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PROBLEMS OF INDIAN AGRICULTURE

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BEFORE I commence my talk on the subject assigned to me I must thank you for the very kind reception you have accorded us to-day and all through this Conference. Perhaps most of the members here do not know that the Indian Agricultural Economics Society, of which I am the President, was founded by our Chairman, Mr. Elmhirst, in 1939. Having had intimate contact with Indian agriculture for several years he rightly felt the need of having an institution devoting itself to the study of the agricultural economy of the country. It is on the foundation laid by him when he was in India in 1939 that we have built our Society, although it has not acquired the same prestige and the same status which your institution possesses. May I take this opportunity to convey to him on behalf of our Society our grateful thanks for bringing that Society into existence and giving us help, guidance, and encouragement at every stage. You will be interested to know that in 1944 he inaugurated our conference at Allahabad and gave us very valuable hints on the development of Indian agriculture. But his interest in Indian agriculture is not merely in holding conferences. Those of you who have heard of Dr. Tagore's Shantiniketan in Bengal must know that this institution has a branch for the study and development of agricultural economy and rural life. This agricultural institute, again, owes its origin to the initiative and help of our Chairman. To us who come from India, therefore, our meeting is a reunion of old associates who have been working for agriculture more or less on the same lines and will continue to work for a number of years more in the same direction.

I have not prepared for this morning's discussion, but I am going to try to do justice to the subject in which we in India are at this moment of our national life most deeply interested, viz. the problem of rehabilitation of our agriculture. It seems to me that agriculture presents one of the most difficult and most complicated problems for the economists and administrators of India. I would not like to take you through all the ramifications of the subject, but shall give you, in a few words, a comprehensive view of the present agricultural situation in our country.

You all know that we have a very vast population—nearly 400 millions. During the last two or three days I have been repeatedly asked: What are we going to do with that population? The basic fact of Indian economy is that, out of these 400 millions, nearly 75 per cent. are directly dependent on agriculture. About 88 per cent. live in villages and only 12 per cent. in urban areas. Thus the country's economic well-being depends on the condition of our villages, which in turn depends on the condition of our agriculture. It is the backwardness of agriculture which keeps the country poor. Even on a low estimate, 60–70 per cent. of cultivators have uneconomic holdings. Again, most of these uneconomic holdings, as a result of the laws of inheritance, are fragmented and scattered about in the village. Cultivation of land taken on lease is much too widespread, since 50–60 per cent. of the cultivators are tenants. Most of them are tenants-at-will, sharing their produce with their absentee landlords who very seldom render any useful services in the cultivation of their lands. The net result is that the population pressure is more than the land can bear. The symptoms of this economic disease are too glaring to escape the notice even of a casual observer—poor physique, lethargy, low vitality, and incapacity to resist famine, disease, and epidemic, high mortality, and so on. The Bengal famine of 1943 is only a tragic proof of the disorganized state of the business of farming in India. In the last seventy-five years we have added only one year to our expectation of life. Our agricultural yields not only fail to show any increase but have been actually falling in many parts of the country, in spite of the fact that we have added 20 per cent. to the area under irrigation. Indebtedness has become chronic although we have been trying for the last forty-five years to stop usurious borrowings and to lessen the debt burden by developing the co-operative movement and, recently, by compulsorily scaling down old debts. Even the four or five years of unprecedented rise in agricultural prices since the war began have not brought any substantial relief to the cultivators, as a vast majority of them produce for their own consumption and have too small a surplus to sell to be able to benefit by the higher prices. On the contrary, most of them have lost a good deal during this period owing to bigger rises in the prices of their other requirements such as implements, cloth, plough-cattle, oil, and so on. No doubt the bigger landlords—about 16–17 per cent. of the cultivators—must have benefited during this period, but the vast majority—the uneconomic holders, tenants, and share-croppers—have been left poorer by the war. It is because of such numerous odds against the average cultivator that our yields are going down.

The backwardness of agriculture is more clearly seen in the distribution of national income. According to the study on this subject by one of our university professors, agriculture, on which over 70 per cent. of the population depend, gets only 38 per cent. of the national income. On the other hand, industry, services, trade, transport, and professions, in which 28 per cent. of the working population are engaged, get 42 per cent. of the national income. As a result the income per worker in services is Rs. 307, in industry Rs. 195, and in agriculture Rs. 133. The *per capita* income in agriculture is Rs. 48, or only 15 dollars. These figures relate to the year 1931–2.

Now, you might ask me: 'Why is it so?' We have reason to believe that about a century and a half ago our agriculture, as a business, was in a flourishing condition. The land was cultivated by a class of people who, in efficiency, could compare favourably with cultivators in any part of the world. Even at the close of the last century, one of the British agricultural experts who toured India said that the Indian cultivator was quite as good as, and in some respects the superior of, the average British farmer. Even to-day there are a number of genuine cultivating classes such as Lingayats, Jats, Kunbis, or Patidars, who are well known for their intelligence, hard work, thrifty habits, and efficiency in cultivation. But the number of these classes in agriculture is now slowly diminishing as the decaying conditions in the village make the town more attractive to them. The town has additional attraction for them because it has better educational facilities—three out of five villages in India have no schools—and they think that if they educate their children they will do much better in business, professions, or service than in agriculture.

Side by side with this fall in the number of efficient cultivators we find an increasing number of inefficient classes swarming into agriculture. I think it is a phenomenon peculiar to India that in spite of large-scale industrial progress the number of people actually employed in industry has greatly diminished during the last century. This is so because the small handicrafts of old have been succumbing to competition from the highly industrialized West, as also from the indigenous mills and factories. Every decade more and more men in these small crafts have been de-employed and thrown on the land. In 1880 nearly 13 per cent. of the population were engaged in industries. In spite of the development of large-scale industries during the last sixty years, the proportion has fallen to 9·3 per cent. As a result the percentage of the population dependent on agriculture has risen from 56 to 75 during this period. This increasing pressure on land,

decade after decade, would have been more glaringly shown if we had occupational statistics for the last hundred years. But the first census in India was conducted only in 1876, and it took some time for these censuses to be conducted on reliable bases. Nevertheless, if we note that since 1900 the industrial population has declined, and that the gross cultivated area has increased by 31 million acres or by 15 per cent. while the population has increased by 75 million or by 34 per cent., the only possible conclusion is that population is outstripping land.

The net result of all this is that, as I said, land is getting increasingly fragmented and subdivided. Economic holdings soon become uneconomic, and the holder thereafter goes on mortgaging or selling parts of his land until he is caught in a vicious circle of poverty increasing his debts and his debts intensifying his poverty. Ultimately he sells off his land and becomes a landless tenant, sharecropper, or labourer. The number of this agricultural proletariat has been increasing fast in India. Between 1891 and 1941 landless labourers alone have nearly doubled themselves to 40 millions. There has been a similar increase in the number of tenants and in the extent of leaseholds. The agricultural strata to-day thus comprise a small minority of large and economic holders at the top and a vast number of uneconomic holders, tenants, and labourers at the bottom. This is the situation in which Indian agriculture finds itself to-day as a result of forces operating during the last hundred years.

The main cause of this continuous deterioration is the system of land tenures and tenancies in India, which is the most vicious system one can think of. As far as tenancy is concerned, even though laws have been passed to improve the system during the last ninety years, the actual producer has benefited but little because he is helpless on account of the keen competition for land. As for the tenure system, we see it at its worst in the Zamindari settlement which is 'permanent' in some areas and 'temporary' in others. In the permanent Zamindari tenure system a single landlord may be owning an area comprising as much as four districts. He is responsible for the payment of land revenue which was fixed when the settlement was effected early in the last century. This system was introduced by Lord Cornwallis, who wanted to place Indian agriculture on the basis of British agriculture by creating 'benevolent' landlords. Moreover, the administrators of that period found it difficult to frame an organization to ensure prompt and regular collection of revenue. The British Government wanted also to create some vested interests on whose loyalty they could always count. So they declared the tax-collectors

of those days to be the zamindars or landlords and fixed the revenue to be paid for all time to come. These zamindars were left to collect whatever they could from their tenants—a privilege which was grossly abused by the zamindars for a long time until, in 1859, tenancy legislation was enacted to restrict the freedom of making extortionate demands from the cultivators. A number of laws have been passed since then, but they have not eradicated the evil completely. The difference between the permanent settlement and temporary settlement is only that, in the latter case, the revenue due to the State can be revised by Government every 20 or 30 or 40 years.

This conferment of proprietary rights on tax-collectors has worked greatly to the detriment of Indian agriculture. It has killed the initiative and the spirit of enterprise in the tenants and sapped the agricultural structure of its vitality. The tyranny of the zamindar, though moderated by law, still continues. A Royal Commission which investigated the effects of the Zamindari system in Bengal—one of the most landlord-ridden provinces—reported that illegal exactions by the zamindar still continue. If, for instance, there was a marriage at the landlord's place, the tenants would be required to place their carts and bullocks at the disposal of the landlord to carry people in the marriage procession and even to pay levies in cash or in kind.

The drawback of the Zamindari system became obvious to the early British administrators about forty years after the introduction of the system. By that time it had been extended to about 55 per cent. of the area—mainly in Bengal, Bihar, C.P. and Berar, Orissa and U.P. Subsequent settlements, therefore, were made, not with any intermediary interests, but directly with the ryot or the cultivator. This system is known as the Ryotwari tenure.

In the Ryotwari areas the cultivators are, comparatively speaking, better off. The land is owned by Government but is leased out to the cultivators on certain conditions such as regular payment of the state dues, that is, revenue, and taking care that they do not do anything which will damage the productivity of land. But here again, due to several causes, the conditions to-day are highly unsatisfactory. Firstly, the law of inheritance which permits each heir an equal share in every type of land. As a result of this law land has been continuously subdivided and fragmented and we have reached a critical stage where a large number of holdings are uneconomic to-day. Secondly, owing to the unrestricted rights given to the ryots to lease, mortgage, or sell their land, lease cultivation with its attendant evil of absentee landlordism has become widespread. The right to mortgage or sell

land tempted the agriculturist to raise money—more often than not for unproductive purposes—and thus to sink into irrepayable debts deeper and deeper until they sold their land and became a tenant. Tenancy and absentee landlordism thus also characterize the Ryotwari tenure, although not to the same extent as in the Zamindari areas.

In the Zamindari provinces, particularly in those areas which are permanently settled, the margin between the statutory rent and the competitive rent is very wide, and this has given rise to a long chain of middlemen between the zamindar and the actual tiller. The Royal Commission to which I referred earlier found that sometimes the number of these middlemen was as high as fifty. Under the circumstances you can well imagine what will be left to the poor cultivator after surrendering the larger part of the fruit of his labour to support as many parasites as that. This situation not only makes the tenantry poor but also impoverishes the land. Neither the zamindar nor any of the middlemen evinces the least interest in the good use of the land. In fact, so remote is the zamindar from the land that the cultivating tenant seldom knows to whom the land belongs and the zamindar is equally ignorant as to who makes use of his property. The zamindar's sole concern is to get his share in the revenue, which is about one-tenth of the total collections. In the permanently settled areas the revenue to be paid to Government was fixed in perpetuity, with the result that all extra collections, whether legitimate or otherwise, go to the zamindar. Since land values have gone up rapidly since the introduction of the permanent settlement, the zamindars in these areas have gained immensely due to this permanent fixation of their contribution to the Government. This 'unearned' income has been a heavy drain on the villages.

The situation in the Ryotwari areas, though comparatively better, is far from satisfactory. The same symptoms of deteriorating agriculture, namely, predominance of uneconomic fields, fragmented holdings, chronic indebtedness, and transfer of land from the agriculturists to the non-agriculturists are all present in these areas as well. Between the ten years 1926–7 and 1936–7, for instance, the agriculturists in the Bombay province alone lost as much as 5 million acres or 20 per cent. of the total cultivated area to non-agriculturists. The number of non-agriculturists owning land also increased during this period from 200,000 to half a million. This shows how rapidly tenancy is increasing even in the Ryotwari areas. During the last twenty or thirty years, transfers of land have been on such a large scale that to-day tenancy covers as much as 65 per cent. in the

Punjab, 30–35 per cent. in Bombay, and about 40 per cent. of the cultivated area in Madras. If this process goes on unchecked, more and more land will pass into the hands of non-cultivating owners, and thereby the number of landless agriculturists, tenants-at-will, share-croppers, and farm labourers will reach alarming proportions.

It is because of these unhealthy trends that in spite of numerous schemes to improve our agriculture technically or scientifically, the results have not been commensurate with the efforts made or the money expended. The Famine Commission found that in Bengal in fifteen years the yield of rice had fallen from 14 to 12 maunds per acre. Figures regarding other crops such as wheat, sugar-cane, and cereals point to the same conclusion. The significance of this continued fall will be clear when it is remembered that, already, our lands have one of the lowest yields in the world. Every small decline, therefore, means immense loss and hardship to the country, especially when the population is fast increasing.

For a long time the Department of Agriculture held that the deterioration of agriculture was solely due to the farmers' unwillingness to take full advantage of the improvements suggested to them. Illiteracy in the villages being as high as 95 per cent., this official view met with little opposition and was readily believed by the educated sections of the public. But during the last ten years the view has been gaining ground that the defect lies not so much with the farmer as with the system in which he is working to-day. I know of at least two Directors of Agriculture who, after spending nearly thirty years in India and trying their best to raise the yields from land, have, during recent years, come to the conclusion that unless the land system is completely overhauled, nothing substantial, nothing definite will be achieved by the introduction of better varieties of crops, better manures, and such other technological improvements. These measures, no doubt, have raised the yields in some areas but, as far as the bulk of agriculturists are concerned, the situation has not improved and, in fact, has even worsened.

That this is a fact is obvious when we look at India's food position. According to the Famine Commission of 1880 we had a surplus of 5 million tons at that time, on the basis that each person consumed 1½ lb. of cereals daily. In fact, the minority held that this level of consumption was too low and pleaded for a higher level. But just before the recent war India was faced with a food deficit of 10 million tons, even when the *per capita* consumption was placed as low as 1 lb. a day. Since the war the consumption has been further reduced to 12 oz., in some cases to 10 and even to 8. It is true that the human body has

a sort of resistance and can adjust itself, at least for some time, to any conditions under which you place it. But the effects of this low level of consumption will not fail to make themselves felt in course of time.

This is the critical situation we have come to as a result of continued deterioration of our agriculture. The *per capita* consumption has fallen to a half and, in some areas, to one-third during the last six or seven years. It might fall still further if this deterioration of agriculture continues. It cannot be too strongly emphasized that we cannot afford to ignore this fact. Last year we tided over the crisis by importing 4 million tons of food from outside, and this year we will be doing the same. With all that we will have a *per capita* consumption of only 10–12 oz. I am not sure whether next year we will be able to import any food at all, because I do not know whether we will have enough of foreign exchange to pay for the same. For, after all, our ability to spend on food is limited. We want to expand our economy, and for that purpose we have to import capital goods on a large scale from abroad. The choice is difficult, and in either case we stand to suffer, at least temporarily.

No doubt efforts have been made for growing more food within the country during the last four or five years. But the results are uncertain and, if positive, negligible. The Department of Agriculture claims to have increased the yield by 2 million tons, but the Food Department complains that this extra production is nowhere visible or cannot be obtained for distribution. In Bombay the university recently made a survey of the operation of the Grow More Food campaign in a part of the province and found that, in spite of the campaign, less food was grown now than before the war. This is only to be expected from a disrupted and disorganized agricultural economy. In a village survey projected by our Agricultural Economics Society, we found that on nearly 750 acres of land the food production was only one-third to one-half of the land's capacity. Where we ought to have got 20 maunds of millet we got only 5–7 maunds. It is not that the people do not know the value of better methods of farming, marketing, &c. But their deep-rooted poverty and chronic indebtedness come in the way of adopting even such improvements about whose value they are quite convinced. The war has only intensified their difficulties by creating scarcity of fertilizers, iron ploughs, and other implements, by raising the fees for the hire of cattle for ploughing, and so on. Even the installation of irrigation pumping sets is a difficult problem. I myself have been trying hard for the last six months to get an oil-engine to extend

irrigation in the village surveyed by us, but I have not succeeded so far. You can well imagine how great would be the difficulties of an average farmer in improving his method of farming under such abnormal conditions.

The remedy generally suggested for this situation is that we should industrialize the country and reduce the pressure on soil. But even this remedy will be of little avail if we do not proceed with the plan of industrialization discreetly. While reducing the pressure on land in this manner we shall have to see that particularly those persons are drawn away from agriculture who are unfit to be efficient cultivators. I have explained already how, owing to steady de-industrialization, people from all classes have swarmed on the land without considering whether they are sufficiently qualified or equipped for the job. Those who are inefficient and thus depress the productivity of land and help only to create rural slums in our country-side should be gradually absorbed into industries.

But we cannot hope to industrialize the country in a day. Industrialization is a long-drawn-out process. In the meantime we have no other alternative but to overhaul our agricultural structure and to place it on stable foundations. That is why I have always felt that we should have a sort of seven-point programme for our land development. I should like to explain what these points are.

Firstly, all land must be declared as belonging to the Government. By such a declaration all zamindars and absentee landlords who fulfill no useful function will be removed from agriculture. As a parasitic class they have no right to live on the land. Their habits and modes of living are such that they cannot be made a useful part of agricultural structure.

My second point is that the cultivator should get only the occupancy right. He should not be given the right to divide his property or to transfer it as he likes. This may go against some of our cherished ideals or against the current practice, but I think we have to formulate policies suited to our conditions, which are getting desperately bad. Your conditions are different. You can afford to give more money and more security to the farmer who operates on a commercial scale. He is a business man. If cultivation does not pay, he will at once give up farming and take to another occupation or profession, or migrate to another place. But in India one who is born a cultivator will live a cultivator and die a cultivator—howsoever great the odds against him. Farming to him is a mode of life, not a business. There is no other avenue of employment for him. That is why, even in those areas where legislation for consolidation of holdings has been passed,

land gets subdivided and fragmented more and more every generation. The right to divide land should, therefore, be restricted by suitably modifying our laws of inheritance. I am glad to tell you that in Bombay province the Government is trying to restrict the right of inheritance, although indirectly, by prohibiting division of land beyond a certain limit. I do not know whether the bill has finally passed through the legislature. But it is clear that we are gradually coming to feel that all land belongs to the Government and that the Government has every right to apply the necessary restrictions to ensure its proper use.

The third point is that every holding must be an economic unit. It is of no use rendering any financial or other help to an uneconomic holder. It all runs to waste. That is why it must be provided by law that whenever any land is to be transferred the holder of an adjoining uneconomic field must have a priority right to purchase it. We call such a legal provision the Law of Pre-emption. Usually this law is applied to the urban areas to discourage or prohibit foreigners from settling down in our neighbourhood, but this law is now being applied by some provinces to agricultural land to prohibit the sale of an uneconomic plot to anyone except an adjoining holder.

The fourth point is that every holding must be in a single block. Fragmentation has gone too far in India. Holdings are scattered in even 10 and more pieces. On an average, it is said, a holding in India is parcelled in 8–10 strips. The result of this is a colossal waste of time and energy, particularly during the busy season. Moreover, under these circumstances only the land near the village gets the best attention. For instance, dividing the village lands into three classes—land around but close to the village, lands within a moderate distance from the village and, thirdly, those on the outskirts of the village—it will be found that the last will get the least manure, their crops will have the least protection, and their yields will be the lowest.

We shall, therefore, have to work from two directions towards this end. Firstly, we shall have to consolidate fragmented holdings. This has been done in the Punjab and in parts of the Central Provinces with considerable success either by persuasion or by compulsion. But other provinces are not yet ripe for this kind of legislation. The Government of Bombay, however, has decided on taking strong action and is assuming comprehensive powers to enforce consolidation of holdings in all villages. Secondly, the cultivator should be encouraged to live on his own farm. This, however, may appear strange to some of you, as the trend here is to drive the farmer towards the villages. But from my own experience I have found that

our villages are so congested and insanitary that it would be better for the people—particularly the farmers—if they would spread themselves out instead of huddling together in rural slums. If every farmer went to stay near his farm, he would not only get better accommodation for himself and his family, but he would be able to tend his cattle better and it would be possible for him to have the help of his family in his work whenever he needed it. This should not inconvenience him, because our villages are not so far-flung as in your country. Generally the distance between two villages is only about a mile or two, and as such it should not be difficult for those who settle down on the fields to avail themselves of the amenities available in the village.

The fifth point is that the cultivator should not be allowed to raise credit on the security of his land for unproductive purposes. The Indian villager is well known for his extravagant spending during festivals, marriages, and funerals alike. This is partly due to the social customs which require him to perform certain religious rites or to entertain his caste people by giving a feast and to give alms to the priests on such occasions. That is why we find that nearly 25–30 per cent. of the debts incurred by the farmer are for unproductive purposes. This is true of farmers from all castes and creeds in our country. In Baroda state the Government has passed a law which removes the rigours of the caste system and protects a member who does not observe the expansive caste rules regarding marriages, compulsory caste dinners, and such other customs which add to his debts. But the force of custom is very strong and the law has only a negative effect; we need legislation which positively prohibits one from mortgaging or selling his land for raising credit for such wasteful purposes. All transactions in land should be with the permission of the Government.

Another point in the programme is that we must regulate the lease-contract in such a way that the landowners who do not cultivate their own lands have no incentive to hold lands. The ultimate objective is that the land should be cultivated by one who owns it, as only in that case can we be sure of efficient use of the soil and the fullest retention of the produce by the cultivator. To begin with, we must put an end to the crop-sharing system. My experience of thirty-five years has convinced me that the share-cropping system has no place in a country like India. The monsoon is so uncertain and irrigation facilities so limited that it is the share-cropper who has to bear all the risks of enterprise while the landlord has nothing to lose but everything to gain by the system. This system should be

replaced by cash rentals not more than three to four times the land-tax or revenue paid to Government and also correlated to the price level each year so that the tenant may not lose in times of low prices. This reform is highly necessary because the landlords, mostly from the money-lending classes, particularly in the backward areas, have gone to the length of transforming the impoverished tenants into serfs. While regulating the rentals in this manner to discourage land-ownership by the non-cultivating classes, it is also desirable that the Government should encourage and help the tenants to buy the land which they cultivate on lease.

Finally I come to the land-tax, which is highly inequitable to-day. Land in India is assessed according to its productivity per acre. While fixing the assessment the Government takes into account factors such as the type of soil, irrigation facilities, nearness of market, prevailing price levels, &c. But no consideration is given to the net profits from the holding, which vary mainly according to size. As a result the land-tax in India is not only not progressive but actually regressive in effect. We must therefore have a graduated system of land-tax which will, on the one hand, completely exempt holdings below a certain minimum while, on the other, it will be progressively higher as the holdings increase in size. To make good the loss from exempting the uneconomic holdings, the Government should levy a tax on agricultural incomes. This would remove another anomaly from our present taxation system under which non-agricultural incomes over Rs. 2,000 are liable to tax but agricultural incomes of large landholders are completely free of income tax, even when they run into several thousands. Recently agricultural income tax, however, has been introduced in five out of eleven provinces, but the tax on the uneconomic holdings, however, continues all over the country. I may add that the levy of agricultural income tax is not of much avail unless the tax burden on uneconomic holders is lightened.

These are the essentials of the policy for our agriculture, which, as I said, has got into bad ruts to-day. I do not wish to say more on this subject, but before I close I should like to answer in brief one question which I have been asked by several members during the last two or three days. Their question is: How is India going to manage with her 400 millions? My only reply is that to-day, at any rate, we are not alarmed by this number. Look at your own population statistics. They show that between 1870 and 1930 the population of Europe increased by 198 millions or 64 per cent., while during the same period that of India increased only by 88 millions or 31 per

cent. No doubt we cannot afford to allow the population to increase even at this rate. It is true that the problem is already big enough, in fact the biggest we are faced with, namely, how to ensure a decent standard of life to all. But it is not an insoluble problem. We do have the resources to develop our economy, to build new industries, and to create new avenues of employment. To give only a few instances, we have a potential reserve of water-power which is estimated to be 27 million kilowatts, but less than 1 million of it is utilized. We are using hardly 10 per cent. of water that descends from the heavens and the snow-capped mountains while we could easily utilize 25–30 per cent. for producing electricity as well as for irrigation. We have also a great store of minerals. India, if we look at her deposits, is one of the world's major reservoirs of mica, coal, and iron; besides she has large deposits of several other minerals. We can be equally optimistic of our forest resources which remain largely unutilized to-day. Nearly 13 per cent. of the country is under forests which can supply a rich variety of timbers, fibres, resins, and material for a number of industries such as the manufacturing of matches, paper, rope, mats, &c. But the sad fact about India is that her economic development was, all these years, retarded by her political conditions. She has now won her freedom, and let us hope that the rulers as well as the ruled in free India will co-operate in this task of national rejuvenation and progress.