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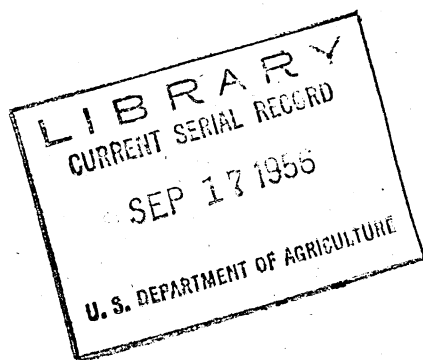
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# THE INDIAN JOURNAL OF AGRICULTURAL ECONOMICS



(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*

in terms of indivisibilities of equipment and of land as a factor of production ; (2). Economic considerations of cost and price relationships ; and (3). Welfare considerations designed to provide the cultivator with a certain 'standard of living' according to some social value judgements. The greatest difficulty about these arguments is that they are all framed in a static context and are treated in isolation from one another. The size of the 'floor' and the 'economic holding' will vary according to the way it is determined on the basis of one of the above three criteria. The dynamic process which creates bigger units of cultivation or leads to their consolidation is essentially the process of economic competition as determined by considerations of cost and prices. Hence, in the context of economic development, the only criterion is the cost-price consideration. But any particular situation of cost-price relationship will be so highly relative in a dynamic context that it will appear to be highly artificial to try to regulate the process of economic growth through legislation which will lay down that no farm will be cultivated which is below a particular size, that no land will be sold which is below a given area and that no plot will be cultivated which is below a certain standard of husbandry. Rather we should rely on the rapid industrialisation and the necessary precautions to prevent the emergence of non-cultivating ownership of land. Moreover, in the present context, more problems are created than solved by the fixation of 'floors' and 'economic holding.' The most obvious problem is that of a large displacement of persons since quite a large proportion of our peasants cultivate farms below the 'floors' or the size of an 'economic holding.' Even if resumption of lands by landlords be allowed upto the limit of 'economic holding', the sudden displacement of tenants will be considerable and since, in the initial stages, the opportunities for employment are not likely to be adequate to absorb all such persons, its repercussions on the economy will be harmful and will slow down the process of economic development to a certain degree.

Thus, with these limitations of our existing land policy, we can easily surmise that for achieving the objectives of the Second Five-Year Plan and for initiating a process of rapid economic development, it is absolutely essential for us to reconsider our policies and recast them in the new perspective.

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## DEVELOPMENT OF THE RURAL SECTOR IN THE SECOND FIVE-YEAR PLAN

ASHISH BOSE

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The rural urban sectors are complementary to each other . At times it is difficult even to draw the line between 'rural' and 'urban.' But the problems in the rural sector are fundamentally different from those in the urban sector. Therefore, in matters of policy and planning it is essential that these two sectors are considered separately and the relationship between them formulated, keeping in view the balanced growth of the economy.

Any policy for the development of the rural sector must aim at increasing rural welfare consistent with national welfare. The rural way of life is basically different from the urban way of life. In urban areas, economic considerations outweigh all other considerations ; in rural areas, the social and cultural factors like religion, caste, traditional customs and manners, ritual and worship, superstitions and taboos play a much more important role than purely material or economic considerations. The monetary incentive in the rural sector is not so strong as in the urban sector, the desire for change is less intense and the response to innovations is poorer. We have also to take note of the inertia of ages, the suspicion which villagers have towards any form of governmental action and the philosophy of contentment enforced by exploitation and frustration. Any policy for the development of the rural sector, formulated only in terms of increasing per capita income or attaining full employment, however sound in economic theory, is bound to fail in increasing rural welfare.

#### POLICY IN THE SECOND FIVE-YEAR PLAN

The policy for the development of the rural sector in the Framework of the Second Five-Year Plan is just an extension of the policy contained in the First Five-Year Plan. The policy in the First Plan can be summed up as follows : "The intensive development of agriculture, the extension of irrigation, rural electrification and the revival of village industries, wherever possible, with the help of improved techniques, accompanied by land reform and a revitalised co-operative movement are programmes closely related to one another, and together calculated to change the face of the rural economy."<sup>1</sup> The main instrument of such change was the spread of community projects and national extension service.

One of the objectives of the Plan Frame prepared by Prof. Mahalanobis is "to increase productivity in agriculture and to speed up agrarian reforms with an equitable distribution of land to peasant cultivators so as to stimulate the increase of agricultural production and of purchasing power in rural areas."<sup>2</sup> But there is no particular mention of rural or agricultural development as one of the main objectives of the Plan. The planners, however, make it clear that "despite the general emphasis on industries in the Second Plan we cannot afford to relax our efforts to increase agricultural productivity in view of our increasing population . . . ." (p. 76). The Plan envisages an increase in agricultural production and irrigated area. NES blocks and community projects are to cover the entire country by the end of the Second Plan. As recommended by the Rural Credit Survey, credit, marketing and warehousing facilities are to be introduced in the rural areas. There should also be "an adequate return to agriculturists and the speedy implementation of well-defined schemes of land reforms" (p. 79). In addition to these measures, Prof. Mahalanobis suggests the creation of a National Health Service in rural areas (p. 18), and the Panel of Economists want a National Labour Force to be created to ensure, among other things, that the most exploited labour population in the country "is given the first chance to improve its condition when new jobs are being created in the country." (p. 136). But Prof. Shenoy, in his Note of Dissent, apprehends that the proposed National Labour Force "may create a privileged class of workers . . ." (p. 175).

1 The First Five Year Plan, p. 225.

2 Second Five Year Plan, The Framework, p. 13.

Comparing the investment targets in the First and Second Plan, we find that the total investment in the public sector in the Second Plan is expected to be Rs. 4,300 crores as compared to Rs. 2,248 crores in the First Plan, which means an increase of 91 per cent ; the outlay on agriculture and power is expected to increase from Rs. 990 crores in the First Plan to Rs. 1,400 crores in the Second Plan or an increase of 41 per cent ; and that on industry and minerals will increase from Rs. 178 crores to Rs. 1,100 crores which denotes a 518 per cent increase. Thus the greatest relative importance in the Second Plan is on industry and mining though the largest investment will still be in agriculture and power.

#### ECOLOGICAL PLANNING

From the policy outlined in brief, it may be noted that no attempt has been made to consider the rural sector separately or to plan in terms of the rural sector. The planning is in terms of the public and private sectors and also in terms of the primary, secondary and tertiary sectors of the economy. The only reference to the rural and urban sectors (rather to the latter only) is in a footnote (p. 100) where it is said, "In view of the particularly urgent problem of urban unemployment among the educated middle classes, we must also indicate how much employment is likely to be created for this sector. But it has not been possible to attempt this considering the severe arbitrary assumptions involved."

While the physical and financial aspects of planning have received attention from the planners, the ecological aspect of planning has been sadly neglected by them. The Panel of Economists are perhaps aware of this when they say : "Thus, a new link could be established between the rural areas and the urban areas, and what is called urbanisation would not only increase employment in the country but also add to its regional spread, promote regional self-sufficiency, encourage a fruitful interchange between rural and semi-urban areas, and take economic development into the regions which need it the most, viz., Rural India" (p. 138).

The rural population of India according to the Census of 1951, is 294.8 million or 82.7 per cent of the total population of India. 240.4 million or 81.5 per cent of the rural population is agricultural while 54.4 million or 18.5 per cent of the rural population is non-agricultural. Thus the rural sector is composed both of the agricultural sector and the non-agricultural sector. 96.5 per cent of the total non-agricultural population of India is in the rural areas while 50.6 per cent of the total non-agricultural population of India is rural. The latter figure reveals our pattern of industrialisation which is based on small-scale and cottage industries.

In formulating a policy for the development of the rural sector, attention must be paid both to the agricultural rural sector and the non-agricultural rural sector. Planning in terms of rural and urban sectors will have certain advantages over planning in terms of primary, secondary and tertiary sectors. They are in brief : (a) The nature of a given problem is not the same in the rural sector as in the urban sector. Land, labour, capital and organisation are vastly different in nature and content in the rural sector as compared to the urban sector. And in India, the differences in the rural and urban sectors are very marked. Most

of the countryside is still in the medieval age while there are a few 'pockets' in the urban areas which display elements of modernisation. (b) Planning in terms of the rural and urban sectors will make it possible to bring about adjustments between the agricultural sector and the non-agricultural sector *within* the rural sector, an aspect which is neglected in planning in terms of agriculture and industry. Further, such planning envisages rural industrialisation or industrialisation without the evils of urbanisation. (c) The rural sector is something which exists in real life (unlike the tertiary sector, for example) and rural life in all its manifestations can be visualised when we think of the rural sector. An integrated rural plan will have much more appeal to the rural masses than a plan for the development of agriculture or cottage industries.

An attempt should be made to draw up a Five-Year Rural Plan as part of the Five-Year National Plan. The Rural Plan can be drawn for the private and public sectors and also for the primary, secondary and tertiary sectors of the rural economy.

#### SHIFT OF POPULATION FROM AGRICULTURE TO INDUSTRY

The increase in agricultural productivity and the development of small-scale and cottage industries, though essential for rural development, will not by themselves bring about development unless the problem of an increasing pressure of population on land and the problem of surplus labour in agriculture are tackled effectively. Comparing the First and Second Five-Year Plans we find that in the Framework of the Second Plan there is a shift in emphasis from agriculture to industry as far as investments are concerned but no shift is envisaged from agriculture to industry in terms of population.

Prof. Mahalanobis admits that "Even in the Second Plan, labour would not begin to be drawn away from agriculture and allied pursuits, but would increase at a small rate of the order of only 1.5 per cent, which would still mean an increase of 1.5 million persons in the labour force in this sector" (p. 43). And the Tentative Framework says: "Such a transfer of population from land, however, is a long-term task; for the Second Plan it would be sufficient to aim at stabilising more or less, the present level of employment on land" (p. 68). The Panel of Economists emphasises that the greater importance to industry in the Second Plan is "designed not only to bring about a balanced growth of the economy but also to facilitate the expansion of agriculture and, even more important, to reduce the surplus population on land and raise the level of living of those left in agriculture." (p. 129).

Surplus labour is one of the main obstacles to economic development in India. There is an intimate connection between surplus labour and national income. According to the estimates of Mr. L. H. Bean, "the low *per capita* incomes of China and India, it may be expected, could be doubled by shifting no more than 15 per cent of their labour force from food production to other pursuits (with more efficient use of human and natural resources)."<sup>3</sup> Sir Manilal B. Nanavati thinks that "If we could transfer 15 to 20 per cent of the population

<sup>3</sup> Proceedings of the Seventh International Conference of Agricultural Economists (published in 1950), p. 143. (Discussion on Mr. R. G. Tugwell's paper).

from agriculture to industry, I think, we should have done one of the greatest wonders of the world. But it has appeared to us to be a very difficult proposition."<sup>4</sup>

#### EMPLOYMENT OR INCOME ?

As factory industries employ less than 1 per cent of our population or roughly 2 per cent of the labour force, we cannot imagine an industrialisation, however large scale it may be, which will be able to absorb 15 to 20 per cent of labour transferred from agriculture. Hence the remedy is put forth that there should be labour-intensive industries such as cottage and hand industries. Now this talk of capital intensive and labour-intensive industries is more imaginary than real. There are a certain number of industries which are capital-intensive and we must have them if we want economic development. There are also some industries which are labour-intensive but very often these industries are uneconomical from the point of view of cost, output, profit and capital formation. The capacity to absorb labour is not and should not be the only criterion of development. The conflict between employment and income creates a dilemma : if we want higher productivity and higher income levels we must rationalise agriculture and industry which will mean the throwing off of surplus labour. On the other hand, if we want to absorb surplus labour and reduce unemployment and underemployment, we must have an economy which is not very conducive to high productivity and income. The choice between the two is a difficult one.

Mr. R. G. Tugwell thinks that "When definite contact is made between a backward and an advanced area in this respect and the capital can be found, it is, I have come to believe better to introduce the most modern factory methods even though the industries to be begun may be small. It is often argued that not so much *work* can be obtained in this way ; but surely, the objective is not to make work but to produce income."<sup>5</sup>

The Frame of the Second Five-Year Plan, in a way, admits this when it says : "For those who have some gainful occupation of their own, the emphasis should lie on greater productivity and incomes rather than on employment over a greater part of the year" (p. 67). A bold plan should clearly say that for the national economy also the emphasis should be on productivity and income rather than on employment. What will happen to unemployed then ? The only way out seems to be to give them unemployment relief. The Panel of Economists have done well in suggesting the creation of a National Labour Force. But before this is done, a National Labour Fund should be created which should finance the National Labour Force. It is not implied that unemployment doles should be given but the unemployed labour population should be brought together as the soldiers in an army ; they should be housed, fed and clothed, a small cash allowance given and what is most important, they should be trained for different types of work.

This Labour Force should not include the underemployed population in the rural areas who have land but should comprise mostly of the landless labourers. For the underemployed population there must be a comprehensive programme

4. *Ibid*, p. 152.

5. *Ibid*, R. G. Tugwell : "The Spread of Industry into Rural Areas," p. 138.

of rural industrialisation. Even after the surplus labour in agriculture is taken away in the Labour Force, there will be seasonal unemployment in the agricultural sector. A list of labour-intensive and small scale industries should be drawn up and an industrial plan for the rural sector worked out which will fit in with the timings of agricultural operations. According to the Agricultural Labour Enquiry, in India as a whole, male agricultural labourers are employed for 189 days in agriculture, for 29 days in non-agriculture (or a total of 218 days); they are self-employed for 49 days and unemployed for 98 days in the year.<sup>6</sup> Work must be found in the rural areas for these people for 98 days in the year.

#### PATTERN OF INDUSTRIALISATION

Industrialisation in India should be on the following lines : (a) New townships should be created where large-scale industries should be established. Such townships should avoid the evils of urbanisation ; (b) The present disparity between the town and the village should be reduced by modernising the countryside. This can be done by rural industrialisation which should achieve not only the limited objective of providing subsidiary means of livelihood to the agricultural population but also expand the non-agricultural sector in the rural areas ; (c) Urbanisation in India has mostly meant the growth of slums and a floating population in cities. An attempt should be made to bring about industrialisation without the accompaniment of such urbanisation.

To sum up, a policy for the development of the rural sector in the next plan period should take note of the following :

- (1) The sociology of rural development is more important than "the economics of rural development."
- (2) The ecological aspect of planning must be taken into account and Five-Year Rural Plan framed.
- (3) There can be no development unless the problem of surplus labour is effectively tackled.
- (4) A bold plan must assert that surplus labour will not be allowed to be a stumbling block in the way of economic development.
- (5) A National Labour Force (Rural) should be created to mop off the labour surplus in the rural sector.
- (6) This Labour Force should be maintained from a National Labour Fund.
- (7) A comprehensive programme of rural industrialisation should be drawn up.
- (8) It must be realised that industrialisation and urbanisation need not and should not go together in India. New townships should be created and industries brought to rural areas and a balance should be attained between the country and the city.

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<sup>6</sup> Government of India (Ministry of Labour) : Report on Intensive Survey of Agricultural Labour (1955), pp. 27, 43.

## DISCUSSIONS

T. S. RAO, *Agricultural Credit Department, Reserve Bank of India, Bombay*

I would like to make a few remarks on a part of the Second Five-Year Plan in regard to which we in the Reserve Bank are closely associated. In the First Five-Year Plan, though a good deal of attention was devoted to agriculture and agricultural development, sufficient attention was not given to the question of rural credit. Certain very broad targets, with regard to the total amount of finance to be supplied by the co-operatives and Governments were entered in the Plan. But apart from that, the question of reorganisation of rural credit as such did not form part of the First Five-Year Plan. Now, after the remarks made by our President this morning about the Plan, I might be pardoned if I say that the Plan is not a consistent plan in the usual sense in which people talk of it but is a very broad, very general type of estimation. There does not seem to be anything which is not in the Plan, but there does not seem to be anything very definite which is in the Plan either, excepting probably a programme consisting of a few projects, a programme of producing a certain amount of steel, cement, etc., and a programme of public expenditure. Thanks to the Rural Credit Survey, we have found our way into the Plan. Broadly speaking, the Plan is taking into account three sets of things : one is the capital part of it which is to be drawn by way of share capital for co-operative credit institutions, from the Reserve Bank's Long Term Operations Fund. Provision is being made for share capital contribution to larger-sized credit societies, to central banks, to State co-operative banks, and land mortgage banks. On a similar basis, provision is being made for capital expenditure on the share capital of co-operative marketing and processing institutions, on the capital cost of the construction of warehouses and godowns, and on similar capital items from funds to be provided by the Government of India. On the current side, provision is being made from the resources of State Governments and the Government of India for increase of co-operative developmental staff both in the departments and in the institutions. But the expansion of credit that is envisaged through the increased co-operative organisation and structure that is to be set up in the larger-sized co-operative societies and so on, is for some reason or other not taken as part of the Plan. There are certain broad targets and indications. We are told that from the present level the short-term credit to be supplied by the co-operative structure is to be increased to Rs. 150 crores by the end of the Second Five-Year Plan. Similarly, the medium-term credit which is negligible to-day, is to be raised to Rs. 50 crores by the end of the Second Five-Year Plan and the long-term credit will be increased to Rs. 25 crores. These are regarded as targets and not as part of the planned expenditure. What happens is that within these national targets each State Government puts forward certain proposals on their requirements. The Planning Commission looks into these proposals and tells them that they will not get more than so many lakhs of rupees ; so the result is invariably financial or arithmetical planning. So far as the rest of it is concerned, questions such as where are these institutions to be set up, what are the considerations to be taken into account, how are these to be worked, how is it to be seen that this credit plan will be utilised in such a manner that the agricultural developmental plan attains the largest degree of fulfilment ; all these are to be taken into account gradually. Now we are only in the stage of accepting the general principles recommended by the Rural Credit Survey Report.

The actual working out of it is likely to be a very slow, painstaking and laborious process.

I may be permitted here to make just one or two observations with regard to some of the essentials, if this part of the Plan, as any other part of the Plan, is to be successful. The other day, Prof. Dandekar pertinently drew attention to the fact that the whole scheme of credit reorganisation which is now such an important part of the agricultural developmental plan, is dependent on land reforms ; the way in which the land reforms are taking place, the position of land as security is affected. Now we have had very recently an occasion to discuss the immediate problems of land mortgage banks. On the one hand, we are considering the setting up of a central land mortgage bank in each State, we are providing for a capital contribution of let us say, Rs. 1 crore in the aggregate for land mortgage banks. We are thinking at least Rs. 25 crores will be channelled through these banks for purposes of development. On the other hand, the land mortgage banking system in Bombay has come to a standstill ; they are not able to use the resources and are not able to make a single loan for the reason that the latest tenancy legislation has completely disrupted their picture. They do not know what is going to happen to their previous business ; they do not know what they are going to do with regard to business in the future. So whatever may be the necessity of a good and proper system of land reforms, for the credit part of the Plan, what the people who are working in the co-operative credit field actually feel is this : Let us know where we are going to stand. You may give the land to the tiller, or you may give it to the non-tiller. You may put ceilings or floors, whatever you like. But let us have a quick decision, so that the credit system may be planned accordingly. Prof. Gadgil mentioned that we should not look upon land as security, but we should look upon crop as security or that our ideas with regard to security ought to change. But these reforms will take time. There is at present a legal structure ; there is at present an administrative structure, and it is in this context that we are trying to make a specific programme and put it into the plan. What is the use of assuming change in our ideas in the future when at present we are not able to take a single step further.

We should know 'is there at least going to be free transferability of land between small peasant proprietors, apart from absentees, apart from big holders, apart from outsiders ?' Suppose we have a set of just small and medium proprietors, is there going to be free transferability, free mortgagability ; is, at least, this going to be preserved ? If this is not going to be preserved and if we are going to think of security merely in terms of crop, or some other general ideas, I am afraid the whole idea of investment and development of agriculture on any large scale, particularly private investment has to be given up. This is to be taken into account in connection with the big multi-purpose projects which are now gradually coming into fruition. If land cannot be offered as security and if we are going to think of an elaborate system of control of land management as the basis on which investment is going to take place, then we shall have to come to the conclusion that all investment there also will have to be public investment, it cannot be private investment. No ordinary co-operative credit structure or banking structure will be able to provide any substantial amount of capital for development on that basis. So what I wish to underline is that from the point of view of successful planning at the present stage what is required is an immediate

decision with regard to land as a security in the light of the land reforms that are being undertaken.

Then, there is necessity for close examination, again in purely practical terms of the relation between administration on the one side and other aspects. I make particular reference to the community development and national extension schemes, the government departments engaged in rural development, on the one side and credit development, on the other side. So far, there is no close integration between the two. The Rural Credit Survey Report has very clearly mentioned and the States Ministers' Conference has also recognised, that there should be very close co-ordination between the programmes of rural development like the community development programmes and the national extension service, and the rural credit development plan which is now being integrated with the Second Five-Year Plan. Now here a number of practical and administrative problems arise from time to time. For instance, co-ordination is easily spoken of. But when it comes to the actual working out of a programme of credit in association with a programme of development in a particular area, introducing the improved practices and methods which are advocated by the new developmental authorities, we find very great difficulties as to how to provide for this co-ordination. For instance, at the Community Projects Administration Seminar at Indore, to my surprise, we came to the conclusion that the village level worker should not be a director of a primary co-operative society. We thought at one stage actually a recommendation was made at the State Ministers' Conference, that one way of co-ordination may be that the village level worker may be made a member of the panchayat or the village co-operative credit society, so that there may be a close link between the two. Now the developmental people themselves seem to think that he should not be a party to the administration of the co-operative credit machinery. He should not himself be a party to the decisions regarding who is to be given credit and how much credit is to be given to him, and so on. Now in the light of this what we require is not certain general announcements, such as that every family should be helped to have an economic plan. We have to think of co-ordination in terms of practice, or in terms of administration. We should devise procedures by which the credit that is now being provided to the co-operative structure will be developmental credit and not merely consumption credit. I think for this greater and greater attention should be devoted to the administrative and practical aspects of the Plan in regard to agricultural development as well as credit development.

K. M. MUKERJI, *Viswa-Bharati University, Santiniketan*

The subject which is for discussion is indeed very vast. But I shall choose two pieces for making certain comments. One is with regard to the credit policy and the other with regard to the implementation of the land reform policy. Prof. Karve conjured up a very bright picture when he said that with regard to the developmental plan in the rural sector, we are all on the march. Undoubtedly, we are on the march. But we are to see that in the course of our march, some of the weaker members participating in the procession, might not tumble down and be left unattended. What I have in mind is that some special provision should be made for such weaker elements. Take, for instance, the credit policy. We have got the immense figures, an inspired picture, such

that during the Second Five-Year Plan we are going to cover about 30 per cent of the credit needs of the cultivators of India; nearly Rs. 225 crores or more of short- and medium-term loans will be extended covering one-third of the village population of India. But, is there any special provision, any protective clause, introduced in favour of the weaker members—I mean the below-basic holders? We know that the co-operative societies will be very much expanded. There will be the increasing role of the Reserve Bank, that of the State Bank, the establishment of the Warehousing Board, Marketing Boards and all that. We know that at a certain moment, that is to say, at a certain future time to come, the co-operative societies will also be State-partnered. Even, so, most of them will be under the influence of the middle class educated people in the rural areas, and also rich farmers. Actually speaking, the small cultivators, the below-basic holders, will not much come into the picture. Certainly, with regard to credit, their credit-worthiness is the lowest and therefore, we cannot offer them loans. How are they, then, going to get credit accommodation? Is there any special provision being made in favour of the below-basic holders and the poor cultivators? In their case, there must be some special arrangement for converting, or treating initially, the so-called short-term loans in terms of medium-term loans because the fact of reality in their case is that they cannot repay the so-called short-term loan at the end of 9 months or one year or fifteen months, if their farm economy is to be stabilised. So, the only reality in their case is the need for medium-term loans, judged from the realisation aspect of the loans. So, some special provision has got to be made for protecting the interests of the poor cultivators. I may mention how China which I happened to visit during September-November, 1955, is tackling this problem. Of course, I should observe that the two countries' social systems are so very diverse that the experiments they are carrying on will not to any great extent apply to India. However, the very great role that the People's Bank of China, that is, the Central Bank of China, is playing in extending loans—pretty vast amounts of loans—to the poor cultivators, is worth emulating. For example, during last year, it extended through a network of several thousand branches throughout China about Rs. 112 crores exclusively for the below-basic farmers and medium farmers. Of course, one thing that we may not do here is to exclude rich farmers and landlords from the co-operative organisations, a practice which they have introduced in China. But, I am wondering whether we could not make a special provision, within the framework of co-operative societies, for a certain proportion of the total credit being reserved for and then extended exclusively to the poor cultivators against personal security or crop security if you like; or, whether another set of parallel co-operative societies may not be started exclusively with a view to helping the poor cultivators. That is with regard to credit policy. Here the formulation of the policy does not seem to be comprehensive; the policy does not appear to be adequate enough to meet the special needs of the rural sector that appertains to poorer cultivators.

Again there are policies which may be laudable but the implementation of the policy may be inadequate. Take for instance—and this is the second point I wish to touch—the question of policy affecting land reforms:

We know there is a ceiling to be put on the extent of land or holding that can be retained by the intermediaries and *raiyats*. How are we implementing this policy of putting a ceiling? We do not put a limit at all in many provinces. We

put it very high in some provinces. We put it pretty high in other provinces. Take for instance, West Bengal : we put it at 33 acres, now reduced to 25 acres, in the case of intermediaries, and, also, in case of all other agriculturists. Now, you do not distinguish between the men who are on the spot and the absentee landowners, specially those among the latter who have legal rights in lands but have separate occupations for themselves and are absent from the village ; clearly, they have got their own distinct non-agricultural occupations but still, under the sections of the law, are taking advantage of the provision that they can keep to themselves 25 acres. So, they try to evict share-croppers and temporary tenants and requisition to themselves the maximum limit of land they can retain or resume. The distinction should, however, have been made between those middle class or rich farmers who stay in the village and undertake cultivation themselves and those who are away from the village. Secondly, with regard to the ceiling itself. You say 25 acres is the ceiling. But you know that there are certain special 'jotes' or cultivating units that have been formed overnight. For instance, in the name of the wife, in the name of the minor child and that of the head of the family himself—together they show three cultivating units so that they can retain to themselves 75 acres. Instead of ceiling on families or cultivating units, why not put a ceiling on per capita basis ? Say, the ceiling is 5 acres per capita so that the larger the size of the family, the greater the land it can keep for itself. So, this question of the creation of certain 'Benami' cultivating units and thereby retaining greater amount of land to the family itself,—well, that seems to be inconsistent with the whole policy, namely, the policy of putting a ceiling. Why do we put a ceiling ? To get the surplus land and distribute it among the land-hungry people or create a state farm or an experimental co-operative farm and so on. Where do we get the land from unless by putting the ceiling ? So, you adopt a particular approach. In West Bengal, four lakhs of acres may be available if you put 33 acres as the ceiling. But by putting the ceiling at 25 acres, they say that six lakhs will be available. It may be raised to eight or 10 lakhs for instance, if you discriminate between the absentee landowners and the landowners on the spot and also if you distinguish between the individual unit of the genuine type and the cultivating unit of the spurious type.

Then, again, with regard to the transferability. Prof. Karve said that you can assume away the difficulties arising out of transferability. But you cannot, Sir, assume away some, at least, of the difficulties. In fact, this question of putting a curb on the land alienation right has been before us in India for the last fifty or sixty years. But, the difficulties remain. We wanted to keep the lands to the Adivasis themselves, the aboriginals and tribes. We wanted to keep the land to the actual cultivators. We initiated the law in the Punjab, we amended it thrice and then gave it up. Then, we made provision for the non-alienation of lands from agriculturists to non-agriculturists, or from a member of Adivasi to another member not belonging to Adivasi. What actually happened ? You are to remember the saving clauses, the exceptions ; it is not enough to look into the provisions putting restrictions on the alienation of land as such, but there were certain provisions for exceptions and loopholes, which must be analysed. For instance, as it happened in Bengal, Bundelkhand, C.P., or the Punjab, the cultivator or the tribal people, as the case might be, got indebted ; then, with the permission of the Magistrate or the Commissioner—and this is the saving clause—they got the transfer or sale effected or gave up the lease itself, or the land itself. Now,

these are the things which really matter and it is not enough merely to put restrictions on the transferability right, but we are also to see how after putting the restriction on transferability, you are going to stabilise the economy of the peasant. You cannot simply by restricting alienation improve his condition. Merely to put a restriction on land alienation is only to put a curb or limitation on the credit of the cultivator. That, however, might hamper production unless other suitable steps are taken. So, unless you take the total picture, namely, the question of improving the farmer's social condition, the productivity of agriculture, the economic living condition of the cultivator by a sort of co-operative farm, for instance, and so on, you cannot really tackle the peasant's problems piecemeal.

Then, in regard to co-operative farming : well, our policy is the creation of peasant proprietors. But, why do you not immediately follow it up by actively adopting the policy of co-operative farming ? The logical conclusion of the policy of creating peasant proprietorship, especially in the case of small holders, would be, in the present context in India, to bring the peasants within the ambit of agricultural co-operatives and then their efficiency will improve ; and if their efficiency improves, their incomes will increase, the production will increase, and so on. So, the policy is not adequate or comprehensive in some places, and, also, the implementation of the policy is not effective in some other places.

DANIEL THORNER, *Bombay*

After the many things that have been suggested and said, you will pardon me if I confine myself to a few questions of definition. My assumption was that the more important things in any event will be covered by other people. I have just an observation or two in relation to the main policy regarding rural development, with an eye to the categories and definitions involved. In this field of land policy, as Mr. Anjaria remarked the other day about the landlord's right of resumption, "what we have at present is little short of a debacle." Other speakers have made related remarks. If in further planning we are to avoid more debacles in the rural sector, perhaps we might halt for a moment to consider how this debacle came to take place. Very broadly, for this is no moment for detailed statement, the roots of the debacle, I believe, are to be found in the two key slogans of land reforms : abolition of intermediaries and land to the tillers. I have no objection to the slogans themselves. They are perfectly all right. But it is the meaning given to the terms which is the difficulty. I am thinking of the "intermediaries" and the "tillers." Now India's land reform laws and the country's policy-makers generally present us with a narrow definition of the intermediary. I am tempted to say, hastily, that the current definitions are usually legalistic ; they cover only a limited percentage of those who are *economic* intermediaries, persons who are economically inactive, passive, or primarily rent-receivers. By contrast, the definition of the tiller is broad and loose, or it is taken for granted that practically everyone knows who or what the tiller is. Such vagueness makes it simple matter for those who are intermediaries to pass themselves off as *cultivators*. Lest you think that this assertion is too strong, I will ask anyone to guide me as to where I shall find what is the authoritative U. P. definition of "personal cultivation." I have been looking for it for more than a year now, and I have asked a good few people. I have gone into U. P. laws as far back as 1903, but I have not found it yet. Now an

outcome of this vagueness may be found in the comments of a celebrated Bhoodan leader, not Vinobaji himself : "Formerly we were landlords ; now we are all sons of the soil."

The relevance of these defective definitions to the agrarian debacle referred to earlier, should be plain enough. If you had a strict, or certainly a stricter, definition of the tiller, and if you could have enforced that definition, then you could have controlled the resumption of land for self-cultivation by landlords. The heart of the debacle, I believe, is that a great deal of resumption via eviction has been done by those who before resumption were not tillers, and who *after* resumption also were not tillers. The vital consideration here is not the total number of those non-tillers who to-day are calling themselves cultivators; the arithmetical aspect is not very important ; one or two in a village will be more than enough to spoil the whole effect. Why so ? Because it is well known that power in the village, in most parts of India (not necessarily Maharashtra), is concentrated, power in the sense of control of land, of credit, of marketing, of village administration and other matters as well as connections with the higher-ups. And the most important element that is controlled is usually the land itself.

Perhaps, it is not too much to say that the control of village life by a small minority of villagers has been the heart of India's land problem, the agrarian problem. The debacle or debacles in land reform mean that the land problem persists. It is plain therefore that one of the main tasks ahead of us, in planning and everything else, is the problem of defining the tiller, the cultivator. I wish I could say that there was in existence in India, or in some States, a definition that we could take as a model to serve our purpose, namely, to exclude, not only the legal or revenue intermediary, but the *economic* intermediary. I have not been able to find one. In only one State is the tiller defined as the man who does the tilling. That is remarkable. The tiller, that law says, is the man who cultivates with his own hands. Nevertheless, I think that an able lawyer, and this country certainly does not lack first-class lawyers, could save many intermediaries in the face of that definition. By contrast, simply for purpose of discussions and in no sense of self-satisfaction, I would put forward the following for consideration : the tiller is the man who ploughs, sows, weeds, and harvests with his own hands. I must confess straightaway that I cannot think of any legislature in this country which is likely to pass a law embodying this definition ; and furthermore that even if passed, implementation of a law with such a definition will not be an easy task. In short, there is a hard road ahead and quick success is unlikely. I am afraid this means that the land reform problem is likely to be with us for quite a long while. I realise that this is an unpolished way of speaking. But if we have learned anything in Maharashtra from our generous, genial, and gifted hosts, perhaps it is the value of plain speech. The rural realities also are harsh.

B. N. GANGULI, *Delhi School of Economics, Delhi*

I find it rather difficult to participate in the discussion because I am observing that in the course of our discussion we have moved by imperceptible degrees from the particular to the general. We started from Rural Credit, then passed on to Integrated Price Policy, which was more inclusive, and then we have before us

this subject, Development Policy for the Rural Sector, which covers practically all aspects of agricultural economics. Therefore, I confess to a little difficulty in discussing so many new issues, so many new problems, which have been raised in the course of the discussion. But I would like to draw your attention, nevertheless, to certain aspects of extremely important questions, which I want this body to consider very carefully. Often when there is a question of policy, then I think we are a little away from the region of abstract principles. So far as I can say when one talks of policy, one thinks that a policy has executive implications, and naturally we have to discuss, in the context of policy the sort of organisation or reorganisation that we want to achieve, or that we can possibly achieve, within our institutions or within the limitations of our moral and physical resources. Now if that is the main question, we should have concentrated our attention mainly on some of the more important organisational questions which are connected with the development in the rural sector. Now from this point of view, it occurs to me that I think we have decided more or less, that our agriculture can no longer be left to the hazards of the sort of individualistic farming that we have in our country. It is all right to talk of the land to the tiller and so on. There are broad socialistic social implications in this kind of approach, but when we think of the agrarian problem in the context of economic development, in the context of higher productivity, and so on, I think we always have in mind the idea, that by some kind of reorganisation of our rural economy, we should be able to raise the level of per capita productivity in agriculture; in other words, we want to get out of the stagnation that has characterised our entire rural economy. We want to raise the level of technology by gradual stages, by successive stages, perhaps, but all the time, in the direction of raising higher levels of production per person, per acre and per any other unit that we can think of. Now if that is the main criterion, the main objective that we have in mind, then we have to build up the kind of organisation which will enable us to achieve this broad objective.

Now the most important problem that faces us at the very outset is that there are certain hazards to which individualistic farming is subject. We do not want to abolish individualistic farming straight away; that is neither desirable nor possible. But how to remove the hazards? Unless the hazards which accompany individualistic farming particularly in a monsoon land, are removed, one way or the other, we cannot expect the liberation of the productive forces in the countryside, in a big kind of way. I am quite sure that the Rural Credit Survey Committee, when it approached this problem, were immediately impressed by this particular aspect of this problem. Of course, there are natural hazards; that goes without saying. So far as the natural hazards are concerned, well, some means will have to be found for meeting the incidence of these hazards. When the hazards are on a larger scale, when there is, for example, a failure of crops, one might think in terms of outright relief as Dr. Rao suggested in the course of his remarks. Outright relief might be a way out, but it has to be considered whether we can go in for a system of crop insurance. Now that again raises a big organisational question. But I like to suggest that we have to tackle this problem one way or the other. To a certain extent with better facilities of irrigation, hazards will be less and, therefore, with agricultural development that is at present going on, the hazards will be less. But some hazards will remain. And, therefore, we have to think in terms of some kind of insurance. Whether

we can go in for crop insurance on a large scale, I am rather doubtful. But we have to think on those lines. It is not the question of facing the eventuality when it arises in a particular area, by giving doles and starting some kind of relief work and so on, but we have to think on broad lines. Then there are the market hazards about which there was a lot of discussion, a very useful discussion, in the morning. This whole question of price support is connected with this problem of market hazards, which the individual cultivator has to face but which he is not in a position to face properly as an isolated person, especially when he is a poor cultivator. Therefore, how to get rid of the market hazards is a big problem by itself and here also a good deal of organisational effort will be needed to see that the market problems are minimised if not actually eliminated. What the organisational structure will be is a problem which the agricultural economists will have to try to solve.

There is one very fruitful idea which is contained in the Rural Credit Survey Committee's Report, and it has found some kind of an organisational expression, so to say, so far as the recommendations are concerned. They talk of some kind of a stabilisation fund or an equalisation fund. The main object is, of course, to see that the co-operative credit structure does not collapse under the accumulation of overdue loans and defaults. Obviously, they want to insure the co-operative credit structure against the hazards of loss. But the broad hazards of agriculture still remain. Of course, it was not within their purview to find a remedy for the hazards in the broad sense. Yet the broad problem remains. Perhaps a short cut would be to go in straightway for State trading in essential food grains or in essential agricultural commodities. The State may buy essential agricultural commodities at particular prices. There need not be any rigidity about it. A certain range might be defined and fluctuations can be confined to that range. The State may tell the cultivator, "you till the land to the best of your ability, we give you fertilizers, we give facilities, we give you credit ; you do your job, deliver your crop, we buy the crop and we look after the distribution." Now that might relieve the cultivator altogether of the function of bearing the risks of marketing. In a poor country there are very few farmers who can afford to bear these risks and that is why there is so much of depression in agriculture and so much inhibition in the country-side. There cannot be any release of the productive forces in the countryside unless you tackle this basic problem. But as far as I can see, this means tremendous organisational effort. We shall need the kind of organisations which the Rural Credit Survey Committee Report has recommended. These are nuclear organisations, no doubt, but a lot of other organisations of the co-operative type will have to be built up before we can solve the principal problem to which I have drawn your attention.

D. G. KARVE, *Reserve Bank of India, Bombay*

I believe that there is a general consensus in the Conference, that the planners are no wiser than we are. Some of us recognised for some time that we are no wiser than the planners are. Because more and more it is becoming difficult to find out who are the planners and who are the planned. With one panel and another, with one advisory board and another, with some representations at some development councils and another, with growing number of interviews between those who make policy and those who make suggestions about policy, it is going

to be increasingly difficult, as I say, to distinguish between the planners and the planned. I would therefore approach the subject of rural development in the Second Five-Year Plan, not from the standpoint of what the Planning Commission has said, but from the standpoint of what we, as interested in a planned development of our rural sector, would desire the Second Five-Year Plan to be. The way I look at the rural development aspect of planning is that it is an attempt at bringing about within a measurable distance in time, an agrarian revolution. This revolution is not confined to the business aspect of the agricultural economy. Appropriate changes in rural society, in rural institutions are as much an integral part of this agrarian revolution as the aspects which more directly refer to the activity of cultivation. If we look at the content of the First Five-Year Plan, and such of the drafts of the Second Five-Year Plan as have seen the light until now, we shall discover that there is a growing awareness of the comprehensive and far-reaching character of the problem of rural development. It is by now generally admitted by the planners more than by anybody else, that in the First Five-Year Plan on account of the exigencies of the situation, greatest possible emphasis was placed on not impairing the productivity of agriculture especially with reference to the output of foodstuffs. Though the chapter on land tenure, did contain a fairly comprehensive programme of land reform, all the time it was clear, reading between the lines, that the emphasis will be concentrated on ensuring that no risks are run so far as the productivity of agriculture is concerned. But now on account of several reasons we are, you might say, far behind the precarious line where merely by a little change here or there the basic position of the country with respect to the foodstuffs is going to be seriously impaired. In this context the whole subject of the unit of ownership, the unit of cultivation, the further supplementary activities on which the cultivator is to live all these have to be treated as part and parcel of one and the same programme. Any inconsistencies like the one to which Mr. Rao has drawn attention, have to be scrupulously avoided.

Now, I for one believe, that the initial act of redistribution of the rights of possession among a large number of cultivators will give us a position of initial stability from which we can proceed to make adjustments in the economy which subserve the purpose of social stability and social progress. I know that there can be a difference on this subject ; I am only saying what I felt, at least in retrospect, that it is a fairly desirable and stable initial step taken. But because a unit of possession is small, it does not mean that the land policy implies that the unit of cultivation needs be small. On that subject I happen to have the good fortune of having gathered some experience during the last two or three years. What little I have seen of the working of the community projects has convinced me that if today, in any part of the country, it could be proved that a unit of cultivation much larger than the one at present representative of that area, can bring in a substantially higher return, the task of persuading the cultivators to form co-operative farming societies, under suitable regulations, will not at all be difficult. In fact, our agriculturists' attitude, has long undergone a very radical change on this subject of subsistence farming. It may have been the war, it may have been the republican status, it may have been planning, it may have been the general talk accompanying the big election, this much is certain, that today no farmer is satisfied with his present lot ; and that he will not consider any sacrifice, the sacrifice of any prejudice, of any traditional value,

too great if you can prove to him, that under the new altered circumstances, the altered organisational pattern, the condition is likely to be appreciably better. Now the First Five-Year Plan had also been generally blessed the idea of co-operative farming. Many of us happen to be members of not only of the Land Reform Panel of the Planning Commission but of the reorganisation sub-committee also of that Panel. I can therefore with some confidence say that the Second Five-Year Plan, so far as its intentions are concerned, is bound to come out with, if anything, even a stronger support to co-operative farming. I have, however, been feeling for the last year or two that what is more important for the Second Five-Year Plan to achieve, is not a daring campaign for co-operative farming, but actually testing out in, say, two or three hundred representative areas, of a reformed cooperative cultivation with a larger unit of land under co-operative management, which would serve the necessary demonstration purpose. If the demonstration purpose is served in this way, I for one feel that rest would be easy. I may be completely wrong, there may be local experience in many places which contradict my experience on this subject. In fact, we must more and more recognise that for a big continental country like India, any generalisation must always be held subject to independent verification in each locality. But by and large I feel that if the Second Five-Year Plan does no more than secure in a few hundred representative areas actual demonstration of co-operative farming, that would go a long way in ensuring that the unit of possession being small would not necessarily mean that the unit of cultivation is uneconomic.

Now with regard to credit, I entirely agree with Dr. Rao that unless the implications of the credit policy and the implications of the land policy are co-ordinated, a most awkward situation would develop, as in fact has developed in Bombay ; not because anybody meant ill but just because there was no co-ordination. Now creating rights of ownership and creating restrictions on the transfer of those rights so as to ensure that the land continues to be in possession of those who are actually cultivating are steps in the right direction. That the nearer interests in the local cultivation would be given a higher priority in securing possession of land which is seeking transfer again is something compatible with the main requirements of the land policy. But why at the same time the legislation should specify a certain price formula and again a price formula, which is correlated to revenue, which has long ago become completely static, in any case uncorrelated with the income from land, is something for which there is no answer. The only answer would be: well, we have in any case done the first two things right, you might let us know what your difficulties are. That some of us here had to do and point out that the way you have limited the maximum price will not only endanger the loans which have been made by the land mortgage banks, but would make it practically impossible for the land mortgage banks to go on lending any further, because there is no free market in the sense that there is no free value. That there would be restrictions on transfer is well known ; this is by no means the first time. Land legislation right from the Punjab in the old days, has constantly laid down restrictions over the buyer of property but restrictions on the price of land by such completely rigid formulae is altogether a new thing. And therefore, when the overall co-operative plan of the country arrived at by a conference of the agricultural and co-operation ministers of all the States under the Presidentship of the Agricultural Minister of the Government of India and when they have made a plan for the

expansion of co-operative credit and co-operative business, that a particular land legislation simply should take no notice of it shows a lack of co-ordination which must be avoided in the Second or for that matter in any other Plan.

J. J. ANJARIA, *President, in reply*

Prof. Karve said that the planners are no wiser than the others. Sometimes I say to myself, I do not know if we are sure whom or what we are planning for. The reason is this—I am not trying to be cynical—I am scared at the prospect of an army of government officials, even of officials of the co-operative department, going all over the countryside and saying : “this is what the plan is ; we are going to give you all the money, we shall give you all the credit you want ; the Planning Commission says grow more cotton or grow more food ; and here is the marketing society that will take away your products. You merely produce what you are asked to.” One of the participants in the debate to-day said, free the farmer of all hazards of life, and give him instructions as to what he should do ; if he has a plot of land which is uneconomic, let him put it together with land of the other people around. Are we not creating, I ask, a situation in which private initiative, and a healthy pull of conflicting or diverse interests may have little scope left ? Not just now ; but if that is the direction we are going in, I should feel unhappy. If planning comes to mean that a body of officials will tell the people what to do and will underwrite all the profits and losses, then I am afraid that is going to be a dangerous state of affairs. All that one hopes for is that we shall go about in a pragmatic and businesslike way. It is no use raising too many problems at the same time. There are questions to which one must find answers immediately ; there are others which can be left to the future. And, may be, if you think of those answers in purely logical terms, you will always be in difficulty. I am quite sure, if Prof. Karve now gets up and asks me what is my solution, I will not be able to give it. So, this is not a question in which pure logic will enable us to outline the kind of structural changes that we want and the administrative and organisational arrangements in the field of land utilisation and land management that will be necessary to give us the results that we want. But I think it is quite important to recognise and that is what the discussion has emphasised, namely, that administrative organisation and co-ordination is the most vital of all these tasks. It is little use thinking out solutions in the abstract and letting ideas go far ahead, unless we can show that we are in a position to create the necessary machinery and the organisation for the work we have taken in hand.

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