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(Organ of the Indian Society of Agricultural Economics)

Vol. XI	APRIL—JUNE 1956	No. 2

CONFERENCE NUMBER

PROCEEDINGS
of the
SIXTEENTH CONFERENCE
held at Poona, December 1955

SUBJECTS

1. REORGANISATION OF RURAL CREDIT IN INDIA.
2. INTEGRATED PRICE POLICY FOR AGRICULTURE.
3. POLICY FOR DEVELOPMENT OF THE RURAL SECTOR IN THE SECOND FIVE-YEAR PLAN.
4. TECHNIQUES OF FIELD SURVEYS IN AGRICULTURAL ECONOMICS.

Rs. 6-8-0

THE INDIAN SOCIETY OF AGRICULTURAL ECONOMICS, BOMBAY

Aims and Objects

To promote the investigation, study and improvement of the economic and social conditions of agriculture and rural life through :—

(*a*) periodical conferences for the discussion of problems ;

(*b*) the publication of papers, separately or collectively ; or in a periodical which may be issued under the auspices of the Society ;

(*c*) co-operation with other institutions having similar objects, such as the International Conference of Agricultural Economists and the Indian Economic Association, etc.

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PREFACE

The current issue of the Journal contains the Proceedings of the 16th Annual Conference of the Society held in December, 1955 at Poona. The Conference was attended by nearly 150 members and delegates from Central and State Governments, Universities and Research Institutions.

The subjects chosen for discussion at this Conference were :

1. Reorganisation of Rural Credit in India.
2. Integrated Price Policy for Agriculture.
3. Policy for Development of the Rural Sector in the Second Five-Year Plan.
4. Techniques of Field Surveys in Agricultural Economics.

An unusually large number of papers were received and read on subject 1, while on the other three subjects also, there were select contributions. The level of discussions was maintained at the usual high level. The arrangement for a tape-recorder by the Gokhale Institute of Politics and Economics has facilitated the publication of the report of the discussions.

An excursion to Walchandnagar from Poona was also arranged on the 1st January 1956 after the completion of the Conference. About 23 members took advantage of this trip. We are thankful to the Management of Walchandnagar Industries Ltd., who made necessary arrangements to receive the party and show them around the well-known Agro-industrial Centre.

We take this opportunity of thanking the Gokhale Institute of Politics and Economics, under whose auspices the Conference met. We specially record our grateful thanks to Prof. D.R. Gadgil, Director of the Institute and Prof. N.V. Sovani, Local Secretary of the Conference and to Prof. V.M. Dandekar, who had made excellent arrangements and to the Members of the Reception Committee for their generous hospitality.

26th April, 1956.

Manilal B. Nanavati

President

POLICY FOR THE RURAL SECTOR IN THE SECOND FIVE-YEAR PLAN

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From the experience gained in the working of the First Five-Year Plan, one may draw a few conclusions which will help to analyse policy implications for the development of the rural sector in the Second Five-Year Plan. First, rural development needs an integrated and a multi-purpose approach. A multi-purpose approach as far as rural economy is concerned embraces those aspects of rural economy like improved agriculture, health measures, education facilities, employment opportunities and family planning designed to retard the rate of rapid growth of population etc., which are all inter-related and which if tackled separately may not produce appreciable results in reasonable time. It may further be noted that even for the primary need of increased agricultural production, the approach must be multi-purpose. "It may be futile to introduce improved seed, manure and cultural practices until irrigation is provided ; but the full benefits of irrigation require the introduction of these things as well. Sometimes irrigation brings malaria with it so that a malaria control programme is required . . . . . there may be little incentive to use better methods because the main benefits accrue to the landlords . . . . . sometimes debt, which prevents the adoption of better methods, results from ceremonial expenditures so that establishment of a proper credit system for production is difficult, if not impossible, unless cultural attitudes are changed."[1] In the past, efforts at development of rural areas consisted of attempts at improvement of various aspects of the village life in isolation from each other. It was carried out by various departments of the Government like Education, Agriculture, Co-operation, Animal Husbandry, Health, etc., which worked independently from each other without a sense of a common objective. Each of these approached the villager through the lowest official in official hierarchy who was inadequately trained and who was often not rural-minded and who had no rural sympathies or understanding. Such development, as a result, was halting and lop-sided mostly giving advantages to economically superior class and vested interests and not to the poor, needy bulk of rural population in whom it produced more often confusion and chaos.

Secondly, the First Five-Year Plan is also instructive so far as it points out that the work of rural development will not achieve abiding success unless the will and enthusiasm of the people is awakened. The village needs roads, tanks, schools, health centres and so on. It is necessary that the villagers should feel that all these needs are for their own benefit and that all these needs can be satisfied by their joint efforts, of course with the help of aids from the Government in the form of grants of money or technical assistance. There is also the problem of continued maintenance of these beneficial works when Government help is withdrawn. In the past, whatever welfare activity was done, it was imposed on the people from above by official organisations or philanthropic associations and as a result the enthusiasm of the people was not aroused or

1 United Nations : Report of the Mission on Community Organization and Development in South and Southeast Asia, page 21.

sustained. The will to work, and the sense of urgency so very necessary for success were wanting and local leadership, co-operation and initiative were conspicuous by their absence. As a result, the development work did not produce much impression.

There is also another aspect of voluntary service specially in an underdeveloped country like India. In India at present, there is acute shortage of capital due to lack of additional savings and taxation to finance development work. Voluntary self-help activities, supplement to a great extent the meagre resources that are available normally, whatever may be the form of such help.

Thirdly, there is also the need of creating in rural areas, an ideally rural pattern of organization which will best promote the interests of rural masses and see that "the bigger man in the village does not get greater profit out of everything, Government loans, co-operative or any other financial or technical assistance." It must not also be costly in respect of personnel or finance and adoptable throughout the country in a reasonable period of time. But before that, "the more realistic approach seems to be to promote in the first instance those conditions which are necessary before such an organisation can function successfully in the village in the context of better farm production and better farm business."[2]

The First Five-Year Plan has already laid foundations in respect of an integrated system of approach to rural development, based on self-help and mutual co-operation. Community development approach and rural extension service, apart from instructing people in improved agricultural technique and bringing in them the latest results of research in these fields, also help to secure local co-operation, stimulate local initiative and harness the vast utilized energy of the villagers to works of benefit. They further infuse among the rural people ambition for higher standards of life and the will and determination to work for such standard. "The social philosophy of the National Extension Service, with its stress on peoples' initiative, panchayats and co-operatives and community self-help and partnership in a common effort between the public servant and the people has begun to produce results in the countryside and to transform the outlook of the administration."[3] There have also been substantial contributions from the people in these spheres. Till the end of March 1955, the total value of people's contribution towards the Community Development Programme in terms of labour, land and cash amounted to Rs. 10.21 crores as against a total Government expenditure of Rs. 20.50 crores which works out to about 50 per cent of the total expenditure.[4]

It is needless to emphasize that the system of community approach and extension service will be extended during the Second Five-Year Plan so as to cover the entire country. Already, the third Development Commissioners' Conference held at Ootacamund during May 1954, has made the following recommendations :—

2 All India Rural Credit Survey Report, page 522.

3 V. T. Krishnamachari : *Introduction* to Five-Year Plan Progress Report for April-September 1954.

4 Facts and Figures of H. S. of July 5, 1955 (*Economic Survey*).

(1) "It would be possible in most States to cover the entire country with National Extension Service during the Second Five-Year Plan period. For this it would be necessary to enlarge adequately the training facilities, particularly in respect of village level workers, veterinary graduates and subordinate personnel."

(2) "In order to provide continuously the necessary incentive to increased effort, the present distinction between National Extension Service Blocks and Community Project Blocks should be retained during the Second Five-Year Plan period also."[5]

But certain deficiencies in the working of these projects like (a) lack of inter-departmental co-ordination, (b) ineffectiveness of the Project Advisory Committees, (c) want of real interest and enthusiasm on the part of people at certain places, (d) difficulties created due to separation of functions between revenue and development staff and (e) want of training and experience on the part of village level workers (Gram Sevaks), etc., which have been pointed out by Community Projects Evaluation Organisation must be removed in order to make them more effective during the Second Five-Year Plan period.[6] Some of the other defects specially noticeable in Orissa are (a) that various allotments specially with regard to minor irrigation works and improvement of rural communications are remaining without being spent in time, (b) that there is much delay in getting sanction of the expenditure from the higher authorities, (*c*) that there is lack of appreciation and sympathy on the part of officers entrusted with development work when approached by people with any scheme of development etc.

In analysing the above defects, it will have to be remembered that the whole process is in the nature of an experiment and we have not yet evolved a simple, decentralized machinery of administration composed of rural representatives as well as Governmental authority which can effect the work of development with speed, efficiency and with sufficient rural responsiveness. The efforts of Orissa Government, in this connection, to set up a local authority, at a level higher than Gram Panchayats and *ad hoc* non-statutory bodies like Gram Mangal Samities, which are at present entrusted with the implementation of programmes of development work, will provide better administrative control and evoke more popular support. By what is known as Anchal Sasan bill, which is in the process of legislation the entire State is sought to be divided into compact territorial units of administration called Anchals, each with an Anchal Sasan as the administrative authority consisting of an Anchal Sabha (a body of members elected by Gram Panchayats, Notified Areas and Municipalities) and Anchal Adhikari (a permanent officer from State Administrative Services who will be the Chief Executive Officer).[7] The advantages of such a decentralised administration will be that there would be better co-ordination, speed and efficiency, in implementing the programmes of development, that it will be able to eliminate all monopolistic tendencies and vested interests inherent in rural areas and lastly, it will be able to evoke more popular support and enthusiasm as it would be a people's organisa-

5 Planning Commission, Five-Year Plan Progress Report, April—September 1954, page 13.
6 For the defects refer especially Second Report on Community Projects Evaluation.
7 Statement of Objects and Reasons of Orissa Anchal Sasan Bill 1953—at present being discussed in Orissa Legislative Assembly.

tion having people's representatives. Moreover, owing to availability of greater resources and owing to availability of technical officers under Anchal Officer, it will be able to tackle bigger problems and see that all assistance from Government is not monopolised by the bigger man in the village. Against the background of a vast rural population, uneducated, ignorant and suffering from "grave disadvantages which are rooted in past development and have become part of the socio-economic sructure," there is the need for the Government to assume the function of real partnership in economic development—especially of the middle and lower groups—and not merely that of administration on the one hand or of advice and extension on the other.[8] An ideal and permanent policy seems to be in this connection, establishment of a network of State-partnered co-operatives throughout the country, which will give a strength to the rural economy by removing such grave disadvantages as are obstacles to progress and which will be able to tackle larger problems in the context of 'better farm production and better business' which Community Development, and Rural Extension fail to implement at present. In the words of the Rural Credit Survey Report, "The only plan that can restore vitality to the rural economy and, on that vitality, build up the future prosperity of the common man is one which, as the first condition, imparts strength to both agricultural and rural industry. Only then, and in that process, will conditions have been brought about for the well-being of the common man .... The process should, and with wisdom and determination can be that of co-operation ; co-operation not merely in the narrower technical sense in which it has completed fifty years of existence in this country, but in the much broader conception of it as the purposive union of all the forces which work for the common good, and in particular, the co-operation which joins together in a common purpose the united strength of the Indian village with the united strength of the Indian State."[9] Even the Panel of Economists, Planning Commission, while considering the main issues relating to the Plan Frame of the Second Five-Year Plan have stated that for future economic development of India, State-partnered co-operatives are to be accepted as the most important type of organization. The activities of the State, according to them, should confine to Central planning and direction and control of economic activity, assistance and participation in the formulation and conduct of co-operative units and elimination of the continuance of privileges or exercise of monopoly power.[10]

To develop a society consisting of small decentralized units of economic activity, a society rigid in structure and having vast unutilized resources, and to change a social pattern built round the ownership of land by enabling the rural people to solve their own problems by self-help and mutual assistance, co-operation undoubtedly is the most suitable form of organization not only because of its simple and least cost technique but also because of its embodiment of the principles of democracy, non-violence, peace and decentralisation, which are the cornerstones of Indian tradition, culture and practice. The First Five-Year Plan has already recognized the principle when it says : "The end in view is the development of human and material resources of the rural community. This

8 All-India Rural Credit Survey Report, Chapter 46, page 527.

9 All-India Rural Credit Survey Report, page 517.

10 Second Five Year Plan, The Framework, published by The Publication Division, Part III, Basic Considerations, page 141.

is to be achieved in the main by enabling the rural people to solve their own problems and to organize themselves for co-operative action with a view to adopting new knowledge and new resources to their needs. Thus, while co-operation offers the basis of community action, it falls to the administrative machinery of the Government and, in particular, to extension workers, to provide guidance and help to the villager."[11] It remains now to practise the principle extensively, in every possible field of development, during the Second Five-Year Plan.

The objectives of the Second Five-Year Plan as far as they are related to the development of the rural sector are as follows :-[12]

(*a*) to increase productivity in agriculture and to speed up agrarian reforms with an equitable distribution of land to peasant cultivators so as to stimulate the increase of agricultural production and of purchasing power in rural areas,

(*b*) to provide better housing, more health services and greater opportunities for education especially in the poorer sections of the people,

(*c*) to increase the production of consumer goods as much as possible through the household or hand industries and to provide an adequate market for the products,

(*d*) to provide employment opportunities to a large number of peasants, craftsmen and small traders in the rural areas who remain without gainful work for a part of the year,

(*e*) and as a result of these measures to increase National Income by about 25 per cent over the plan period and achieve a more equitable distribution of income and

(*f*) finally to attain social justice.

In order to attain the above objectives emphasis has to be placed on certain aspects of development, and their requirements. For increased productivity in agriculture there is necessity for increasing and improving the capital equipment or supplies of materials needed for production and also improving the technique of production and land management. The abolition of intermediaries, which is almost in its last stage of completion in India to-day should be followed by reorganization of agriculture in consolidation of holdings, prevention of further sub-division and development of co-operative farming, to make agriculture efficient and paying. Tenancy reforms are necessary to scale down rents and to give tenants permanent ownership rights. There is also the need of provision of credit, marketing and warehousing facilities in rural areas on the lines indicated in Rural Credit Survey Report. Lastly, there is the problem of fixing a ceiling and a floor on individual holdings. Fixation of a ceiling is necessary for redis-

11 The First Five Year Plan, Chapter IX, page 161.

12 Draft Outline for the Second Plan as prepared by Prof. P. C. Mahalanobis and The Second Five Year Plan—A Tentative Framework prepared jointly by the Economic Division, Ministry of Finance and Planning Commission.

tribution of surplus among landless labourers and a floor to holdings is essential so that a cultivator may not possess a unit of land smaller than an economic holding. Moreover, the operation of ceiling and consequent redistribution of land to the landless will considerably lessen inequality in rural society, which is necessary in the interests of social justice. Efforts in these directions have been very meagre so far, and it is hoped that the main spring of rural development during the Second Five-Year Plan will revolve round these problems.

The essence of the approach to the problem of development from the sociological point of view lies in increasing the capacity of vast numbers of rural inhabitants by a programme of improved health measures and sanitation, of better nutrition in food to increase energy and initiative, and of improved education and training to increase receptivity to change and improve skills. It also consists in removing obstacles to change and "developing such attitudes, institutions and organizations as will faclititate the fullest expression of individual capacities. In part, the problem is one of education and providing incentives by demonstrating that the changes are beneficial and by ensuring the enjoyment of the rewards for the greater or more efficient effort . . . in part, the problem is one of developing organizations more suited to economic requirements, for example co-operatives, banks or marketing system."[13] The Second Five-Year Plan must make a honest beginning in these directions.

Thirdly, there is the problem of fuller employment, the problem of bringing idle resources into productive use. For a large number of peasants, craftsmen, unemployment arises in the form of lack of gainful work for a part of the year. In this area, the task of creating more employment is not easily distinguishable from that of providing higher incomes. "In a sense, as long as incomes of peasants and craftsmen are raised by providing better techniques, more irrigation and greater demand for their products, it is immaterial whether they work all the year round or not."[14] In carrying out major and minor irrigation works, land reclamation schemes and other activities of community projects and national extension service, and in the scheme of additional teachers introduced in 1953, some progress has been achieved but it is not sufficient. Supplementary occupation will have to be found during the Second Five-Year Plan for considerable numbers of rural population in an integrated scheme of revival and development of village industries and handicrafts, and in undertaking public works programmes in slack agricultural seasons. The former method will also help to increase production of consumers' goods, for which there is likely to be greater demand owing to increased income created either directly through additional employment or indirectly through multiplier effects, specially during the Second Five-Year Plan period.

Lastly, the policy with regard to the development of rural areas inhabited by backward classes and tribes raises special problems and as such it should be on a different footing, different from the general policy of rural economic development. For their educational and vocational training, and other schemes of

13 U.N.O : Report on Community Organisation and Development in South and South-east Asia, page 15.

14 Second Five Year Plan, The Framework, published by the Publication Division, page 67.

economic betterment, for building of roads and communications, for providing social services like medical and public health facilities and for provisions of drinking water supply, large-scale grants and loans from Government are required. A reorganisation and improvement of the administrative services in the backward areas is also necessary owing to the complicated and delicate nature of the work. Government must assume the role of an active partner with missionary zeal and spirit because "ultimately it is the measure in which their social and economic progress is realized which would provide an acid test for the progress of the country as a whole."[15]

LAND POLICY IN THE SECOND FIVE-YEAR PLAN

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The present paper deals only with one section of the rural population which is its largest single component i.e., persons having cultivation of land as their principal occupation. Further, it is confined only to problems of 'economic' development arising in the context of the Second Five-Year Plan which is known, so far only in broad outlines. However, the development of the rural sector is viewed as a continous, self-generating process which, besides helping to attain the objectives and targets of the Second Five-Year Plan, would continue even beyond this period. In this perspective, development of the rural sector in the Second Five-Year Plan, becomes only one stage of a process which will unfold itself in years to come and if properly directed, will raise the rural economy to a high level of development.

The main focus of attention in this paper is on problems of agrarian structure, and on discussing how structural rigidities prevent our rapid economic development. An attempt has also been made to show how a reorientation of the land policy so far followed is made essential by the present conception of the Second Five-Year Plan.

OUR AGRARIAN STRUCTURE AND IMPEDIMENTS TO ECONOMIC DEVELOPMENT

Development of the rural sector, in the context of the Second and subsequent Five-Year Plans, requires mainly the creation of two conditions :—

1. Constantly increasing production of agricultural products, mainly food and raw materials.
2. Constantly increasing proportion of produce entering the process of exchange i.e., constantly increasing marketable surplus.

15 Progress of the Plan, January 1954, published by Planning Commission, page 101.