of saving a portion for the future maintenance of the indebted should not be given a go-by. I, therefore, suggest that half of the compensation should be free from liability to pay any debt. This, of course, would be in addition to scaling down of debts as suggested by the Committee as it is merely incidental to devaluation of landed property.

25. I would now like to make a few general observations.

26. I have grave doubts as to the feasibility and propriety of the scheme of compensation suggested by the Committee. It seems to be neither fair to the State nor to the landlord. The interest of State requires that compensation should be moderate, while the interest of the zamindar requires that it should be paid in cash. Bonds, to my mind, are not likely to fetch their face-value and the ultimate beneficiary would be the capitalists and not the landlords. I would have definitely disapproved of the scheme of compensation; but for the fact that there it seems to be no intention on the part of the Government to liquidate capitalism. The trends are to the contrary. Further, full compensation has been paid by the Government in case of some concerns which have been taken over by the Government. However, I should not be taken to approve of the scheme of compensation as embodied in the Report.

27. The crying need of the hour is increased production but this is not possible unless uneconomic holdings go and fragmentation disappears. In consolidation of holdings alone lies the future of Indian agriculture. The Committee seems reluctant to take effective steps in this regard. The majority of the members naturally reflect the opinion of the Government and nothing can be done if the Government is not prepared to take bold steps. Let me hope that public opinion will assert and ensure speedy consolidation of holdings.

28. At times there are veiled reflections in the report on the Socialist Theory and the policy of the Socialist party in India. I am not here concerned with them and it is needless to go into the validity or otherwise of these reflections, nor it is imperative on my part to approve or disapprove of them.

29. I have to note with regret that there is greater emphasis on difficulties in the way of modernisation of agriculture than on determination to meet and overcome them.

30. In the end I must congratulate the Secretaries of the Committee on their immense labour and great ability displayed by them in preparing the Report. If the conclusions reached are, at times, illogical, unsatisfactory or even retrograde, it is not they who are to blame.

Z. H. LARI.

July 3, 1948.

Note of Dissent by Begum Aizaz Rasul, M.L.C.

I have signed the report of the Committee subject to my note of dissent which I herewith append. I should like to make it clear at the outset that I do not agree that the proposal to abolish zamindari is either just or advantageous to the State or to the mass of the people, since in this Province at least, a considerable portion of the "mass of the people" about one-fourth are zamindars and they are to be made paupers. This is, however, a matter of principle into which this Committee is not entitled to enter. I will, therefore, satisfy myself by reserving the right to oppose any measure on the proposed lines which might be introduced into the Legislature.

I do not propose to deal with the question whether the zamindars are a British creation or not. If it was proposed to decide the question on this basis, I would have urged that the present members of the Abolition Committee cannot be described as expert historians of the origin of the zamindari system and, therefore, before this question could be finally decided there must be a thorough investigation by men in regard to whose competence to pronounce on the social structure of society from the earliest times to the advent of British rule, there could be no question. There has been a good deal of dogmatic assertion in the Report that the zamindars are a British creation. So erudite a Sanskrit scholar as Dr. Bhagwan Das has stated publicly in his writings that the zamindari system has existed from the times of Manu right through the Maurayan and Gupta periods and the Mohammedan dynasty and can in no sense be regarded as a British creation.

As regards the origin of the taluqdars of Avadh I will content myself with a few quotations from the brilliant introduction to the *Gazetteer of Oudh* by the late Mr. W. C. Bennett, I.C.S., a recognized authority on revenue matters. He has described how in the Hindu polity, the Chhattri was the ruler and how in a typically Hindu province like Avadh this tradition is illustrated by the predominance of the Chhatttris as taluqdars and zamindars.

"Next in importance to them are the Chhatttris, formerly the rulers of the whole, now the landowners of the greater part, of the province It is enough to say here that, as the professed soldiers, they supplied not only the whole body of chieftains, but

the greater number of the intermediate class between the chief and the cultivator, who held particular villages on the condition of rendering feudal service. They now, therefore, constitute the main element of what is known as the zamindar class and held more independent villages, more subordinate rights in the soil, than any other class in the province. The sword was the weapon of their trade and their principal means of subsistence."

"What made the Oudh barons so strong is that they were a necessary element in the religious system of the country. Their race had been set apart by immemorial tradition and the sanction of all sacred literature as the wielders and representatives of Hindu power. The Chhattri ruler was as indispensable as the Brahman priest, and his might and magnificence were, and are, still gloried in by the people as the visible manifestation of their national prosperity... He was the natural receiver of the share of the cultivators' produce which formed the principal source of revenue; he assessed and collected all the other taxes within his domain, the transit and ferry dues, the imposts on bazars, and the fees paid by the owners of stills and looms... Besides being the receiver of the revenue, the Hindu chief called out the militia of his territory for war at his own sole will and with an authority which was never disputed. He apportioned out the wastelands to tenants for cultivation, decided the suits of his subjects in his catcherry, and enjoyed, besides, a number of varying rights in wild produce resembling the rights attached to an English manor."

It can be easily proved by tracing the history of such families as the Rajas of Mainpuri, Bhadawar, Pratapgarh and many others that they existed long before the advent of British power. The supporters of the theory that zamindari is British creation, will have to explain the existence of *jagirdars* and *thikanedars* in the Indian States. It is, however, unnecessary to continue this controversy, for the reasons which I have already stated. It is also not necessary for me to discuss the part played by the zamindars in the development of the political, economic and social life of the country from the inception of British rule. The zamindars, big and small, have always been a patriotic and self-sacrificing class and it is mainly owing to their efforts that educational institutions, hospitals and other works of public welfare were commenced. Until the Congress suddenly turned against them in 1930 they were in the forefront of the political struggle and it was only in 1930 that the British authorities succeeded in creating a rift and in making the zamindars themselves an object of attack by the Congress. The zamindars form a considerable proportion of the electorate and before the

Government of India Act, 1935, they formed the majority of voters. It was on the strength of their votes that advanced political elements—the Congress and Swaraj Party—came into the Legislature. The zamindars have always been and are even now prepared to undergo great sacrifices in the interests of public welfare but they are not ready voluntarily to liquidate themselves not for the public good but in order to serve as political scapegoats. It will be remembered that the zamindars form a considerable body of the people of this province. They number more than 2 million and together with their dependants account for not less than one-fourth of the total population of the province as was admitted by the Hon'ble Minister of Revenue in a public speech recently. Any scheme that is devised must be one that does justice to this class and should not create in the minds of persons belonging to it a just sense of grievance against the State. The abolition of zamindari on the payment of a wholly inadequate compensation and without the provision of an alternative source of livelihood is bound to create anarchy and chaos and will probably lead to increase of crime.

I propose now to consider the professed aims of the abolition of the zamindari system which as stated in the Report are: "to raise the standard of living of the rural masses, and to increase food production." Before dealing with this question it is necessary to place a few facts which are taken from the Report. When a census of the number of zamindars was originally taken by the Abolition Committee, the number returned was over 29 lakhs. This number has since been revised and is now estimated to be a little over 20 lakhs. This is probably an under-estimate. Of these, nearly 20 lakhs are zamindars paying Rs.250 and less as land revenue. The number of zamindars paying a land revenue not exceeding Rs.25 is about 17 lakhs and according to the Committee their net average annual income is Rs.15. The number of zamindars who pay a land revenue exceeding Rs.25 but not exceeding Rs.50 is about 1,41,000 and their net average annual income is Rs.83. The Committee has further estimated that about 9 lakhs of zamindars paying a land revenue not exceeding Rs.50 are in debt. The distribution of *sir* and *khudkasht* is as follows.

Out of the total area of *sir* and *khudkasht* which is about 75 lakh acres, the bulk is with landholders paying a land revenue of Rs.250 and less. Of this area about 11,55,000 acres is let out to tenants. Now I wish to examine in what way the standard of living of these small zamindars is likely to be improved by the abolition of the zamindari system.

4. Let me first take up the question of *sir* and *khudhasht*. The following table compiled by the Committee shows the average incidence of rent in 1353 *Fasli* :

	Incidence of rent in rupees per acre	
	In Agra	In Awadh
Permanent tenure-holders	1.9	..
Fixed-rate tenants	3.07	..
Expropriatory tenants	4.76	6.12
Occupancy tenants (all kinds)	4.78	3.67
Hereditary tenants (all kinds, including tenants on special terms in Awadh)	6.09	6.28
Non-occupancy tenants	3.84	7.01

The following quotations from the Committee's Report show, more clearly than anything I can say, their ultimate designs on the *sir* and *khudhasht* in the possession of the zamindars:

"As compared with these rents, the proprietor whose ability to pay is the highest is assessed to merely nominal revenue on land in his proprietary cultivation. The land is first assessed at occupancy rates, then a deduction of 15 to 50 per cent. is allowed, finally only the land revenue, i.e., about 38 per cent. of the figure thus arrived at is what the zamindar pays to the State for the exceptionally good class of land which he cultivates as his *sir* or *khudhasht*. It is difficult to estimate the average revenue for an acre of *sir* or *khudhasht* as their revenue rates are not separately computed but on a rough calculation it is likely to be about rupee one per acre. There is apparently no economic justification for these different rates payable on land cultivated by zamindars or different classes of tenants . . . The complexity and anomalies that have arisen on account of the tortuous historical development of the land system and for which there are no sound fiscal reasons should be progressively eliminated."

It is clear that as soon as the next revision of rents takes place the amount payable for *sir* and *khudhasht* will be raised from about rupee one per acre to the rates paid by hereditary tenants as reduced by the Committee. Even assuming that these rates will be reduced from rupees six an acre to rupees four an acre, it is clear that the landholders will have to pay rupees four an acre instead of about rupee one per acre. In other words instead of paying about seventy-five lakhs of rupees a year as they do at present as land revenue they will have to pay rupees two

crores and eighty lakhs a year when their rates are raised to the same level as that of hereditary tenants. Further, as about 11 lakh acres of the *sir* and *khudhasht* is let out and the average rate for non-occupancy tenants is between six and seven rupees, the rate for this let-out *sir* and *khudhasht* which, according to the Committee, consists of the best land may well be taken as at least eight rupees per acre. As subletting will be completely prohibited the income from the eleven lakhs and odd acres now sublet and which may be estimated to be about 90 lakhs of rupees a year will be greatly reduced. It is, therefore, a conservative estimate that on the abolition of zamindari the loss on *sir* and *khudhasht* alone will be in the neighbourhood of rupees 8 crores a year and most of this loss will be borne by the zamindars paying Rs.250 and less as land revenue. This will be a step not towards raising their standard of living but towards lowering it. The next step will be the complete loss of their other proprietary rights for which it is alleged that adequate compensation will be paid. I will deal with this question when I come to analyse the proposals for compensation.

5. I now wish to examine how far the proposals of the Committee will benefit the tenantry. The Committee have recommended that except in the case of disabled persons, no subletting will be allowed. The area held by sub-tenants, according to the Committee's own figures, is about 52 lakh acres out of a total holdings area of 412 lakh acres or about 7.9 per cent. This is probably an under-estimate as it is very likely that the names of many sub-tenants are not recorded in the village papers. But even taking for granted that this figure is correct and making an allowance for sub-tenants of disabled persons, at least 20 lakh acres of land will be such from which tenants will be ejected. What is likely to be the number of these displaced persons? According to the figures contained in the Committee's Report, the number of sub-tenants is about 29 lakhs. Again making an allowance for those who will not be ejected because they are sub-tenants of disabled persons, it may be taken that about 20 lakhs of sub-tenants will be displaced and they, with their families, will amount to a crore. This will be the plight of the sub-tenants.

Let us now consider what will be the position of the tenants-in-chief. As already stated above, the rents of all tenants will be brought to the same level as those of hereditary tenants. The hereditary tenants form about 53 per cent. of the total number of tenants and occupy about 40 per cent. of the holdings area. It is, therefore, clear that the rents of the following classes of tenants will be considerably increased, viz., permanent tenure-holders,

fixed-rate tenants, exproprietary tenants and occupancy tenants. In other words in spite of the proposed reduction of about a crore and a half in the present rentals, in the near future the total rental will be very considerably increased as a uniform rate will be applied to all kinds of tenants. Thus the benefit of the proposed reduction in rents is illusory.

6. I will now deal with the question regarding the value to be attached to the conferment of a limited right of transfer on tenants. At present the following classes have full rights of transfer: (i) fixed-rate tenants in the permanently-settled districts of the Agra Province, their number is about 5 lakhs and they cultivate about seven lakh acres; (ii) sub-proprietors in Agra Province and under-proprietors in Avadh; their number is about 2½ lakhs and they cultivate about 7 lakh acres. The Committee's proposals will restrict the rights of transfer of about 7½ lakhs of tenants cultivating about 14 lakh acres. Now let me examine the case of the others who are to be given a restricted right of transfer. 94 per cent. of the total holdings in this province are of 10 acres and less. Those whose holdings are of 10 acres and less will not be allowed to transfer a part of their holdings, because any such transfer will reduce the area of such holdings below 10 acres. The Committee regard anything below 10 acres as an uneconomic holding and they, therefore, do not wish to create more uneconomic holdings by transfer or by subdivision. Therefore they have recommended that all transfers of holdings of 10 acres and less must be of the whole holding. We all know the passionate love of the cultivator for his holding. It is almost certain that this right of transfer will remain a dead letter. If a tenant can get over his difficulties by the sale of one, two or three acres the Committee insists that if his holding is 10 acres and less, he must transfer the whole of his holding and not a part. This right of limited transfer is, therefore, perfectly illusory. Further, the Committee have recommended that the value of the land to be transferred will not be the market value but an arbitrary figure to be fixed by the Government. This arbitrary figure will be twelve times the rate of rent paid by hereditary tenants. As the Government are going to reduce the rate of rent paid by hereditary tenants, they will thereby be reducing the value of the land which may be transferred after the abolition of zamindari. For example, the present rate of rent being a little over rupees six an acre, the sale price, according to the Committee's suggestion, will be a little over sixty rupees an acre. But if the rent of the hereditary tenant is reduced to five or four rupees an acre the price will be reduced to fifty or forty rupees an acre. As the total holdings area is four hundred lakh acres,

the total reduction in the value of the property will be from about 240 crores of rupees to either 200 crores or 160 crores accordingly as the rate of rent of the hereditary tenant is reduced from Rs.6 to Rs.5 or Rs.4 an acre. Further, the *panchayats* will be given the sole monopoly of purchase and sale. The tenant will only be able to sell to the *panchayats* and it will be for the *panchayats* to dispose off to a buyer of their choice. As the sale price will not be the market value of the land but an arbitrary figure determined by the Government, the chances of corruption during the process of sale are obvious. There will be a black-market in the sale of land purchased from the tenants at a pre-determined price and the *panches* will be the main culprits, because the amount of land available for sale will be limited while the number of purchasers will be very considerable, even with the restriction imposed by the Committee that no one should be able to increase his holding beyond 30 acres by purchase.

7. I will now deal with the question of compensation. The use of the word "compensation" indicates that the Legislature has decided to give the persons whom it proposes to abolish an equal return for their property. Yet the proposals of the Committee do not give *compensation*; they only provide token payments. Compensation would be that amount which will assure to the zamindars something like the income they at present derive from their property. It is true that this would impose a heavy burden on the provincial finances but that is a matter not for the Committee to decide but for the Legislature. The Committee have divided the zamindars into ten categories according to the land revenue which they pay. They have then calculated the net assets of each category, and determined its amount of compensation. The following table compiled by the Committee to which I have added columns 5 and 6, showing the amount of annuity and percentage of net assets, gives the Committee's recommendations in a compact form:

Categories of zamindars	Net assets	Multiples for calculating compensation	Amount of compensation	Annuity	Percentage of net assets
1	2	3	4	5	6
	Lakhs		Lakhs	Lakhs	
I—Paying land revenue up to Rs.25	150	25	3,750	149	99
II—Paying land revenue exceeding Rs.25 but not exceeding Rs.50.	74	22½	1,665	66	89

Categories of zamindars	Net assets	Multiples for calculating compensation	Amount of compensation	Annuity	Percentage of net assets	
1	2	3	4	5	6	
	Lakhs		Lakhs	Lakhs		
III—Paying land revenue exceeding Rs.50 but not exceeding Rs.100.	85	20	1,700	67	79	
IV—Paying land revenue exceeding Rs.100 but not exceeding Rs.250.	118	17½	2,065	82	69	
V—Paying land revenue exceeding Rs.250 but not exceeding Rs.500.	79	15	1,185	47	60	
VI—Paying land revenue exceeding Rs.500 but not exceeding Rs.2,000.	127	12½	1,588	63	50	
VII—Paying land revenue exceeding Rs.2,000 but not exceeding Rs.5,000.	39	10	390	15	40	
VIII—Paying land revenue exceeding Rs.5,000 but not exceeding Rs.10,000.	24	9	216	9	36	
IX—Paying land revenue exceeding Rs.10,000 but not exceeding Rs.15,000.	35	8	280	11	32	
X—Paying over Rs. 15,000	..	{ 45 } { 139 }	8 3	{ 360 } { 417 }	{ 14 } { 16 }	{ 32 14% } { 8 }
Total	..	615	..	12,616	540	53

Amount to be paid annually with interest at the rate of 2½ per cent. per annum by half-yearly instalments in 40 years—Rs.545 lakhs.

In calculating the amount of compensation a novel principle has been introduced which is not only at variance with the practice hitherto followed in India but is at variance with the practice followed in countries where property has not been acquired by force or fraud but only by peaceful and legal means. The principle that has been adopted by the Committee is that the multiple to be applied in estimating compensation is reduced as the net income of the proprietor increases. To take a concrete example if a zamindar A has a village paying a land revenue of one thousand rupees and a zamindar B has a village of similar quality and resources paying a land revenue of rupees one thousand, and four other villages of the same kind

and paying the same land revenue of rupees one thousand each, then the compensation which *A* will get for his village will be twelve and a half times the net assets while *B* for villages of the same kind and having the same net assets will get a compensation of nine times the net assets because his land revenue is Rs.5,000. On what principle can such a differentiation be justified. Compensation is being calculated on the personal circumstances of a proprietor and not on the circumstances applicable to his property, which is the true subject-matter of compensation. The obvious result of this method is that in the case of the zamindar with the largest net income, no attempt has been made to give them what could be regarded as fair value for the property acquired from them, but the proposals virtually amount to confiscation masquerading as equitable compensation. For example, the compensation ranges from 99 per cent. of the net assets for zamindars in the first category to 32 per cent. in the ninth category (that is those paying a land revenue exceeding rupees five thousand but not exceeding ten thousand) and to 14 per cent. of the net assets for those paying a land revenue over ten thousand rupees. Taking first the case of the zamindars paying a land revenue of Rs.250 and below, the total net assets are according to the Committee's calculations 427 lakhs a year. The amount of compensation proposed is 9,180 lakhs, the annual equated payments including interest and capital in $2\frac{1}{2}$ per cent. forty-year bonds will be 364 lakhs a year and will cease at the end of forty years. It is clear from this that these zamindars who form over 99 per cent. of the total number of zamindars will lose annually 427 lakhs minus 364 lakhs equal to 63 lakhs a year in their net income and at the end of forty years a complete cessation of the net income which they are at present enjoying, viz., 427 lakhs a year. So much for the compensation to be paid to the smaller zamindars.

Let me now consider the case of those who pay a land revenue between five thousand and ten thousand rupees and those who pay a land revenue of over ten thousand rupees. The number of landholders paying land revenue exceeding five thousand but not above ten thousand is estimated by the Committee to be 414 and their net assets 35 lakhs, and the amount of compensation 280 lakhs. The annual equated payments on a compensation of 280 lakhs will be an annuity of 11,20,000 rupees a year, i.e., 32 per cent. of the net assets. The reduction in net income comes to 68 per cent. for a period of forty years and to 100 per cent. at the end of that period. The net assets of those paying a land revenue of ten thousand and over are estimated by the Committee to be 184 lakhs and the compensation to be 777

lakhs. The annual payment will be about 30 lakhs a year, i.e., about $16\frac{1}{2}$ per cent. of the net assets. Such persons whose number according to the Report is 390 will lose $85\frac{1}{2}$ per cent. of their net assets for the next forty years and at the end of that period all their net assets will have disappeared. Any reasonable person, not carried away by blind class prejudice, will agree that this is not equitable compensation but inequitable confiscation. Further, the Committee have recommended that the bonds to be issued will only be negotiable to the extent of compensation which is payable on a land revenue of two thousand. Any compensation above this amount will not be negotiable but will be held by co-operative banks and only half of it can be withdrawn with the sanction of the Collector and for certain specific purposes only. In other words the compensation will take the form of a pension or a compensation allowance for those in the higher categories, and that too at a wholly inadequate rate.

There is much talk of nationalisation. How has compensation been recently awarded in England? Coal royalties were acquired by the State in England in 1958. Mines were nationalised in 1946. In these cases, compensation was determined as between a willing buyer and a willing seller. The net maintainable revenue of the undertaking in question is first ascertained and is then multiplied by an appropriate multiplier taking into account the commercial risks and probabilities, and the number of years' purchase which the willing buyer would give and the willing seller accept, on that footing. In the nationalisation of railways in England a different principle was applied. The stock exchange value on a particular day was taken. The underlying principle was that compensation would be awarded upon the true value of the property acquired without any consideration of the personal conditions of the particular holder of the property. The novel principle which the Congress Government have introduced is a differentiation upon a personal basis and means confiscation in the case of bigger landholders. It would be much more straightforward if the Government were to announce frankly that they propose to confiscate the properties of the landholders paying a land revenue of rupees five thousand and above. This would at least absolve them from the charge of calculated hypocrisy. No one familiar with the trend of political thinking in this country at the present moment could say with certainty that these bonds will not be repudiated or the annuities reduced during the course of the next forty years. The whole scheme is unjust and hedged in with such impediments that even the little that is proposed to be given may in the end never be given at all.

8. I will now deal briefly with the substitute for the zamindari system, viz., the elected *panchayats*. It is proposed to elect these *panchayats* on a manhood suffrage basis. The Committee have calculated that for every one thousand cultivators there are 417 landless labourers as an all-India average. 94 per cent. of the cultivators in this province have holdings of less than 10 acres. It is thus clear that a *panchayat* elected on manhood suffrage will lead to conflict between the landless labourers and the smaller tenants on the one side and the more substantial tenants on the other. Moreover, as most of the voters and *panches* will be illiterate and torn by factions and personal animosities, the *panchayat* administration will be both corrupt and oppressive. Can it be imagined that the *panchayats* so constituted will be able to deal fairly with such important questions as the letting out of land, the sale of property, the realisation of revenue on a joint responsibility of the village community? The record of district and municipal boards has so far been deplorable; the record of these elected *panchayats* will be infinitely worse, as no one familiar with prevailing village conditions and not jaundiced by abstract theory, will deny.

9. I cannot help regretting that the Report is disfigured by passages of hysterical rancour against the zamindars, as a class. They are denounced as parasites, as racketeers, as oppressors of the tenantry and as the source of all the ills of rural society. Side by side with these unmerited diatribes there is a ridiculous inconsistency in describing the smaller landholders who constitute over 99 per cent. as the object of the Committee's continuous solicitude. If such is the Committee's concern over the welfare of these small zamindars, what is the occasion for abolishing them and reducing them to the position of impoverished tenants of dwarf holdings? I regret to say that the majority report of the Committee will not raise the standard of living of the agricultural masses and will not increase production in any way. What it will lead to, will be the uprooting of millions of men and women who have for centuries lived on the land and the disappearance of a real middle class which has held together village society in spite of wars, political upheavals and economic blizzards. The few hundred landholders who are well-off, though their wealth is nothing as compared to that of the commercial, banking and industrial magnates, will be completely ruined. What is likely to be the ultimate result of all this bungling? Chaos and anarchy which will engulf not only the victims but very likely the authors as well of this disastrous policy. It is also not realised that expenditure on the

police which has already reached astronomical proportions will have to be increased still further with the departure of the stabilising influence of the zamindar, their firearms and *karindas* so far always available to the district authorities for the maintenance of law and order.

BEGUM AIZAZ RASUL.

July 9, 1948.

Note by Shri Ajit Prasad Jain

Affixation of my signature to the Report should not be taken to mean that I subscribe to all the exposition of principles and historical facts contained in the Report. In particular, I think that the problem of the field-labourer, who owns no land, and of the standardisation of agricultural prices need a much fuller investigation and treatment than what is contained in this Report. In fact these questions came up before the Committee, if at all, only casually. However, the recommendations of the Committee have my support.

AJIT PRASAD JAIN.

August 7, 1948.

