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AGRARIAN STRUCTURE AND ECONOMIC DEVELOPMENT

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I am grateful to the members of the Agricultural Economics Society for the honour and privilege of delivering this Presidential Address. My debt of gratitude is deeper, for it is the Society and its patron President Shri Manilal Nanavati who have shaped me, sometimes even against my will, into a sort of an agricultural economist. During my recent assignment on the Second Pay Commission we had occasion to examine the question of merit *Vs.* seniority in granting promotions. It was then that I realised how high, we in India, hold the virtue of seniority. Little did I realise then that so soon I myself would be the beneficiary of such a preference.

The decade and a half since Independence has witnessed unusual spate of activity in the field of agricultural economics studies. There is hardly a field of country's agricultural economy which has not been enquired into and reported upon by a Committee or a Commission, or a Working Group, or through a Research Project.

The problem of rural credit has been extensively and comprehensively surveyed by the Committee of Direction appointed by the Reserve Bank of India in 1951. Its reports—in three volumes—contain, besides the recommendations on the entire complex of rural credit, marketing, processing and warehousing, most valuable data on several aspects of the agrarian structure. Early this year, the Reserve Bank published the Follow-Up Survey on Rural Credit conducted in 1956-57 in 11 districts. The recommendations of the Rural Credit Survey Committee and policies based on (or deviating from) them have been discussed and debated by the State Ministers' Conference at New Delhi in April 1955, at Mussoorie in July 1956, at Mysore in July 1959, at Jaipur in January-February 1960 and at Srinagar in June 1960. The problem of credit was once again investigated by the Committee on Co-operative Credit under the distinguished Chairmanship of Shri V. L. Mehta.

The country's food problem was examined by two Foodgrains Policy Committees (1943 and 1947) and by the Grow More Food Enquiry Committee (1952) under the Chairmanship of Shri V. T. Krishnamachari. In 1957, the Foodgrains Enquiry Committee under the Chairmanship of Shri Asoka Mehta again reviewed the problem and made valuable recommendations. Two years later (1959), a Team of eminent experts from the United States sponsored by the Ford Foundation made a comprehensive Report on 'India's Food Crisis and Steps to Meet it.'

The Research Programmes Committee of the Planning Commission financed an ambitious project of research on Farm Management. Though the primary purpose of the project was to discover a suitable methodology for farm management studies, it has yielded valuable material on the working of the farm economy in several regions in India. The Ministry of Food and Agriculture is continuing

these studies. The RPC also initiated studies of the working of the Land Reform legislation and the Economics of Irrigation Projects.

The Community Development programme has been evaluated by the Programme Evaluation Organisation in as many as seven annual Reports. In 1957, the Committee on Plan Projects' Team under the Chairmanship of Shri Balwantrai Mehta made a comprehensive report (3 Vols.) on Community Projects and National Extension Service. Two years later, Community Development Evaluation Mission headed by M. J. Coldwell reported on the problem.

Two Land Reform Panels were appointed by the Planning Commission : one at the time of the formulation of the Second Five-Year Plan and the other is currently in session and its Report is expected soon. In 1952, the Indian Society of Agricultural Economics sponsored an intensive study of the working of the Co-operative Movement in one taluka of Gujarat. Its Report "Co-operation in Kodinar" is a pioneering study of the various facets of the movement. This was followed by another enquiry into the problems of Low-Income Farmers in Kodinar. The Report gives an interesting analysis of the impact of the co-operative movement on different classes of cultivators. In 1958, the Society organised a Seminar on Co-operative Farming and produced a very stimulating Report. It has also published a Report of an Enquiry into Co-operative Farming in Gujarat. The enquiry was sponsored by the RPC. The Programme Evaluation Organisation of the Planning Commission studied the working of 22 co-operative farming societies and its Report "Studies in Co-operative Farming" was published in 1956. The latest in the field of co-operative studies is the Report of the Working Group on Co-operative Farming to which reference is made later.

The Agro-Economic Research Centres financed by the Ministry of Food and Agriculture have carried on many *ad hoc* surveys—*e.g.*, Market Arrivals of Foodgrains, 1958-59 Season—besides their continuing study of the change in rural economy.

The oft-quoted Report of the Agricultural Labour Enquiry (Ministry of Labour) gives for the first time a detailed account of the state of employment and income of agricultural labourers. A second Enquiry was conducted in 1956-57 but its Report is not yet published.

The numerous rounds of the National Sample Survey have yielded valuable information on several aspects of the rural economy and in this Address, I have extensively used the data collected in its 8th Round on Size of Holdings.

This is neither a complete nor even a representative list of enquiries and studies recently undertaken in the field of agricultural economics; nor is there any need to provide such a list to a gathering of agricultural economists. What I wish to point out is that the professional economist has no reason to think that his sphere of interest has been neglected. In fact, he has been kept busy, if not participating in these enquiries, attempting to read and digest their voluminous reports. The University teacher is nearly breathless in trying to keep pace with the rapid flow of these reports.

This intellectual activity has been matched by activity in the field of policy making and enactment of legislation. While one cannot say that all the recom-

mendations contained in these reports and the findings of the research projects have been fully utilised, accepted and incorporated in the agricultural policy of the Government, their impact on policy as we shall see, is quite significant. Even in those cases in which the policy deviated from the recommendations, the latter provided a great stimulus to the thinking on the subject and the discussions and debates which ensued have been fruitful, though occasionally acrimonious.

Nor have the agrarian structure and institutions remained static. Whether as a result of the policy or otherwise, extensive and even radical changes have occurred in the country's agrarian structure and institutions, sometimes in directions anticipated and hoped for, sometimes in divergent directions.

In the sphere of land tenures, which is basic to all agrarian institutions, intermediary tenures like zamindaris, jagirs, inams, etc., covering approximately 173 million acres of land, have been almost entirely abolished. Agrarian relations in these areas are radically altered. In some States, for example in U. P., all tenants have been brought in direct relations with the State. Considerable areas of forests (20 million acres) and cultivable waste lands (21 million acres) have been vested in the Government. An idea of the immensity of this operation will be had by the figure of compensation payable to the intermediaries. The total compensation payable along with the accumulated interest is estimated at Rs. 635 crores, the total amount actually paid to-date being Rs. 156 crores.

Tenancy legislation has been passed (or introduced in legislatures) by practically all the State Governments. Besides regulating rent and safeguarding the tenants from wilful eviction, the legislation provides for purchase of the leased lands by the tenants at reasonable prices. Rents have been scaled down from the traditional half of the gross produce to one-third and one-fourth and, in one case, to one-sixth of the gross produce—though in one or two States the level is still high at 40-45 per cent. Legislation has been passed for the imposition of ceiling on future acquisition of land in several States and Bills have been introduced for this purpose in all the remaining. In regard to the imposition of ceiling on existing holdings, legislation has been passed in Assam, Punjab (PEPSU area), Rajasthan, West Bengal and Himachal Pradesh and Bills have been introduced in Andhra, Kerala, Madhya Pradesh and Orissa legislatures. I am not suggesting that the intentions of the legislation have been fully translated into reality. As is well-known, there are many flaws and imperfections in the laws and their implementation has been glaringly inadequate. On several occasions in the past I have drawn pointed attention to this problem and have even observed that in the wake of tenancy reforms there have been more evictions than ever before. But, judging for the country as a whole and taking an overall view, I think it will not be wrong to state that the agrarian relations are today more rational and less inequitous compared to the situation before Independence.

Reliable, up-to-date statistics regarding land holdings and tenurial status are not available. Some broad facts regarding the pattern of land ownership and use based on the NSS Report on Land Holdings (1954-55)* are given below.

* The NSS data pertain to all rural households as well as all land holdings, agricultural as well as non-agricultural. Ownership comprises the right of permanent heritable possession, with or without the right to transfer the title. Household holdings included lands of all the 'usual' members of the household.

The agrarian structure may be examined by reference to the rural population as well as the cultivation pattern. The former is fairly well-known. A little over one-fifth of rural households (23.09%) own no land. About one-fourth of the households have a small parcel of land less than one acre in area. A little less than half of the rural households have thus either no land or own less than one acre. Their aggregate share comes to 1.37 per cent of the total land owned by rural households. At the upper end, about one-eighth (12.8%) of the households have more than 10 acres each covering about two-thirds of the whole area. The top-most one per cent of the households owned more than 50 acres each and in the aggregate about 17.5 per cent of the total area. (First Report).

The above facts lead to the conclusion that "the distribution of land is extremely concentrated with a small minority owning most of the land." In the context of the scarcity of land in relation to persons aspiring for its ownership, such a phenomenon is perhaps inevitable. The NSS data indicate that in order to provide just two acres of land (irrespective of its quality) to all such rural households who do not possess any or less than two acres of land, it would be necessary to impose a ceiling on individual ownerships at 20 acres (again irrespective of the quality of the land). In other words, "a floor of 2 acres would be consistent with a ceiling of 20 acres." The pertinent question therefore is to enquire whether the small minority owns *excessive*—judged by reference to the technological optimum—areas of land and further how much of the total land is owned by the owners of such excessive areas. Since the NSS data do not take into account the quality of land, this aspect of the problem may be ignored for the present, though there is enough evidence to show that larger holdings contain relatively inferior land. Assuming that ownership and/or operation of land above 50 acres is considered excessive, according to the NSS data, only one-sixth (17.5%) of the total land falls within this category. If the limit of excessive ownership is placed at 100 acres and above, less than 6 per cent is so owned.

Viewed from the point of cultivation, the picture we see has some unexpected features. As much as 85 per cent of land is owned and cultivated in noldings of more than 5 acres each. Assuming that a holding of 10 acres and more could be generally considered to be economic, under our technique of cultivation, as much as 66-67 per cent of the total cultivated land is being operated in units of 10 acres and more. (Second Report). Thus, though about three-fourth of all rural households had either no land or less than five acres and should therefore be considered as uneconomic, at least two-thirds of the land was being cultivated in units which could not be characterised as uneconomic.

The NSS data reveal some interesting features also in regard to the nature and extent of tenancy. 81.35 per cent of landowning rural households owning 69.23 per cent of land do not lease-out any land; 16 per cent lease-out a part of their land; and only 2.65 per cent lease-out all their land amounting to 1.84 per cent of the total area owned by all rural households. Small as well as big landowners lease-out land and though the percentage of leasing-out families increases with the increase in the size of ownership holding (44 per cent in the ownership group of 50 acres and above), the percentage of such families in the group owning less than one acre was 9.42 and in the group owning between 2.50—4.99 acres it was as high as 22. Nearly 70 per cent of the total leased-out area by rural households

was contributed by those who owned and operated less than 10 acres and out of this 70 per cent 36 per cent was contributed by those households whose per household area owned was just 1 acre. (First Report). For all-India, the percentage of operated area "leased in" was 20.34, about a half being contributed by non-resident owners. Land was leased-in by small as well as large operators; but more than 60 per cent of the total leased-in area was with those who operated a holding of more than 10 acres each. As much as 18 per cent of the land operated by the group with more than 50 acres was taken on lease. (Second Report).

The above analysis should explode the belief firmly held even in the highest quarters of policy-makers that those who lease-in land (tenants) are necessarily small farmers and those who lease-out are big absentee landowning rentiers.

Apart from the changes in agrarian relations and structure, significant developments have taken place in the functional organisation of the agrarian economy. I shall mention only two. At the end of June 1959, there were 1,83,000 agricultural credit societies with a membership of 12 million. They serve 3,43,000 (or 60 per cent of the total) villages with a population of 110 million (or a little more than one-third of the population in the rural areas). If the credit requirements of agriculture are placed at Rs. 1,000-1,200 crores (against Rs. 750 crores estimated by R. C. S. for 1951-52) the co-operative sector may be said to be providing about 10 per cent of these requirements as against 3.1 per cent reported by R.C.S. in 1951-52. The share of the co-operatives in the marketing of agricultural produce is more difficult to estimate. On the basis of the value of agricultural produce estimated from National Income statistics and on the generally accepted assumptions regarding the marketed percentages of food and non-food crops, the share of co-operative marketing may be placed at less than 1 per cent for food crops and about 4.5 per cent for non-food crops. Co-operative processing has made some headway in manufacturing of sugar and it is estimated that during 1959-60 season, co-operative sugar factories manufactured 2.86 lakh tons of sugar, which comes to 11-12 per cent of national production. The Community Development programme which has been in operation for seven years serves about 3,60,000 villages with a population of little over 179 million. The coverage works out to 61 per cent of the total rural population. It is expected to cover the entire rural area by 1963.

We have been so long accustomed to think about the agrarian structure in terms of concentration of ownership and preponderance of tenancy that the impact of the change which is taking place since Independence is not fully appreciated. That there are still pockets of concentration and exploitative tenancy need not be denied; but, when the situation is viewed in its totality and for the purposes of broad national policies, it is necessary to take into account what has happened during the last decade and a half. The NSS data are nearly 5 years old and while it is possible that some deterioration may have taken place in the extent of uneconomic ownership and cultivation, there is reason to believe that in regard to the tenancy situation, there is some improvement.

II

The question we are interested in is whether we have now a pattern of agrarian structure and institutions which could be relied upon for the purpose of rapid

growth not only of the agricultural sector but of the total national economy. More pertinently we may enquire whether when the programme based on current policies is fully implemented we shall have such a structure or a further radical alteration will be needed.

During the Third Plan, and also subsequently, the pace of economic development has to be accelerated, and this will impose further demands on the agricultural economy. We talk of "take-off" and self-sustaining growth. I presume if the national economy has to achieve take-off, its every sector will have to be geared for the task. Too often in the past we have thought of the take-off as an exclusive assignment of the industrial sector; the capital-base producing machines for the manufacture of machines. What this would mean to the agricultural sector is not fully thought out. An unprogressive agriculture cannot partner a modern self-sustaining industrial sector. The task of economic engineering involved in constructing communication locks for a system operating at such disparate levels—industrial production being carried on with the aid of electric if not atomic power and agricultural production, with plough and bullocks—is indeed stupendous.

If by posing the problem in this manner I have unwittingly aroused the expectation that I shall be attempting to indicate the precise pattern of the institutional structure appropriate to the purpose of rapid planned economic development within the democratic framework, I should beat a hasty retreat. Not only I do not know the prescription; I do not even believe that there is any such single unique structural pattern which we must either adopt or perish. I shall merely try to describe what is being attempted in our country; the trends in our thinking on the question; policies already adopted or are likely to be adopted; and towards the end draw attention to some of the economic consequences of institutional change.

We may begin with a review of our policies on the agrarian structure and more particularly, the trends in our thinking as revealed in the evolution of these policies. The latter perhaps is more important for assessing the stability of these policies and removal of uncertainty which, rightly or wrongly, pervades the atmosphere today. Even this limited query can be pursued only on a sampling or an illustrative basis. Extension of the co-operative organisation to all rural economic activities is the mainstay of our agricultural policy. The Prime Minister, inaugurating the International Co-operative Alliance Seminar on Co-operative Leadership, recently remarked that: "He would like to 'convulse' India with co-operation, to make it the basic activity of every village and finally, to make the approach the common thinking of our country."

There are several aspects of co-operative policy; but, here, we are concerned only with those which effect the agrarian structure. Co-operation is a very broad category and before any judgment is formed about its appropriateness, it is necessary to be quite clear about its content. It may comprise anything from the traditional forms of informal mutual co-operation to the highly integrated form such as the *Kibbutzim* of Israel. Even the Collectives and the Communes in the communist countries are referred to as 'higher forms of co-operation." The distinguishing characteristic of these various forms emanates mainly from the relation of the co-operatives with the State. Understanding of this relationship is therefore

essential for deciding how far the co-operative sector can legitimately be considered as an independent sector distinct from the State sector.

In India, the official as well as the non-official opinion has, after much deliberation, accepted the general principle of State partnership with the co-operative movement. It is, therefore, not necessary to go into the pros and cons of this general principle; the only question still relevant is to see how this principle has worked in practice. The point to note is whether the partnership has vitiated the autonomous character of the co-operative sector and weakened the co-operative element in it. The main element of this partnership is the participation by the State in the share capital of the co-operative societies, leading to the inclusion of Government nominees, with varying powers, on their Boards of Management. We may confine our observations to the State participation in the share capital of primary agricultural credit societies. Time and the occasion do not permit a detailed review of the developments even in this field of the animated discussion which took place and the evolution in our thinking since the principle was recommended in the Report of the Reserve Bank's Rural Credit Survey. We shall therefore merely note the latest position as indicated in the Ministry's letter dated October 4, 1960, which is as follows:

1. The share capital by the State should not be more than the contribution made by the members of the society;

2. The State should participate in the share capital of a primary society only if 60 per cent of its members desire it and the Central Bank, to which the society is affiliated, supports the proposal;

3. State participation in primary societies should, as a normal rule, be indirect, *i.e.*, through apex and central banks. Direct participation is, however, permitted for special reasons in exceptional cases. But even in these cases, the State should not nominate the directors to the Board of Management of the primary societies and if this could not be altogether dispensed with, the authority to nominate directors should be delegated to the central co-operative banks;

4. The central bank, holding shares in the primary society, may nominate one-third of the members of the Board of Directors subject to a maximum of three;

5. State contribution may continue from the initial stage for a period of 5-8 years during which the society is expected to reach the optimum level of share capital required; and

6. The principle of retirement of share capital should be accepted.

The policy as stated above appears to be unexceptionable. Only when one looks to the development in the field of co-operative processing societies that a somewhat different picture emerges. This is illustrated by reference to the co-operative sugar factories. When the First Five-Year Plan was prepared, the block capital requirements for a plant of 1,000-ton capacity were estimated to be about

Rs. 80-90 lakhs. The co-operative society was required to collect from its members (cane-growers) about Rs. 10 lakhs as share capital. An equal amount was contributed by the State Government with the help of a loan from the Central Government and subsequently through the National Co-operative Development and Warehousing Board. Rs. 40-45 lakhs were advanced as loan by the Industrial Finance Corporation of India. When it was found that some of the small and medium growers were not in a position to command sufficient money for purchase of shares, an arrangement was devised through which the Reserve Bank of India agreed to provide loans upto a limit of Rs. 1,000 per member. The amount of loan is advanced to the State Co-operative Bank on the condition that the repayment of the principal and payment of interest are guaranteed by the State Governments concerned. The Reserve Bank agreed to advance 100 per cent of the amount if the paid-up value of the share did not exceed Rs. 500 and if it exceeded Rs. 500, 50 per cent of the amount after meeting the full requirements upto first Rs. 500.

Subsequently, the cost of the plant and machinery for sugar factories went up, and it is now estimated that a 1000-ton capacity plant would, on an average, cost about Rs. 115-125 lakhs. This necessitated a revision of the State's share of contribution to the share capital of the sugar factories. In 1957, it was decided that the National Co-operative Development and Warehousing Board may contribute (through long term loans to the State Governments) Rs. 15 lakhs to the share capital of each factory. The Board's contribution was raised to Rs. 20 lakhs and further still to Rs. 25 lakhs.

About one lakh sugarcane cultivators are members of co-operative sugar factories. By no token can they be classed as belonging to the disadvantaged group of farmers. Till the end of June 1959, the State Government had contributed Rs. 4.60 crores to the share capital of the co-operative sugar factories, constituting as much as 40 per cent of their total paid-up capital. This long-term loan assistance works out at Rs. 460 per sugarcane farmer joining a co-operative sugar factory. In the Punjab, as against Rs. 73.5 lakhs contributed by the producer-members to the paid-up capital of co-operative sugar factories, Government had made a contribution of Rs. 82 lakhs; and another Rs. 63 lakhs were contributed by co-operative institutions, some of whom had contributed their own entire share capital to the share capital of the sugar factories. In Assam, Government's contribution was Rs. 27 lakhs against the contribution of Rs. 4.4 lakhs by producer-members. In Uttar Pradesh, the contribution of the producers to the share capital of the sugar factories came to less than 25 per cent of the total. The borrowings of sugar factories at the end of June 1959, were Rs. 21 crores, to which the Industrial Finance Corporation and the Central Financing Agencies had contributed respectively Rs. 9.2 and Rs. 7.2 crores. Incidentally, it may be noted that out of the total amount of loans amounting to Rs. 84.61 crores sanctioned by the I. F. C.—as on 30th June, 1960—Rs. 18.88 crores (22 per cent) represent loans approved for 32 co-operative sugar factories. Another Rs. 1.43 crores were provided by the State Bank of India and nearly a crore by Government. The amount of loans given by the Reserve Bank to enable the small sugarcane grower to contribute to the share capital of his co-operative factory is not known. Whether so much of the scanty financial resources of the Government and the Central Financing Agencies—not to speak of the resources of the Reserve Bank

of India, State Bank of India and the Industrial Finance Corporation—should have been diverted for the purposes of co-operative processing of sugarcane by just one lakh of comparatively well-to-do sugarcane cultivators is a question which needs serious consideration.

One major aspect of co-operative policy pertains to the contemplated extent of coverage of the agrarian structure by the co-operatives. Though there is considerable ambiguity on this matter, it appears that the ultimate objective of the Indian policy is to bring all economic activities—credit, marketing, processing and farming—within the fold of the co-operative movement, and to cover them to cent-per cent extent. By implication, when the transitional period is over, there will be only one form—the co-operative form of organisation. Since compulsion in any form or shape is to be eschewed, other forms such as household or family enterprises may persist. Nonetheless, the aim which the policy will strive to achieve is that of a mono-pattern of co-operatives. Many other policy decisions flow from such an aim. This, therefore, is the crucial question which may be examined in some detail. Once again, we shall do so on a selective basis, taking up two fields for consideration—co-operative farming and co-operative marketing —as illustrative of the general trend in thinking.

The problem of land tenures was comprehensively examined by the Congress Agrarian Reforms Committee in 1949. The Committee recommended imposition of ceiling on large individual holdings, and co-operative farming for what it called the below-basic holdings; but the dominant agrarian pattern recommended was that of "peasant farming on suitable units of cultivation under a properly determined scheme of rights in land." By suitable units, it meant that farms must not be too large (and therefore subject to a ceiling) nor too small. This floor limit was not placed at the level of economic holdings judged in terms of income or plough unit, but considerably below it, in fact, at one-third of the economic holding. Two considerations were involved in recommending this new operative concept of small holdings. It was believed that farms which at present were somewhat below the economic level could be upgraded through either additions of small areas or extension of irrigation and the assistance of service co-operatives. But the major consideration was purely administrative or organisational. One cardinal test of the suitability of a land reform measure is its practicability. The Committee felt that the task of bringing all the existing uneconomic farms in the co-operative fold would be beyond the official as well as non-official administrative and organisational capacity. The recommendation of the Committee regarding the maximum size of the co-operative farm may also be noted. The Committee wrote: "To minimise the odium of coersion and to maximise the sense of individual freedom, we recommend that the farmers whose holdings are smaller than the basic may not be pooled into a single giant farm but may be allowed voluntarily to join in any co-operative joint farm upto the size of the maximum holding which we have put at three times of the economic holding. The idea is that the management of such a co-operative should be within the capacity of the farmers and they may not be reduced to mere automatons in the whole framework." Two points may be noted: the Agrarian Reforms Committee desired that (1) co-operative farming should be confined to the sector of palpably uneconomic farms; and (2) a limit should be placed on the maximum size of the co-operative farms.

Subsequently, the Government policy seems to have deviated from both these recommendations as evidenced by the First and the Second Five-Year Plan Reports, though the statements contained in both these documents are highly ambiguous. The Draft Outline of the First Five-Year Plan introduced a rather vague concept of co-operative village management. One of its essential features was that "the unit of land management should ordinarily be the area of the village as a whole. For the purpose of management, all the land of the village was to be regarded as a single farm." It also suggested that ownership of the land should be separated from its management so that it may be possible to use the land wholly in the interest of the community. The section on co-operative village management was, however, deleted from the final draft of the First Five-Year Plan. The only justification for the quotations from the Draft Outline is just to indicate in what direction the mind of the policy-maker was moving. Regarding co-operative farming, the recommendation of the First Plan was that "for reasons (mentioned above), it is important that small and medium farmers in particular should be encouraged and assisted to group themselves voluntarily into co-operative farming societies. The area under a co-operative farming society should not be less than the prescribed minimum. It is perhaps not necessary to prescribe maximum for a co-operative farming society."

The approach of the Second Five-Year Plan on co-operative farming was equally cautious and it recommended that the general aim should be to bring the below-basic holdings increasingly in the co-operative pools. It also suggested that such essential steps should be taken as will provide sound foundations for the development of co-operative farming so that *over a period of 10 years or so, a substantial portion of agricultural lands is cultivated on co-operative lines.* The ambiguity regarding co-operative village management continued and though the Plan said that even when a larger area or the village as a whole is the unit of management, for many years, the common unit of operation will be the peasant holding, the aim was stated to be to "enlarge the co-operative sector until the management of the entire land in the village becomes the co-operative responsibility of the community." It was further stated that "once the stage of co-operative village management is reached, ... the distinction between those who have lands and those who are landless will lose much of its significance." If such esoteric statements regarding the Government's intention in the matter of the future pattern caused uncertainty, if not suspicion, in the minds of the peasantry in India, there need be no surprise.

In January 1959, the Indian National Congress, at its 64th session in Nagpur, passed a Resolution on the agrarian organisational pattern. *Inter alia* the Resolution stated that "the future agrarian pattern should be that of co-operative joint farming in which the land will be pooled for joint cultivation." In the Resolution, there was no qualification regarding restricting the co-operative pattern to the small holders. A presumption, therefore, arose that the intention of the Government was to convert the entire agricultural economy into co-operative farming. Even when attention was pointedly drawn towards such implications, no clarification was thought to be necessary on the plea that afterall the development of co-operative farming was to be on voluntary basis and, therefore, those who did not wish to join could keep away. In June 1959, the Government of India appointed a Working Group on Co-operative Farming mainly for the purpose of

examining the organisational and managerial problems likely to be faced by the joint farming societies. The Working Group therefore was not called upon to express its views on the policy of the development of co-operative farming. But it noted that their visits to various farming societies confirmed their belief that co-operative farming was an effective method and agency for improving the economic and social conditions, *particularly for small and middle cultivators.* As for the size of the co-operative farm, the Group expressed the view that it was not necessary to lay down a rigid minimum size. But as regards the maximum size, its view was that compact and homogeneous units are likely to prove more successful because the chances of friction and misunderstanding were reduced considerably. They, therefore, recommended that "the size of the farm should not be too large and it was not essential that the co-operative farm should cover the entire village. On the other hand, there would be an advantage in having more than one co-operative farming society in the same village of average size." The programme of development it recommended for the Third Plan was quite modest. It was recommended that 320 carefully planned pilot projects should be carried out in the next four years in the NES Blocks. In each block, 10 societies may be organised. At the same time, it hoped that as a result of the working of the pilot projects, the programme of education and training and widening of co-operative effort in general, the idea of co-operative farming would gain ground and that 20,000 new societies would come into existence by the end of the Third Five-Year Plan.

The recommendations of the Working Group were generally approved by the National Development Council in September 1960. It is, however, significant that the Government's policy decisions communicated to the State Governments in their letter of 23rd September, 1960, while emphasising that for the purposes of special assistance from Government a minimum size in terms of membership and area may be prescribed by State Governments, stated that *no maximum size need be prescribed.*

Very recently (November 20, 1960), an important statement regarding the agricultural pattern was made by the Union Minister for Community Development and Co-operation, presiding over the first meeting of the National Co-operative Farming Advisory Board. For the first time, after the recommendation of the Congress Agrarian Reforms Committee and the persistent ambiguity of statements contained in the First and the Second Five-Year Plans and the Nagpur Resolution, it was stated that "a mixed patterns of agriculture in the country was envisaged. There would be three patterns of farming: firstly, there would be a network of co-operatives—big and small—in different parts of the country, carrying on experiments in co-operative farming; secondly, the existing better class of cultivators would continue and should be given the facilities of advanced technological methods and skilled services to increase agricultural production; and, thirdly, there would be a significant sector of the agricultural population, the majority of whom owned small holdings, some being even landless and who constituted the marginal cultivator. These marginal cultivators could not afford scientific means of farming, but if they pooled their resources of land and labour, they could avail themselves of the latest technological methods and also resist the exploitation of the absentee agricultural landlords."

We are thus back to the position from which we started after the report of the Congress Agrarian Reforms Committee. It is to be hoped that the Govern-

ment will stick to the policy as enunciated by the Union Minister for Community Development and Co-operation. If this view had been incorporated in the Nagpur Resolution on Agrarian pattern, the political party map of India would have been probably different.

In the field of co-operative marketing, the targets of coverage have been relatively modest. But even so, serious difficulties have been experienced in achieving them. Not that the contemplated number of co-operative marketing societies have not been established. The Second Plan had envisaged the establishment of 1,900 marketing societies. 1,743 societies have been already organised and it is expected that the Plan target will be reached by 1961. But as against the expectation that these marketing societies would handle about 10 per cent of the marketable produce, their actual share would hardly come to 5 per cent. It is in such frustrating situations that the suppressed layers of thought in the mind of the policy-maker reveal themselves. A single example will suffice. The Ministry of Community Development and Co-operation had constituted a Working Group to look into the question of co-operative development during the Third Plan. The Group found that a large majority of marketing societies did not undertake marketing activities as such, but were distributing fertilizers and other agricultural requisites in addition to advancing loans to the members against pledge of produce. The general condition of co-operative marketing societies, the Group felt, was far from satisfactory. With a view to giving an impetus to development of co-operative marketing during the Third Five-Year Plan, the Group recommended the following measures:

(1) Ensure *adequate supply* of marketable surplus by taking agreements from members of primary credit and service societies and through grant of monopoly for procurement of foodgrains whenever State trading is introduced.

(2) *Assured markets* for sale by grant of exclusive rights of sale for the requirements of State Governments, hospitals, defence organisations, etc.

(3) A minimum *assured price* for agricultural produce collected by the marketing societies.

(4) Contribution by the State to the share capital of the societies on a more liberal basis.

(5) Loans and grants for construction of godowns and subsidy for the managerial staff in charge of their own housing.

(6) Increase in the quantum and duration of subsidy for managerial and paid staff.

(7) Provision of grading staff and grading equipment.

(8) Loans for capital outlay for the purchase of (250) transport vehicles.

(9) Provision of special staff for auditing and supervision in the co-operative departments.

The remedies suggested are thorough and almost leak-proof. If supplies are assured, markets are assured, prices are assured, share capital is assured, loans and subsidies for warehousing and transport vehicles are assured, and if the managerial staff is provided with subsidies, the societies have hardly anything to do except to collect the financial assistance and the trading privileges provided under the scheme. It would be interesting to note that the highly successful co-operative cotton marketing society in Gujarat—a region in which the private trader is by no token a nincompoop—had none of these assurances and privileges. Are we barking against the wrong tree!

III

The choice of the agrarian structure for a country depends upon several factors such as the historical situation mainly in regard to the resource base—pressure of population, availability of land, etc.—, the perspective level of technology and the socio-political ideology within whose context economic development is planned. It would be beyond the scope of this Address to deal with this entire range of the problem. I therefore assume that taking everything into consideration, the choice for the policy-maker in India is between the self-employed household pattern and the co-operative pattern of agrarian structure. In all probability, it will be a mixed pattern, the only choice being in regard to the proportions of each. It may also be noted that if the co-operative unit is small-sized, ideologically and organisationally, the distinction between it and the household form may not be sharp. The household form is already in existence. The problem, therefore, boils down to the introduction and extension of the co-operative form—in production, distribution, and processing of agricultural produce. As we have seen, this also is the accepted policy of the Government. I would, therefore, like to draw attention to some of the problems involved in the organisation and extension of the co-operative sector

The policy of the extension of the co-operative organisations has two major aims: (1) to make the small units of enterprise economically more efficient; and (2) to insulate them from the powerful economic and social groups. But very often, as we have seen, the policy assumes ideological overtones relegating the economic objective to a secondary place.

It is important to remember that the structure of the economy reflects the market complex and gets adjusted to it—though there may be a reverse process also. In a recent enquiry conducted in the Department of Economics of the University of Bombay it was found that the crop pattern was positively correlated to the distance from the market centre. The result of a regression study between the percentage of area devoted to crops for self-consumption and several other variables showed that the area devoted to crop for self-consumption increased at the rate of 2.17 points for every additional mile to the distance from the market place.

A change in structure of the economy will bring about a corresponding change in the factor markets both on the demand as well as the supply side. These changes may be in consonance with changes taking place in other sectors of the economy. For example, the pooling of small, uneconomic farms would greatly increase their

capacity to utilise credit and improved input factors. If, simultaneously, the co-operative and other organisations are in a position to meet the increased demand, the change will have an all round beneficent effect. But as I shall presently show, the position may not be equally favourable in regard to other factors of production. This does not necessarily imply that therefore, the change should not be brought about, if it is thought otherwise desirable. It only means two things: steps may be taken in advance to meet the contingent situation and if on a careful appraisal we feel diffident about the same, we may decide to adjust the timing and moderate the magnitude of the change.

Substitution of an individual enterprise by a co-operative one raises the question of efficient performance of the entrepreneurial functions. As long as the activities involved are of a routine type, no difficulties may be experienced; but when they go beyond and involve competitive functioning, the quality of entrepreneurship—good judgment, ability to take decisions and bear responsibility—assumes great importance, as for example in the case of co-operative marketing. The salaried personnel, materially and emotionally uninvolved in the enterprise, is not particularly suited for such tasks. Importance of extensive training programme is emphasised in this connection. But it is a moot point whether mere theoretical training can impart entrepreneurial competence. It is perhaps believed that a straight-forward non-profit making organisation does not need this sort of competence and its display by individual enterprise is even characterised as unfair competition. The highly successful cotton marketing co-operatives of Gujarat exemplify the importance of the quality of business acumen.

The other probably more serious problem concerns the effect of the extension of co-operative organisation on employment. As is well-known, both the production and distribution sectors of the agricultural economy harbour a lot of disguised unemployment, albeit at the cost of diminished efficiency and low incomes. *Prima facie*, there is, therefore a clear case for the rationalisation of this institutional structure. But, by the very hypothesis, such rationalisation must result in the break-up of the employment quantum into two distinct components: full employment and overt unemployment. To the extent the rationalisation process opens up new opportunities of employment, the unemployment component would be reduced. Thus, for example, the adoption of co-operative farming for uneconomic units may open up fresh opportunities of expanding employment through a programme of land improvement measures—well digging, bunding, levelling, reclamation, etc.—the adoption of which was technically and financially inhibited by the small size of the farms and their resourcelessness. But the magnitute of such additional employment potential, and more particularly its duration, should not be over-estimated. Co-operative organisation may also release some labour for non-farm employment. But this would involve the question of the relation of the 'relieved' farmer with the co-operative farm. Will he be permitted to retain his interests in the co-operative farm? How will that fit in with the policy directive to the effect that "membership of co-operative farming societies should be confined to those who are prepared to work on the farm or in its ancillary activities?"

To revert to the problem of the employment situation on the farm itself, we should remember that the *raison d'etre* of co-operative organisation is the under-

utilisation or uneconomic utilisation (as indicated by the low marginal returns) of human and bullock labour and implements on small family farms. It should not be difficult to get rid of the surplus cattle and implements. But what does one do with surplus labour, in some cases further augmented by the admission of landless labourers to the membership of the co-operative farm? Will the work be equally distributed to all members (and adults in the family), irrespective of their contribution to the land pooled? If this is done, two problems arise. Labour will continue to be under-utilised and, unless the organisation is one resembling the family type with mutual understanding, pressure will develop either for provision of more work or payment for (less) work at current wage rates for a full day's work. By hypothesis, the former is not possible, while the latter would mean running the co-operative farm at a loss. Once the co-operative organisation becomes larger, the family type of mutual adjustments would become increasingly difficult and it will have to function as a proper business unit adopting the usual accounting norms. When this happens, the manager (salaried or a member) will be compelled to employ labour only upto the point at which value of its marginal productivity is equal to the market wage-rate. Though the possibility of increase in productivity as a result of technological improvement is not denied, this point is soon reached in labour-intensive enterprises. The crux of the matter is that corporate as distinct from individual enterprises cannot harbour disguised unemployment. The difficult choice for the national, social and economic policies is how far and when — the timing is as important as the magnitude—disguised unemployment should be brought into the open and broken up into its two components—employment and unemployment; and by implication accept the organisational, if not also the moral responsibility for the emerging situation.

In the marketing sector also the employment effect of co-operative organisation will be similar to that in the production sector. One of the avowed objects of co-operative marketing is to eliminate the long chain of middlemen. Personally, I do not accept that the length of the chain adds to the cost of marketing. It merely reduces incomes of the individual links, no doubt generating temptations to make up through malpractices. That apart, adoption of institutional marketing must function on the basis of fully employed honorary or paid staff. Instead of a long chain of disguisedly unemployed middlemen with no claims to minimum remuneration, we will have a minimum of fully employed salaried staff paid at Union rates, unless the Parkinson's Law, a civilised device for disguised unemployment, comes to the rescue.

It has become almost axiomatic that defects in the agrarian structure constitute a serious obstacle to economic development. What is however not equally well recognised is that these defects are not merely aberrations of a faulty social and economic policy. Aberrations, no doubt, there have been, and in plenty; but do these wholly explain the existence of the senile or "semi-feudalistic" framework? Many of these defects are birth-marks of backwardness and cannot be erased till the very backwardness which gave them birth is removed. The institutional framework, perhaps, provided the defence mechanism against the stresses and strains of backwardness. The institution of household enterprise in agricultural production as well as trade provided a mechanism for disguising the widespread unemployment in the economy. Even when ownership of land was concentrated in a few hands, it made no difference to the operative pattern; the

land being cultivated by small tenant households. It is difficult to imagine how else the problem of excessive pressure of population could have been solved. Such adjustments, however, were not without its price in terms of economic efficiency and exploitation.

The change in the institutional framework derives its rationale from the economic and social drawbacks of the household structure. But there is ample evidence to show that attempts, democratic as well as totalitarian, made for changing the agrarian structure have never been an unqualified success. Where the methods adopted are democratic, the blame for unsatisfactory implementation is placed on the social and political bias of the ruling class. Where totalitarian methods have been followed and a particular agrarian pattern has been forced upon the economy, inspite of the tremendous sacrifice of human welfare, the economic achievement has been doubtful. This fairly universal experience establishes at least a case for the re-examination of some of our basic premises. Defects in agrarian structure undoubtedly obstruct economic development; but it is only the economic development that can finally and fully remove these defects. There is perhaps not a single instance, contemporary or historical, of a socially and economically faultless agrarian structure co-existing with overall economic backwardness.

I do hope, what I have said will not be interpreted as a counsel of despair or a plea for the retention of the *status quo*. If this is not implicit in all that I have said, I should like to state unequivocally that I support the extension of the co-operative sector to all fields of agricultural economy—production, credit, marketing and to a limited extent, also to the field of processing. My qualifications are: firstly, the co-operative element in it should not become subordinate, making it hardly distinguishable from the State sector; secondly, co-operative organisation need not aim at eliminating the individual sector, rather it should act as a powerful countervailing force to both the individual and the State sectors; and thirdly, co-operative units should not develop into giant impersonal managerial organisations manned by a salaried class. In the ultimate analysis, the problem of the removal of the defects in the agrarian structure cannot be separated from the problem of economic development as a whole. To say that the former constitutes an obstacle to the latter is but a partial statement of the phenomenon, because it can be said with equal validity that absence of economic development constitutes an obstacle to the removal of defects in the agrarian structure.