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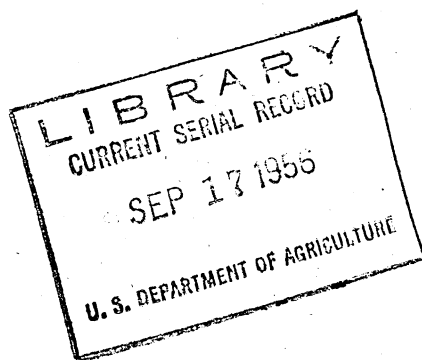
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THE INDIAN JOURNAL OF AGRICULTURAL ECONOMICS



(Organ of the Indian Society of Agricultural Economics)

Vol. XI	APRIL—JUNE 1956	No. 2
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CONFERENCE NUMBER

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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 DEVELOPMENT OF THE RURAL SECTOR

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There is no unanimity of opinion on the characteristics of the existing rural economy. It is stated quite often that the village economy has passed completely from a self-sufficient barter economy to a dependent money economy. There is no study—whether qualitative or quantitative—which can guide us either in supporting or refuting this statement. Similarly, it is maintained, that due to a rise in agricultural prices in the recent past, the agricultural population is enjoying greater prosperity. The truth of the statement rests more on two assumptions than facts. A farmer can benefit by a rise in prices only to the extent of that part of his produce that he sells in the market. The findings of the All-India Rural Credit Survey indicate that “half or more of the farm units in India . . . earn little, if any, net cash income through their farming activity and the main advantage derived by them from farming is, some contribution in kind to family living.”¹ One can only state therefore, that the prosperity is enjoyed only by a few rich farmers. From the results of the Agricultural Labour Enquiry² we find that tenants consist of 26.5 per cent of the entire rural population. In addition, there are agricultural labourers with land covering 14.2 per cent of the population. If we assume that a large part of this latter group also cultivate land owned by others, we get nearly 35 per cent of the entire rural population who are non-owners of land, and who have to part with a very large portion of net cash income to be paid as rents. To this extent, these tenants get very little benefit out of a rise in prices. Thus the benefit is derived by a small group of rent-receivers and owner-cultivators, who have a marketable surplus.

The main features of our village economy are, however, well known. They are ‘closedness’ and vulnerability. The following maladies are also quite clearly diagnosed. These are : (i) smallness of size of unit of cultivation, (ii) smallness of the unit of ownership, (iii) primitive capital equipment and lack of supply of some of the inputs both qualitatively and quantitatively and (iv) absence of suitable alternative employment in secondary and tertiary sectors. What remedies can we suggest ?

The first broad remedy is to ‘open up’ the village economy and to link it closely with the other sectors of the national economy, the underlying objective being to

1 As quoted by Prof. D. R. Gadgil in his Presidential Address at the 15th Conference of the Indian Society of Agricultural Economics, Vol. X, No. 1 of the *Indian Journal of Agricultural Economics*, p. 19.

2 *Agricultural Wages in India*, (Vol. I) Govt. of India, 1952, p. 11.

make the rural and the urban sector closely interdependent so that the one provides the market for the gradually expanding volume of production in the other and vice-versa. Now, the first and the foremost bottleneck in the process of linking up the rural economy with rest of the national economy, is the absence of sufficient volume of transactions between the two. The existence of subsistence farming has been mainly due to the peculiar rigidities of the agrarian structure, particularly the institution of land tenures. The two conditions for rapid economic development in the rural sector i.e., constanly increasing production and increasing marketable surplus cannot be fulfilled unless there is some basic institutional change in the present system of land tenure. In the present set up, the cultivator is left with too little to give in exchange for products of the non-rural sector. Legislation passed by the different States in this field broadly suffers from two important defects. In the first place, by the introduction of the clause of resumption of land for personal cultivation by the existing rent-receiving class, land reform legislation has permitted "the emergence of a new exploiting class, which is only technically a class of peasant proprietors but shows all the undesirable features of landlordism and accentuates class conflicts in the rural society." Secondly, in none of the States, a comprehensive land management legislation has yet been enacted.

To remedy the first defect, some of the States have proposed 'ceilings' on land holding. This particular issue is one of the most controversial aspects of recent land reform legislation. On the one hand, the advocates of this measure contend that it should be enforced in the context of both ownership and cultivation. The arguments put forward are not always the same. For example, some say that, after all, this country is not one of big peasants practising capitalistic agriculture. Therefore the imposition of a ceiling will not bring about a retrogression in the technique of cultivation by breaking big units into smaller ones. On the other hand, others may contend that a ceiling should be imposed on the principle of social justice. After all, even if big units exist, it is necessary, from the point of view of giving a fair deal to the landless labourers, to break up these big units and distribute them amongst a large number of peasants.

It has to be admitted that the two objectives i.e., economic efficiency and social justice run counter to each other. But in the context of a plan of economic development the action to be taken in this regard is fairly clear. A ceiling may be imposed in the case of non-cultivating owners so far as the resumption of land for personal cultivation is concerned. But where an owner-cultivator or a tenant cultivator already maintains a reasonable standard of efficiency on a fairly large holding, it will be necessary in the interest of generating potential saving not to impose any ceiling on such a holding.

The second major defect of the recent land reform legislation lies in overlooking the need for a comprehensive land management legislation. The first step in any such legislation is to decide about the minimum size of the unit of agricultural production. This is the concept of a 'floor' on cultivated holdings. The 'floor' will be determined in such a manner as to maintain a reasonable degree of efficiency of agricultural operations. This concept of minimum holding has been given the least attention in all discussions of land policy. If the cultivation of land below a minimum size is prohibited by law then there are three alter-

natives open to a 'sub-floor' farmer : (i) he may lease out the land to another small farmer on a regulated rent basis. Obviously, this alternative will be inoperative in the case where legislation has diverted ownership to the actual tiller; (ii) a few small farmers may voluntarily pool their resources and do all the operations except physically cultivating the land jointly. This is more or less akin to the "mutual aid" teams formed in New China ; (iii) they may form a co-operative farming society and jointly cultivate land. In the present Indian context, the first alternative may have to be largely followed on grounds of expediency, but the transition to the third alternative may also get started. The policy of the State, however, should be to encourage the formation of co-operative farming societies by providing better incentives. This would be clear when we discuss later the role of national and State warehousing, credit and marketing boards. Over and above the enforcement of a 'floor' on cultivating units, land management legislation should also lay down the minimum requirements of efficient husbandry. These minimum requirements may be enforced in the case of all cultivators. This will also, by the way, remove some of the evil effects of exempting large cultivating units from the operation of the 'ceiling' clause. For, even large units inefficiently managed may be taken over and either distributed to the enterprising farmers or cultivators as co-operative units.

After these problems of ceiling, floor, and proper land management have been tackled by suitable legislation, the institutions suggested by the Rural Credit Survey Committee should be established. These institutions would co-ordinate the activities of supplying seeds, manure, short-term credit, implements, irrigation facilities, marketing facilities and ware-housing. The ware-housing, credit and marketing boards both at the Central and State levels would really become the basis on which the rural and the urban sectors of the economy will be integrated. The functions of these boards will be, in addition to the above, the following : (a) planned distribution of urban manufactured consumer and producers' goods in the villages, (b) mopping up the small savings in conjunction with the State Bank, (c) providing differential advantages to those who agree to join co-operatives, (d) fixation of proper terms of trade between the two sectors. With regard to the last function, I would like to mention that there is a school of opinion which suggests in the context of economic development that the terms of trade should be deliberately turned against the agricultural sector in order to augment the total marketable surplus. This may be partly justified provided there is *extreme* shortage of consumer goods manufactured in the urban areas, as also if there is shortage of capital goods to be sent to the rural sector. Nevertheless, I would contend that for sometime at the beginning, it is necessary to facilitate the movement of a large volume of urban goods to the rural sector in order to mop up the extra produce that is generated out of any development plan in the rural sector and thus constantly increase the marketable surplus. This surplus will be needed to sustain rapid investment programme in the urban sector. But more important than this is the need for providing a real incentive to the farmers to greater efforts for attaining a higher standard of living. Thus again, to attain the two objectives of increasing agricultural production and increasing marketable surplus, it is necessary to facilitate greater traffic of urban goods going to the rural sector.

To introduce better technique in cultivation in the sense of proper crop planning, crop rotation and scientific agriculture, it is not sufficient merely to

provide the resources. It will be necessary to execute a bold, vigorous, and realistic plan of agricultural extension service. The present duties of the national extension service workers fall far short of the technical needs of the farmers. It is only by proper dissemination of scientific methods of agriculture to the illiterate mass of farmers that we can hope to apply the results of agricultural research done in the laboratory into the field. Much more organised planning is necessary to achieve the results expected out of agricultural extension service.

We come to the second malady, i.e., the extreme pressure of population on slender means of living. Assuming that whatever we have suggested before is translated into practice, the net gain in terms of agricultural improvement is likely to be neutralised by an increase in population. Moreover, there will be some displacement of labour force as the result of the suggested lines of policy. It is my feeling that sufficient attention has not been given so far to evolving suitable programmes for minimising the degree of disguised unemployment and underemployment in the rural sector. According to Dr. Rao's estimate made from the data of the Agricultural Labour Enquiry, the volume of underemployment could be estimated at nearly 46 lakhs of unemployment in terms of man-years. This figure includes both agricultural and non-agricultural workers in the rural areas. So far as disguised unemployment is concerned, it is not possible to make any estimate since it is dependent mostly on the particular method of production followed. But there is no doubt that there is a very large number of persons counted in terms of millions falling in this category.

It is agreed that large-scale shifts in the occupational pattern of this country are required. However, what is wanted is not the traditional panacea of shifting working force from primary to secondary and thence to tertiary sectors, but a shift from low-income-earning jobs to high-income-earning ones. This is vertical as opposed to horizontal mobility. This may happen even within a particular sector, for example, when a share cropper becomes tenant cultivator and the tenant becomes an owner-cultivator in the primary sector, or when a handloom artisan becomes power-loom artisan, or a pedlar becomes an organised trader. Moreover, it may be even a movement in the reverse direction i.e., from trade and service jobs to factory jobs.

If this is the objective, then the following policies suggest themselves at once : (a) introduction of mixed farming, (b) introduction of ancillary cottage industries as subsidiary occupations of farmers, (c) establishment of townships which will be the centres of agro-industries and lastly (d) the maximum degree of industrialisation in the context of availability (i) of capital goods (ii) of internal food supply and (iii) of imported food.

There is great scope for the introduction of mixed farming in this country. The extent of dairy farming in this country, at the present moment, is extremely limited. Similar is the case with vegetable farming. With the establishment of townships for agro-industries, the demand for these goods will increase manifold since it will be possible in the processing industries in the townships to make proper arrangements for grading, storing and marketing. The suggestion of Dr. Ganguli with regard to "the development of nuclear townships as the spearhead of basic technological progress and basic industrialisation" may be examined. There

are many advantages to be derived from such a policy. Above all, 'they are calculated to lessen the social and economic distance between the rural and the urban sectors' and the establishment of such townships will create the necessary atmosphere for giving industrial and commercial bias to the existing pattern of the single occupation dominating rural sector.

The last, but not the least important, step is to plan for the maximum degree of industrialisation in the economy. The programme of industrialisation is necessarily conditioned by the availability of the minimum volume of capital goods and also of the extra supply of food necessary in the context of economic development. Any detailed discussion on this aspect is outside the scope of the present article. But I would like to raise one important question here. Generally, there are two issues which have been raised in this connection. In the first place, question of 'scale' is being debated. Whether the pattern of industrialisation would be of the large scale or the small scale type has to be settled. Secondly, whether the bias would be towards consumer goods industries or capital goods industries has to be decided. Assuming for the present that apart from having a few large scale units of basic industries, we decide to disperse our consumer goods industries in small units located within or as near as possible to the rural sector, we have to confront the problem of getting enough marketable surplus to feed the urban sector of the economy. I suggest that unless suitable incentives in the form of supply of necessary or semi-luxury urban consumer goods are provided, it will be extremely difficult to persuade the surplus producers to sell more rather than consume or hoard.

This brings us to the last point in our discussion. In any scientific analysis of the problem of economic development of the rural sector, it is necessary to turn our attention to the problem of incentives. These incentives have been touched upon in the previous paragraphs. But I would like to mention them explicitly so that they get the fullest attention that they deserve. These incentives are : (i) opportunity to enjoy the full benefit of improvement. The implication of this is to see that exploitation in an open or concealed form has to be removed completely. (ii) Availability for enterprising farmers of different types of non-luxury and even to some extent luxury consumer goods. The implication of this is to arrange for proper marketing channels and information service. (iii) Diversion of a sufficient number of workers to other sectors so that the fruits of improvement may not be counter-balanced by the increasing size of the population.
