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ALL ORISSA ECONOMICS ASSOCIATION
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PREFACE

The formation of an association of the teachers and scholars in economics of Orissa for focussing attention on the study of the economic problems of the State was a long felt need. To satisfy that need, the Orissa Economics Association was formed in January 1968. The main objectives of the Association are to work for advancement of knowledge in economics in general, to improve the standard of teaching in economics in various colleges of the State and to promote research in the subject with special reference to the economic problems of Orissa. To achieve these objectives, the Association decided to publish regularly a journal of its own. The Orissa Economic Journal is the Journal of the Association and under the present decision of the Association, two issues of the journal will be published every year.

This is the first issue of the journal and it contains the papers and proceedings of the First Annual Conference of the Association held at the Ravenshaw College, Cuttack during January 27-28, 1968. The subjects discussed in the Conference were :

- 1 Land Reforms in Orissa
- 2 State Finances of Orissa
- 3 Price and Production Trends in Orissa.

Only some of the papers received and discussed in the Conference have been included in the journal. We apologise to the authors whose papers could not be included in this volume due to high cost of printing and paper. We take this opportunity to thank all the individuals and the institutions who helped in the formation of the Association and in the successful organization of the Conference. We are grateful to the Government of Orissa for giving the Association a grant for holding the Conference. Without the grant the publication of the journal would not have been possible. We hope that the new journal will be able to contribute to the advancement of knowledge in economics and prove useful to the readers.

B. Misra
K. M. Patnaik
Editors

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ORISSA ECONOMIC JOURNAL

VOLUME I

JANUARY—JUNE, 1968

NUMBER ONE

REPORT OF THE CONVENER OF THE FIRST ALL ORISSA ECONOMIC CONFERENCE HELD ON 27-1-1968

Mr. President, Hon'ble Chief Minister, Hon'ble Education Minister, Principal, Ravenshaw College, Fellow delegates, Ladies and Gentlemen :

This is the first conference of the Orissa Economic Association. The objectives of the Association as laid down in the Constitution are :

- (a) to meet from time to time to discuss various economic problems,
- (b) to improve the standard of teaching of economics in the various colleges of the State,
- (c) to stimulate research in the subject with special reference to the economic problems of Orissa.

I may be pardoned if I say here that Economics has become a difficult subject, not only for the students, but also for the teachers of economics. The subject has been growing and expanding so rapidly that it is really becoming difficult to keep pace with the new developments especially when we do not have the basic library facilities in most of the colleges. Furthermore, Prof. Kothari in his convocation address to the Utkal University has pointed out that in the rapidly changing world of today, yesterday's educational system does not meet today's, and even less so, the needs of tomorrow. This underscores the extreme importance of continually adjusting and improving the courses of studies to changing circumstances. It is our hope that the Orissa Economic Association will play a leading role in organising the courses of studies in economics to meet the needs of changing times and improve the quality of education by introducing the recent developments in the science.

Another thing which is more important than the improvement of syllabus is research, both in theoretical and applied economics. I will not divulge a secret if I say that most of us who are associated with teaching of economics in Orissa are not well equipped with the adequate knowledge of Orissan economy. Probably many of us can speak and even analyse with confidence some of the important economic problems of India, but when it comes to Orissa, we will have to find a safe corner to hide our ignorance. It is now time when a

systematic effort should be made to make a purposive study of the Orissan economy. A research centre of the type of 'Institute of Economic Growth' in Delhi or 'Institute of Business Management' at Ahmedabad is of prime necessity in Orissa both for exploring basic data and for formulating proper economic programmes for the development of the State. Our State is handicapped because of inadequate resources. We have therefore to give greater attention to better formulation of economic programmes. Lord Rutherford, the great pioneer of nuclear physics was once asked how can Great Britain compete with the U. S. A. in nuclear physics when the latter has so much of resources. The Lord replied, 'The Americans have money, we do not have it and so we have got to think'. In fact, there is no substitute to serious thinking and hard work. We hope that our Association will apply its collective thinking to this vital problem and help in the process of developing adequate research materials for comprehensive economic calculus.

Our economy is not only backward, it does not have also means to eradicate its backwardness. In spite of our best efforts to improve the economic base, we are still far away from the minimum, the absolute minimum for a healthy and decent living. It is said that like the Red Queen of Alice Through the Looking Glass, we have been running all the time to be at the same place. If we want to get somewhere, we must run atleast twice as fast as that. With your good will, sympathy, and encouragement, the Economic Association may have courage enough to run fast enough to realise the fundamental social purpose for which it has been formed and can take a leading role in altering the economic land-scape of Orissa.

I also take this opportunity of expressing our thanks to the Chief Minister, the Education Minister and the Vice-Chancellor for the great interest they have shown in our Association. I also thank the donors but for whose help the Conference would not have been successful. We feel confident that we will have their sympathy and encouragement in our onward journey to progress.

Thanking you all for your kind encouragement.

JAI HIND

Baidyanath Misra,
Convener, Orissa Economic Association.

**FIRST ALL ORISSA ECONOMICS CONFERENCE
PRESIDENTIAL ADDRESS**

Dr. Sadasiv Misra

Vice-Chancellor

Utkal University.

The 27th January, 1968

Mr. Chief Minister, Mr. Education Minister, Chairman of the Reception Committee, Members of the All-Orissa Economic Association, Ladies and Gentlemen,

I am grateful to you for inviting me to preside over this first session of the Orissa Economic Association. I offer my sincere thanks to you for the honour you have extended to me. I am particularly happy that an association has now been formed of the economists in the State. I feel confident that this will lead not only to useful exchange of ideas and experiences but also to team work in economic research.

I intend to place before you an analysis as to why there has been a retreat in planning and in what directions re-thinking is necessary for its rehabilitation.

The 3rd plan was launched in 1961-62. In the first half of 1962, i.e., soon after the starting of the 3rd plan, was started the preliminary work for drafting the 4th plan. A good deal of labour and research must have gone into the drafting of this plan; but it was rather surprising that the draft plan was brought out in August, 1966, i.e. 5 months after the plan was scheduled to commence. The draft was submitted for discussions at various levels. It was anticipated that in course of a few months final approval would be accorded to this plan. But the finalisation was postponed from time to time and it has now been decided that there will be a plan holiday for 3 years. This deferment of the 4th plan till April, 1969, has necessarily brought into fore-front the issues that should be tackled before the plan can be set on right lines. It is a matter of common knowledge that any subsequent plan must necessarily take into account the earlier experiences, avoid the pit-falls and take note of the deficiencies, both in concept and in implementation, in giving a shape to the new plan. The draft 4th plan has stated the earlier experiences in the following words :

“The first plan achieved considerable success. The performance of the 2nd plan was also not unsatisfactory. The record of the 3rd plan, however, has not, *prima facie*, been good.”

In modest terms, the draft 4th plan has stated that the 3rd plan did not realise the targets held out. In almost every field, there was considerable short-fall in the achievement. Nevertheless, it was surprising that the 4th plan was drafted exactly on the same lines and principles as the 3rd plan. In fact, except for the changes in the size of the various sectors concerned, the draft 4th plan appears virtually to be a repetition of the 3rd plan. The experiences of the 3rd plan do not appear to have made any substantial effect in framing the draft of the 4th plan. The 1st plan aimed at realising 11% increase in the national income. The actual was very much better; it was 18%. In the 2nd plan, a 25% increase was visualised; but the actuals fell short of the objective. It was 20%. This itself should have instilled a certain amount of caution in the 3rd plan. But, instead, the 3rd plan became very much bolder. It was visualised that during the 3rd plan, the national income would grow by 30%. But the performances were very unsatisfactory. The growth during the 5 year period was only 12.5% i.e. about 2.5% per year. It is almost equal to the rate of population growth in this country. In consequence, the *per capita* income at the end of the 3rd plan period remained exactly at what it had been at the beginning of the plan. This was a very discouraging performance. But the design of the 4th plan appears to have taken little note of the underlying causes that were responsible for this poor rate of growth.

The Government of India have re-affirmed their dedication to planned economic growth. Planning has to be pursued with vigour for economic development. But the methods to be used have got to be changed in accordance with the earlier performances and the changing economic situation which have resulted largely on account of the 3rd plan. It has been indicated that the short-fall in the targets of the 3rd plan might be made up during the 3 years of plan holiday so that by 1969, a reasonable position would have been created for launching the 4th plan. This is an intriguing situation. For instance, the target of food production in the 3rd plan was 102 million tons. In the last year of the 3rd plan period, it was only 72 million tons. If it is visualised that in course of the 3 years of the deferment period, the target of 102 million tons would be reached by the usual functioning of economy and probable good behaviour of the weather-king, then the need for launching any planned programme thereafter would appear to be superfluous. If what the plan could not achieve, is expected to be realised by leaving the economic forces to operate automatically, dedication to planning is clearly weakened. It would hardly be justified for a plan machinery in the State to wait until the normal functioning of the economy provides a reasonable base for fulfilling the task set by the plan.

A number of encouraging and meaningful slogans have been introduced in the objectives of planning from time to time. Enunciation of such slogans may have a certain propaganda content. This may indeed be necessary at the

initial stages, but as the plan proceeds, it should become realistic and technocratic. During the first plan, the slogan was self-sufficiency in food grains. This was realistic as it was initiated on the wake of the war and the partition. With the Korean war a certain amount of inflation was created in India. A new slogan of development with stability was instilled into the plan. Some time after, there was growing unemployment in the country and at different places there was visible social unrest. A new objective of socialist pattern of society was then incorporated into the plan. Its exact contents and implications were at no stage clearly brought out. In the bold second plan, there was emphasis on basic industry and perspective planning. In the 3rd plan, an important objective of creating a self-generating economy was introduced and it was thought that in course of a few years, the economy of this country would attain a take-off stage. This stage has not perhaps come any nearer. In the draft 4th plan, one of the primary objectives set out is to realise self-reliance. This necessarily has been linked with the capacity for a sustaining growth. The concept of self-reliance has been clarified to generate domestic capacities that would enable to have a steady and satisfactory rate of economic growth without dependence on external aid. But surprisingly enough, the quantum of external aid in the draft 4th plan, has been visualised to be of the order of 4,000 crores in pre-devaluation rupees, which is 6,300 crores after devaluation. This amount is very much larger than the total external aid obtained in the 3rd five-year plan period. It may look intriguing as to how the objective of self-reliance is sought to be realised if the extent of external aid is of much higher dimensions. In addition to these various objectives the successive plans have reiterated to reduce inequality in wealth and income and provide progressively larger volumes of employment. In actual implementation of the plans, these objectives have not, in fact, been realised as contemplated. Enunciation of objective in vague general terms and sometimes with political over-tones, have affected the realistic character of the plans, holding out hopes unattainable in the implementation of the economic policies.

It has been pointed out that the short-falls in the achievements of the 3rd plan were due to (a) dislocation caused by the Indo-Pak conflict, and (b) unfavourable monsoons. Obviously this conflict diverted a good deal of resources to war purposes which could have been utilised in the development plans. The unfavourable monsoons prevailed over a large part of the country and there was serious diminution in agricultural production. These two factors caused major dislocations in the implementation of the plan. But this simple and generalised explanation does not bring out some of the inherent weaknesses in the propounding of the plan and its implementation. If the success of the plan and the desired growth rate in the economy continue to be helplessly based on the monsoons, the formulation of the plan can hardly be considered creditable. Unfavourable weather does count for short-falls in agricultural production. But a major objective of the plan must be to minimise the possibilities of such

weather uncertainties. During the year 1964-65 when the monsoons were fairly well-distributed in the country, the total production of food grains was only 89 million tons. During the current year, apart from local deficiencies here and there, the agricultural production in the country as a whole has been satisfactory. But yet it is estimated that the food grains production will be of the order of 92 million tons. The target prescribed at the end of the 3rd plan was 102 million tons and even with the normal expectations of the monsoons, this target does not appear to be within sight. Apart from agricultural production, the targets prescribed for the various industries were not also realised at the end of the 3rd plan. The following statement shows the extent of the various targets realised in some of the areas of industrial production.

3rd plan target.

Broad achievement.

Fertilizers	..	1433	thousand tons	..	760	thousand tons.
Coal	..	98	million tons	..	70	million tons.
Iron ore	..	30	-do-	..	23	-do-
Steel	..	6.9	-do-	..	4.6	-do-
Cement	..	13.2	-do-	..	10.8	-do-
Paper	..	711	thousand tons	..	550	thousand tons.

The above accounts would show that in the major areas of industrial production, the 3rd plan was unable to achieve the prescribed targets. The installed industrial capacity was not lacking for the purpose. The Indo-Pak conflict came to an end after a few months. It needs further analysis and consideration as to how and why the industrial target was not possible of implementation. The growth rate of about $2\frac{1}{2}\%$ per year, would hardly justify any serious planning. It may, perhaps, therefore, be necessary to go into further details and enquire where the impediments lay in working out the plan. Instead, the draft 4th plan, more or less repeated the very same strategy with some increase in the size in the various fields of production. In the light of the experience of the 3rd plan, major changes in strategy appear to be necessary.

The present economy is saddled with inflationary pressure. Surprisingly there is industrial recession within this inflationary situation. During a period of inflation there is rise in prices, rise in income, rise in profits, rise in demands, rise in employment and so on. The process feeds on itself. During a recession, the economy operates in the reverse direction. But to have recession in the midst of acute inflationary conditions, is a peculiar feature which has arisen directly out of the working of the 3rd plan.

During the first plan period, there was hardly any rise in the price in the country. During the 2nd plan, inflationary trends raised their head. This

was largely because of the recourse to deficit financing to a considerable extent. In course of the first plan, the amount of deficit financing was of the order of 532 crores. During the second plan, it went upto 948 crores. While framing the 3rd plan, the planners became conscious about the mounting dangers of deficit financing and contemplated to confine such financing within 550 crores. But in the course of actual operation, the amount went upto 1150 crores, resulting in an extremely heavy dose of inflation. There was alarming rise in prices during this period. This has been recognised in the draft 4th plan. Accordingly, the draft plan proposes that there should be no recourse to deficit financing during this plan period. Unfortunately, in assessing the financial resources, an amount of 1800 crores has been left uncovered. One does not know wherefrom this amount is expected to be obtained. Shri Morarji Desai, with his determination to fight the inflationary processes, started with a balanced budget. But it is now whispered that during the current year the deficits may amount to more than 300 crores and in the next year's budget the amount may go even higher. Once inflationary finance is let loose, it leads to further inflationary devices. The colossal inflation of 1923 in Germany when a packet of cigarette could be purchased for one million marks, was not due to the defeat of Germany in the first World War, but due to the financing of post-war developments by inflationary methods. The whole economic structure in India has now been disrupted by inflationary situations in which the plan loses significance and the objectives once propounded of growth with stability becomes unattainable.

Inflationary prices depend on the twin forces of (a) cost push and (b) demand pull. Various factors, mostly arising from the implementing of the 3rd five-year plan, have given a tremendous push to costs all round. In the first place, inadequacy of industrial and agricultural raw materials has pushed up their prices. Oil seeds and fibre are in short supply. Coal and wagons fall far short of requirements. This inadequacy is one of the major factors which operates as a cost push. Secondly, another major factor which has directly arisen out of the processes of planning, is the enormous increase in the unutilised industrial capacity. The following statement would show how much of the installed capacity is lying unutilised.

<i>Industry</i>	<i>Installed</i>	<i>Actual</i>
Sugar mill	1460	870
Cement	2300	611
Coal	300	49
Machine tools	3604	2477
Tractors	24,000	7,600

The figures would show that the extent of unutilised industrial capacity is extremely heavy. Generally speaking, the capacity remains unutilised to the extent of 30 to 60 percent in the various industries. Shifts are cut down,

working days are reduced and plants are allowed to remain idle. This is a clear mis-allocation of resources. It is certainly worthwhile enquiring why and how, in the operations of the different plans, such excess capacity was brought into existence and the examination of this feature should indicate the allocation of resources desirable in the 4th plan. In addition, the devaluation of the rupee by 57.5%, has increased to that extent the cost of industrial components and raw materials imported from abroad. All these forces are heavily supplemented by the Trade Unions and political activities, resulting in high wage bills along with fall in production. The cost push operates steeply to bring about a progressive rise in the price structure.

Peculiar situations have developed on the demand side. The food prices in the country have risen much higher than the general price level. While the general price index stands at 221, the index of food prices is 259. The prices of oil seeds, sugar etc. have gone up even much higher. In a country, where the major part of national expenditure is devoted to food, a substantial increase in food prices, necessarily deflects demand from other products in the market. Accordingly, there is a substitution of demand for non-food consumption by demand for food stuff.

With a view to controlling the inflationary situation, there has been effective reduction of public expenditure, both at the centre and at the State levels. This has accelerated the recession, particularly in engineering and in heavy chemicals. The industrial recession has become quite acute and unemployment has reached sizable figures. While, therefore, inflation continued gathering momentum, recession in various industrial sectors has caused serious concern to the Indian economy.

All the world over, there is rapid advancement of science and technology. Everywhere modern technology results in (a) improvement in the quality of products and (b) fall in price on account of reduction in the real cost of production. Unfortunately, this has not been the case in India. Technological progress appears to have introduced articles of poorer quality with higher prices. This is a malady which has got to be enquired into. The structure of the Indian economy has been designed in such a manner as to reduce the area of competition. The concept of mixed economy has in certain areas created more or less monopolistic situations. Whenever there is a diminution of demand, business concerns raise prices by reducing the supply and hardly ever by attempting to lower the cost and offer the articles at lower prices. A scarcity margin is deliberately maintained to put up a higher price structure. The operation of the system of the mixed economy appears to have established static conditions of technology sheltered by the State activities into non-competing situations. Whatever may be the philosophy of mixed economy, the actual implementation needs close re-examination with a view to vitalising them into competitive developments.

The draft 4th plan has been drawn up under assumptions and calculations which have lost some of their validity and it is necessary to make sufficient fresh exercises for framing a realistic 4th plan. In this situation of recession within inflation, the Union and State Governments are experiencing financial difficulties. Customs revenue, for instance, suffers on account of the postponement of imports, in the present climate of recession. The slowing down of industrial production has adversely affected the quantum of excise revenue. The reduction of State expenditure has diminished the collections from the sales taxes. The visualised foreign aid is likely to be seriously curtailed. There are indications that loan subscriptions in the country are very much below the expectation. The Reserve Bank of India is reported to have taken steps against heavy over-drafts by Governments. At the same time, it has become necessary to increase the defence expenditure to a large extent. Increased subsidies on food have become imperative. The increased dearness allowances have created a heavy demand on Government revenue. All this has caused erosion of resources. These are the consequences of recession within the inflationary situation which has arisen out of the operation of the economic forces. If in spite of all these, the 4th plan is drafted under the same assumptions and calculations as the 3rd plan, with scant regard to physical resources it is bound to be extremely unrealistic.

Of the total national income, 51% comes from agriculture, 18% from industries, 15% from commerce and transport and 16% from services. Of the 18% accruing from manufacturing concerns, 10% comes from factory industries. It is therefore obvious that a 50% increase from factory products will increase national dividend by only 5%, while a 20% increase in agricultural production will bring about a growth of 10 per cent. It should be recognised that unless there is surplus produced from agriculture, it will not be possible to make any substantial expansion in other sectors of the economy. Right from the beginning of the 1st plan, problems about land and agriculture have been rather perfunctorily dealt with and this has circumscribed the overall rate of economic growth.

We continue to depend upon food imports to feed ourselves. We are importing industrial raw materials, like cotton fibre to feed our factories. We are one of the major sugar producing countries of the world; but our cost of production is highest in the world. It is difficult to plan economic development in this context. There have been attempts at improving agricultural production. Yet both the institutional structure and the technical framework continue, by and large, to be traditional. Unless the agricultural economy is liberated from the subsistence pattern, unless it is made to provide the margin to absorb the impact of the accelerating economic growth, planning will remain seriously circumscribed.

It has been pointed out earlier how the operation of plans has created mis-allocation of resources. Large prestige industries have been attempted and often under non-economic pressure. A fifth steel plant proposed to be located at some centre in the south, against the findings of study groups, created public violence. Its abandonment or at any rate, indefinite postponement may indicate that there was no urgency for a heavy investment in such a steel plant. The pattern of investment has to be rethought in the light of available resources and in particular, with the objective of fairly quick results.

In capital goods industries, both (a) the capital output ratio and (b) the capital-labour ratio are high. In consumer goods industries, both these ratios are comparatively lower. That is to say, with a given capital investment in consumption goods industries, we can obtain a comparatively larger income and provide employment to a comparatively larger number. This distinction cannot of course be stipulated strictly between all capital goods industries on the one hand and all the consumption goods industries on the other. But by and large, this is the case in the Indian conditions obtaining today. If, therefore, the objective is (a) to bring about faster economic growth and (b) to provide a large volume of employment, there should be diversion of capital resources to consumption goods industries, to sustain economic development. This course of action will further have the effect of reducing import of consumer goods and expanding exports of agro-industrial products, where we are likely to have competitive advantage.

I have indicated certain broad lines in which fresh exercises are necessary to reshape the strategy of the 4th plan, in the light of the experiences gained from the operation of the 3rd five-year plan. New avenues may be sighted from such exercises. But it is imperative to undertake serious exercises before the 4th plan is redrafted.

ORISSA LAND REFORMS ACT—1966

A Critical Review

G. S. Das,

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I. Agrarian Reforms and Economic Development

Agrarian reforms are an indispensable precondition to economic development of most of the underdeveloped countries. Economists by now, are familiar with the model¹ that requires agricultural development to promote and sustain the general economic development of a country with the predominance of agriculture. In most of these countries package programmes have been implemented in the agricultural sector and various policies designed to promote the productivity of agriculture have been introduced in the post-war years. Land reform is one of the important measures in the package programme for achieving a break through in their custom-oriented and tradition bound agriculture. The strategic importance of agriculture in a state like that of ours which is industrially backward can hardly be exaggerated, for, it is not merely a case of supplying food to the growing population but also to finance industrialisation out of the surpluses drawn from agricultural sector.

It is admitted that the institutional framework prevailing in our agriculture prior to independence was not favourable to agricultural productivity. Land reform policies and programmes aim at changing the institutional factors in agriculture and thereby increase the output per men-hour within the sector, which is capable of spilling over the growth momentum to other sectors. An examination in this paper will be made with regard to the inducement effects of the Orissa Land Reform Act on agriculture in particular and on the general economic development of the state. A critical examination of some of the provisions of the Act is made here to show the extent to which the changes contemplated in the Act would be conducive to agricultural development along with the suggestion for an alternative model.

II. Land Reforms in Orissa

Necessary provisions have been made in our Five Year Plans for land reforms and it is in consonance with these that the various land reform Acts

1. Ragner Nurkse : "Problems of Capital Formation in Underdeveloped countries," Oxford—Basil Blackwell, 1953. A. Lewis : *Economic Development with Unlimited Supplies of Labour*, reprinted in "Economics of Underdevelopment" by Singh and Agarwalla, and U. N. : "Measures for Economic Development of the Underdeveloped countries."

have been passed from time to time in Orissa, viz., the Orissa Estate Abolition Act of 1951, the Orissa Land Reforms Act of 1960, and the Orissa Land Reforms (Amendment) Acts of 1965 and 1967. There has been a phasing in our land reform programme. The 1951 Act abolished the Estates and removed the intermediaries between the raiyats and the state. Next came the question of vesting the ownership rights in the tenants on lands by removing the rentier class and for achieving a better distribution of income in rural areas by breaking up the concentration of lands. Accordingly, the Land Reforms Act of 1960 and the subsequent amendments to that Act were passed. The objectives of the land reform policies as have been set out in the Preamble to the 1960 Act may be stated as follows :

- (i) To rationalize the land tenure pattern by abolishing the intermediary rights and to provide the necessary security of tenure to the actual tillers :
- (ii) To secure the objective of equity and social justice in consonance with the ideals of a socialistic pattern of society by way of fixing a ceiling on land holdings ; and
- (iii) To bring about an improvement in the socio-economic conditions of the rural population.

With a view to realizing these objectives, the various land reform Acts of Orissa aim at providing for the security of tenure in the place of feudalistic tenural relationship, "fair and equitable" rent in the place of rack-renting, ceiling on land holdings in the place of concentration of land in the hands of a few and finally "land-to-the-tiller" programme. These are the several aspects of our land reform policies.

1. *Security of Tenure*

Necessary provisions have been made in chapters II and III of the Orissa Land Reforms Code of 1965² for guaranteeing greater security of tenure to the raiyats and tenants. The rights of a raiyat in respect of the land he possesses are recognized to be "permanent and heritable." But this cannot be said to be fully correct, for when a raiyat becomes a landlord in relation to a tenant, he can resume only one-half of the tenanted land on the ground of personal cultivation and the rest he forfeits in favour of his tenant for which he gets a nominal compensation. He is entitled to get a compensation which "shall be ten times the fair rent for the land to be paid in five annual instalments" and on no account it shall exceed one-half of the market value of the land. This amounts to partial confiscation and his rights in respect of "non-resumable" lands cannot be said to be permanent.

2. The Orissa Land Reforms Code, 1965 combines both the Land Reforms Act, 1960 and the Amendment Act, 1965 alongwith the statutory rules.

Resumption of lands on grounds of personal cultivation involves a lacunae in the Act and is anomalous. Despite the fact that personal cultivation has been categorically defined in sub-section 22, section 2 of the C.L.R.C., 1965, the land owners can take advantage of clause C of the said sub-section. There is the likelihood of a considerable resumption of lands when the question of conferment of ownership rights on the tenants arises. It would be relatively difficult for the tenants to establish their rights. Chapter III dealing with the resumption has come into force from December, 9, 1965³ and has gone by default as yet for the government have not yet been able to demarcate between resumable and non-resumable lands as required under section 27 of the Act. This is indeed a pretty difficult task.

Right to purchase the non-resumable lands on the part of the tenants is optional according to the provisions of our Act. Whereas "in Uttar Pradesh no compensation was payable by tenants, the state undertaking responsibility for paying compensation to landlords out of rents recovered from the beneficiary tenants".⁴ What is necessary here to facilitate the process of transfer of lands to the tillers is to suspend the provision of direct purchase of non-resumable lands by the tenants from the landlords. Instead, the non-resumable lands should be acquired by the government for resale among the selected farmers but not necessarily among the landless. While purchasing the non-resumable lands, the government instead of paying the landlord in cash, should pay 50 per cent of the price in land bonds and the other 50 per cent as shares of public enterprises.⁵ This is a potential source of capital formation for industrialization as it helps in the diversion of scarce capital resources from unproductive speculative investment on land to more productive enterprises.

The Act provides that tenants cultivating the lands under the system of "Bhag, Sanja, or Kata" cannot be ordinarily evicted from lands by the landlords except on grounds of poor standard of farming and non-payment of rent. A tenant shall be liable to eviction if he "has failed to cultivate the land properly or personally and has used the land in a manner which renders it unfit for purposes of agriculture."⁶ This particular ground for eviction of a tenant is somewhat arbitrary and a tenant is likely to feel insecure as it could be relatively easier for the landlord to prove the inefficiency of his tenants. Furthermore, the farm contracts (whether Bhag, Sanja or Kata) are not in written form and

3. Government of Orissa, Revenue Department Notification No. 78619-RE 78/65-R dated the 8th December 1965.

4. Review of the First Five Year Plan, Planning Commission, May 1957, pp. 321.

5. Some such scheme was adopted in the land reform programme of Twain in the early fifties and has been met with tremendous success. See H. S. Tang and S. C. Hsieh : "Land Reform and Agricultural Development in Twain" in Land Tenure, Industrialization, and Social Stability, ed. by Walter Froehlich, Wisconsin, U. S. A., 1961.

6. O. L. R. C., 1965. Sec. 14.

hence not legalized. The landlords can take advantage of this fact and render the tenural relationship highly insecure. If the tenants' security is the primary aim of our land reform programme, it is but necessary to legalize all the farm contracts and such contracts are to be made valid for a period of ten years. Ten years is a sufficient period to enable a tenant to attain a reasonable degree of efficiency in farming methods so as to justify the renewal of his lease contract. It may, however, be mentioned here that the implementation of such a scheme requires a very high degree of bureaucratic competence.

2. *Regulation of Rent*

According to the provisions of 1960 Act, a landlord is entitled to recover only one—fourth of the gross produce of the land from his tenant as rent, and in no event it should exceed the "fair rent" for that land. The "fair rent" varies in respect of different categories of lands as per the following :

<i>Class of land</i>		<i>Fair rent</i>
1. Perinnially irrigated lands	.. ..	8 standard maunds.
2. Seasonally irrigated lands	.. ..	6 standard maunds.
3. Rain-fed lands	.. ..	4 standard maunds.
4. Any other land	.. ..	2 standard maunds.

Despite the enforcement of this regulation, a landlord is still in the habit of taking 50 per cent of the gross produce as crop-share rent. The law thus remains inoperative. This is primarily because the fixation of fair rent is fantastically low. The average yield from one acre of perinnially irrigated land is approximately 40 maunds per annum. The owner in that case is entitled to get 20 maunds. It is hence pretty difficult for the owner to reconcile to the idea of fair rent at the rate of 8 maunds per acre. In a state like that of ours where land is relatively in short supply and the man/land ratio is fairly high, it would be somewhat difficult to regulate rent effectively. The law provides for the receipts to be issued by the landlords; but receipts may be issued for one-fourth of the produce in order to satisfy the law whereas the actual realization may be 50 per cent. The elementary principle of market mechanism is likely to operate here to make the law inoperative. According to the present practice rent is also charged on subsidiary crops. This hampers the tenants' incentive to grow additional crops and it is therefore desirable to abolish this practice by law. Rent regulation aims at eliminating the rentier class, but its success largely depends upon the strict enforcement of chapters II and III of the Land Reforms Act.

3. *Land-to-the-tiller and Government:*

Section 45 of the O. L. R. C., 1965 provides that the surplus lands over and above the ceiling area shall be vested in the government, for which the

compensation shall not exceed fifteen times the "fair and equitable rent". A part of such lands is meant for resale among the landless and sub-marginal farmers. There is also a second way by which lands will pass on to the tillers. According to section 30 of the Act the tenants become raiyats in respect of non-resumable lands. But this has the danger of fragmentation.

After the abolition of intermediaries, forest, waste lands and other properties came to be vested in the state. Thus, consequent upon the implementation of the Act, the state acquires two types of land, viz., cultivable lands and cultivable wastes. Can an experiment of the extension of public sector to agriculture be made in our state on the U. A. R. pattern by creating state farms? If the performance of the public enterprises in the industrial sector has not been commercially satisfactory in our country with the exception of a very few public utilities, it is very much more doubtful if the state farms can run on strict commercial principles at all. Up till now vast tracts of public lands in our state either remain fallow or covered with jungles and has not been reclaimed. In 1959, the Government of India appointed a Wasteland Committee under the chairmanship of Dr. B. N. Uppal. The committee undertook a survey of the culturable wastelands of the state of Orissa⁷ which could be profitably reclaimed for increased agricultural production. The cost of reclamation is estimated at Rs. 200/- per acre. The committee reports that the culturable wasteland in Orissa is of the order of 10.3 lakh acres as per the following table, shown districtwise.

SURVEY OF CULTURABLE WASTELANDS IN ORISSA

Name of the district	Area surveyed
1. Cuttack	12,455.44 acres
2. Puri	30,254.13 "
3. Dhenkanal	1,14,179.64 "
4. Ganjam	59,341.93 "
5. Koraput	1,60,180.15 "
6. Phulabani	53,343.32 "
7. Sambalpur	42,716.27 "
8. Sundargarh	3,89,539.42 "
9. Bolangir	42,790.90 "
10. Keonjhar	1,20,270.00 "

7. Uppal Committee Report on "Location and Utilization of Wastelands in Orissa".

The above table proves that a large acreage of land resources in the public sector has been allowed to run to waste. In this state of affairs, one can not be optimistic about the success of state farms.

4. *Ceiling on Land Holdings :*

An absolute limit has been put on land holding of an individual tenant raiyat in Chapter IV of the Act. In the 1960 Act the ceiling was put at 33 standard acres. The maximum limit was subsequently reduced and according to the 1965 (Amendment) Act "Ceiling area means an area of land equivalent to twenty standard acres" or ten "basic holdings" as each "basic holding" measures two standard acres. A standard acre is defined "as the unit of measurement of land equivalent to one acre of class I land, or one acre and a half of class II land or three acres of class III land, or four acres of class IV land"⁸, Accordingly the ceiling area varies between 20 to 80 acres depending upon the nature of the soil, and irrigation facilities.

Sections 45 and 47 of the O.L.R.C. , 1965 provide that the surplus lands over and above the ceiling area shall be vested in the government and the compensation in respect of such lands shall not exceed fifteen times the fair and equitable rent. The acquisition of surplus lands by the government is meant for resale among the tenants who do not hold more than one standard acre, or among landless workers or co-operative farming societies.

Ceiling will be imposed not merely on the existing holdings but also on all future acquisitions in the form of "inheritance, bequest, gift, family settlement, purchase, lease or otherwise". Some exceptions from ceilings have, however, been provided in respect of "efficiently managed farms, orchards, or plantations.....". It may be mentioned here that chapter IV of the Act has not yet come into force and even when it is enforced it will be of very little importance. The effects of ceiling may be judged from the size and distribution of land holdings in Orissa. No reliable data are available in this respect excepting the Census of Orissa Report.

SIZE AND DISTRIBUTION OF LAND HOLDING IN THE RURAL AREAS OF ORISSA

	1961 Census	(Percent)
Below 15 Acres	94.2
15 to 30 Acres	4.2
Above 30 Acres	1.6

Source :—Table B—XI

8. O. L. R. C., 1965. Sub-section 30, section 2.

The above table suggests that hardly 6 per cent of the holding are above 15 acres in size. When it comes to above 20 acres the percentage will be still less. When these holdings are converted into standard acres, the percentage will be negligible. It is thus clear that an insignificant proportion of holdings will be affected by ceiling. Consequently, the surplus lands to be redistributed through the government will be of a limited nature.⁹

III. Conclusions

Redistribution of lands through the imposition of ceiling and/or by vesting the ownership rights on the tenants in respect of non-resumable lands aims at better distributive justice. But distributive justice and productive efficiency can hardly go together in the underdeveloped state of ours, unless of course the limit is put at a very high level which is unlikely. In the initial stage of economic development it is the productive efficiency in agriculture rather than distributive justice which is of primary importance. If agriculture is to sustain the general economic development of the state, a sharp and continuous increase in the marketable surplus of agricultural goods is highly necessary. From the point of view of increasing the efficiency of agricultural operations, it is neither desirable to redistribute the lands in favour of the marginal and sub-marginal farmers nor to retain a class of conservative farmers on the prescribed ceiling holdings. These types of farmers are likely to continue as mere subsistence farmers with a limited tenanted holdings and limited financial standing for improvement, and, the latter being conservative fail to increase the marketable surplus considerably. Besides, the vagaries of monsoon and the conspicuous lack of an agricultural infra-structure, will add to the difficulties of these farmers in achieving an agrarian revolution. What is necessary in our agriculture at this stage is an increasing flow of capital and enterprise. Necessary conditions are to be created through our land reform schemes to create a class of agricultural entrepreneurs—men with dynamism and vision, drive, energy, initiative and, above all, the capacity to take risks. The foregoing analysis reveals that our present Act closes the door to this class of farmers for all times to come. The land-to-the-tiller program in our land reform scheme instead of merely converting the class of landless labourers and sub-marginal farmers into a class of small peasant proprietors should aim at creating large tenanted holdings with other ancillary facilities. This will make agriculture an economic proposition instead of being just a way of life for a majority of farmers as it is found today. At present the excess population on land are absorbed as family labour without any strict reference to their marginal productivity. This is detrimental to total agricultural production. But in the scheme envisaged here, a majority of the landless will work as day labourers on wage basis in estate farms or will seek industrial employment.

9. For further details on this point see N. Misra : "Ceiling on Land Holdings— The Orissa Bill, 1959" published in the Annual Conference Issue of the Indian Economic Association, 1959-60.

Such a model, however, assumes the following :

- (i) There should be no ceiling on land holdings;
- (ii) a gradual and smooth rise of the entrepreneurial class, in agriculture, those who will substitute the absentee landholders on the one hand and small peasant farmers on the other;
- (iii) an adequate supply of agricultural infrastructure services: and
- (iv) an adequate employment opportunities in non-agricultural sector in the rural areas.
- (v) Taxation may be imposed to penalize the defaulters who fail to make the proper use of land resources, and subsidies should be granted to the more enterprising ones.

There should be no deliberate reform to transfer lands from small peasant proprietors to big land holders. But such a transfer will be an automatic process, as the small farmers cannot compete with their more powerful counterparts. An alternative to this is co-operative farming, which is not practicable. Land reforms thus not merely help promoting economic development but the degree of economic development will determine the success of any land reform scheme. The land reform scheme should therefore be integrated with the programme of general economic development.

THE ROLE OF LAND REFORMS IN AGRICULTURAL DEVELOPMENT WITH SPECIAL REFERENCE TO ORISSA

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Nehru once said,

“Land Reforms have a peculiar significance because without them, more especially, in a highly congested country like India, there can be no radical improvement in productivity of agriculture. But the main object of land reform is a deeper one. They are meant to break up the old class structure of society that is stagnant.”

It is also generally agreed that agricultural reorganization and development in India, necessitate appropriate land reforms because they provide the socio-economic base and institutional framework for bringing about a planned agrarian evolution as a precursor to rapid and sustained industrialisation.

The objectives of agricultural planning in India are manifold and they are in a significant way subserved by the land reform measures. Increase in productivity, elimination of population pressure on land through siphoning off surplus workers, removal of disguised unemployment in rural areas, integration of growth in agriculture and industry, augmentation of general economic development through promotion of saving and investment and above all promotion of social justice are the wellknown objectives of our agricultural planning. It can hardly be overstressed that various land reform measures, properly implemented, will substantially contribute to the achievement of those goals. In fact, abolition of intermediaries bringing owner-cultivators in direct contact with the State, enactment of tenancy laws ensuring security of tenant and fair rent, giving incentive to progressive cultivation, prescription of ceiling on land possession involving disappearance of large holdings and redistribution of surplus land among the land-less labourers, consolidation of holdings, eliminating the evils of fragmentation and finally cooperative farming combining economies of large scale operation with initiative and freedom of individual enterprise have or will have significant impact on agricultural development.

Land policy in our State should have the following crucial planks: (1) The policy must improve the socio-economic and cultural condition of the peasant, (2) It must “dynamise” the rural sector so as to release a steady flow of marketable surplus of foodgrains, and agricultural raw materials. (3) It must increase

productivity and diversify production. (4) The policy must safeguard the precious democratic way of life. (5) The policy must promote an egalitarian society.

An attempt is made here to show how far land reform measures in our state i.e. Orissa, have contributed towards the achievement of the above goals.

Role of agrarian reform in other countries

It will be perhaps relevant to allude to the land reforms abroad. Large scale operation and intensive cultivation had been a desideratum of agricultural development in many countries leading to industrial growth. Operation of agriculture on capitalistic lines in Europe and intensive cultivation under feudal system with peasant oppression in Japan resulted in creation of surplus that fed the industries. But as Dorren warriner observes "European examples are not analogous to Asian. Land reform in underdeveloped countries is linked with the break with the past which can be a powerful stimulus to development. But agriculture needs continuity. So a system conducive to production and investment is needed." Expropriation in European and Scandinavian countries were unnecessary as tenants could purchase land through credit. But the peculiar conditions in under developed countries such as excessive pressure on land, poverty of peasants, and rackrenting by landlords necessitate appropriate land reform. East European countries constituting the socialist block, Russia, China, Mexico, South Italy, and Bolivia, had to adopt various land reforms consistent with their environment and political ideals.

LAND REFORM IN ORISSA

Land policy being a state subject in the Indian Constitution, Orissa has enacted various land laws like other states for solution of agrarian problems. The significant acts are stated for analytical purpose.

1. Orissa Tenants Protection Act, 1948—protecting rights of tenants before 1947 and fixing rent within limits of 2/5th of the produce.
2. The Zamindery Abolition Act of 1952—eliminating intermediaries.
3. Orissa Tenants Relief Act, 1955—providing security to temporary tenants. According to the Act, the tenants cannot be evicted from land as long as they paid the rent. Rent was fixed at 1/4th of the produce, land owners could resume land leased-out upto 7 acres.
4. Orissa Land Reform Act of 1960—further amended in 1965 had the following provision.

(a) No landlord is entitled to more than $1/4$ th of the produce as rent. This rent again should not exceed fair rent in respect of the land; fair rent varying from 2 mds. to 8 mds of paddy depending on the nature of land.

(b) Delivery of produce is to take place at a place nearer to the land.

(c) No landlord can resume for personal cultivation more than half of the land let out to a tenant.

(d) A tenant may acquire the ownership of the land he cultivates by paying compensation at the rate of 10 times the fair rent of not exceeding 40% of the market value of the land. The compensation may be paid in five annual instalments.

Application for resumption of land will be entertained upto 90 days from the enactment of the law i.e. 11.8.65. Suomotu proceedings are to be drawn by revenue officers by 9th Sept., 1966. Landlord can evict a tenant if the latter has rendered a land unfit for cultivation, failed to cultivate properly and failed to deliver rent within 2 months.

5. In previous Act, provisions for ceiling fixation on family holding were as follows. In first class land, ceiling will be at 20 standard acres, in 2nd class land at 30 acres, in 3rd class land at 60 acres, in 4th class land at 80 acres. First grade land is one having irrigation for 250 days in a year, second grade land is one having 120 days irrigation 3rd grade land and one where paddy is cultivated without irrigation, the rest constitute 4th grade land.

Redistribution of surplus land after fixation of ceiling will be effected in order of the following priority—(1) First to the neighbour cultivator having less than 1 standard acre (2) to agricultural labour without land (3) to the cooperative farm, (4) last to others.

In each case, people belonging to the scheduled castes and scheduled tribes will get top priority. Compensation to the landlord will be given for the land taken away at the rate of 15 times the interest on the capital value of the land in 10 instalments. It is a matter of regret that the provisions of the Act have not yet been implemented.

From the cursory review of the Acts, it is obvious that land policy in our State aims at 3 major objects. Viz—(1) abolition of intermediaries, (2) solution of tenancy problems 3. Fixation of ceiling.

While passing the Act of 1960, the Govt. observed that it is "necessary to enact a progressive legislation relating to agrarian reform and land tenure"—that "it is expedient to confer better rights on agriculturists to ensure increase in food production".

Let us see how far the professed objectives have been realised in reality.

Abolition of intermediaries which is more or less a complete chapter is no more seriously objected to either in respect of its implementation or implication. In the least it has ended a pervasive and pernicious local serfdom of the peasant and has made the state interested and ultimately responsible for agrarian reconstruction. The most knotty problems are, however, that of tenancy and ceiling-imposition.

1. *Tenancy laws :*

Tenancy laws as stated above have been passed to ensure security and fair rent for tenants which would stimulate better farming. In a predominantly agricultural state like Orissa, where 89% of total population lives in rural area as against 83% in entire India in 1955 and where 70% of people derive their livelihood from agriculture, pressure on land creating large number of tenants is quite natural. What is more deplorable is that out-put per acre in 1955-56 was Rs.98/- in Orissa as against the Indian average of Rs.143/-. Output per man engaged in agriculture was only Rs.120/- as against Indian average of Rs.180/- vide the Techno Economic survey of Orissa. Among many deficiencies, the problem of tenancy is no doubt one handicap hampering productivity. Dr. S. Misra in his book, 'Economic Survey of Orissa', has pointed out that 22.7% of rural families are tenants in some degree or other, that 9.7% of land owning family rent out land amounting to 6.9% of cropped area and that 11.6% of land holders have less than 1 acre in size and 10% of land holders of the size between 1 to 2 acres lease out land. Thus the tenancy laws while protecting the interest of the large body of tenants who are mostly poor, should also give scope for resumption of land for personal cultivation to help the small land owners who have leased out land. Considered in this light, the tenancy laws passed so far are just and proper. Provision against whimsical eviction of tenant, coupled with the facility for acquiring ownership of the land he cultivates, are definitely conducive to sincere and improved cultivation. Fixing rent at 1/4th of the produce may injure severely the interest of the small lessor, but the option to resume land for personal cultivation is there as a saving clause.

Shockingly enough, the cherished objectives behind tenancy laws have been vitiated by the inhibiting factors notwithstanding the apt provisions in the Act. For example (1) knowledge of the Acts before implementation have led cautious, selfseeking land owners to eject the tenants from land. (2) Resumption of land by the owner in violation of the laws has taken place on large scale. Because the tenants are not aware of the law, even if they are aware, owing to the abject poverty, they could not oppose the land

lords, the absence of record showing the period over which the tenant cultivated the land is another obstacle. Suomotu proceedings in respect of resumption of land by owners for personal cultivation is hardly done by the revenue officers due to their natural disinclination and non cooperation of villagers.

(3) Tradition is hard to die out. Multifarious dependence of the poor tenant on the rich land owner and the lack of alternative livelihood force the tenant to cultivate the land on unwritten customary agreement for 50% share of the crop.

II. Imposition of ceiling on land :

Despite provisions made in the Act 1960 and amendment of 1965 for quite obvious reasons, they have not been implemented as yet. Imposition of ceiling is the most controversial topic in land legislation. Growth of socialist ideas, the Fourth Amendment of constitution in 1958 and the Nagpur Resolution of the congress party on land reforms in 1959 gave impetus for ceiling fixation.

Imposition of ceiling on land is advocated on the ground that (1) this will spurn the uneconomically big size of holding. (2) that this will result in redistribution of surplus land among land less labourers, (3) that it will reduce gross in-equality in property and promote an egalitarian society and (4) that a less hierarchical society will facilitate the growth of the contemplated ideal-cooperative village management. To quote Mr. C. D. Deshmukh, ceiling is "in reality a way of ensuring that the scarce factor of production (land) is not monopolised by a few and that this is a special case of regulating land ownership, tenure and land utilisation".

However the critics of the move are many and nonchallant. They oppose it on the grounds (1) that imposition of ceiling will increase fragmentation of land and uneconomic units of cultivation (2) that the redistribution of the resultant surplus land will not substantially help the numerous landless people, (3) that it will discourage investment in land and its improvement. Since land is the main avenue of investment of one's saving in rural area, fixation of ceiling will remove the great stimulus to saving by the average cultivator, (4) that ceiling on land unaccompanied by ceiling in other sectors of economy is illogical and partisan. (5) that imposition of ceiling on land will weaken, nay, wipe out the solubrious hold of the rich cultivator in rural area exposing it to the exploitation of the urban money bags. Indeed the firmament in the galaxy of the builders of our nation is studded with rare gems drawn from well-to do farmers. It is feared, that the ceiling will deprive the rural society of that opportunity and the removal of investment opportunity, in land will result in the disappearance of a

class of thrifty, self reliant and self respecting citizens from rural society with dire consequence to Indian economy and polity. While the controversial nature of the implication of ceiling cannot be ignored, the possible effects of the progressive socialistic measure has eluded in practice.

In the context of ideological conflict and administrative lacunae that characterise present India, the case for ceiling in Orissa will be only of academic interest.

Will the proposed ceiling result in adequate surplus land for land less labourers ? As many as 30% of rural families containing 91% of scheduled caste families are land less. Surplus land available after fixing ceiling at 20 acres will be only 36254 acres, as estimated by Dr. S. Misra in his Economic Survey of Orissa. This is quite insufficient to help substantially the landless families. If the purpose is to raise the uneconomic units of farming to economic units-say of 10 acres through the addition of the surplus land, that again will require about 403685 acres. Large holdings being quite a few in Orissa, specially in fertile coastal areas, imposition of ceiling at 20 acres and the multiple of it, will not bring about a spectacular economic result. None-the-less its socio-political effects will be perceptible for good or bad. The fear of offsetting the possible effect of ceiling by cleverly recording lands in the name of various family members is always there.

The crucial problems of agriculture in Orissa or for that matter in entire India is the dominance of uneconomic unit of operation with its concomitant deficiency.

The average size of holdings in Orissa is 5.1 acres. About 4/5ths of holding in coastal area, are below 5 acres and in Orissa about 28.3% of holdings are below 2 acres. With such small holdings the trend of capitalistic farming recently observed by Daniel Throner at places in south Arcot Punjab and elsewhere cannot make much impact in Orissa. The pressing problems now are increase in productivity, creation of agricultural surplus to feed industry and *interalia* the betterment of the lot of the low and the weak. Reports indicate that the yield of crops in many areas of Orissa does not show an increasing trend.

Thus a suitable agrarian structure providing amenities of improved cultivation, incentive to hard work and glamour of social justice must be built up.

Tenancy laws, to the extent they are rightly operative, will stimulate productivity and dispel the discontent of the tenant, ceiling imposition will reduce gross inequality in rural area. Abolition of land revenue-a regressive measure-may give some consolation to the peasant, but they do not go a long

way to revolutionise the agriculture so pressingly needed today. Cooperative farming or joint farming backed by service cooperatives alone can promote economic efficiency and socialistic goal without curbing individual freedom.

The problem of land-less labourers is a part of the general malady of the economy originating from inadequate industrialisation.

Mere land reform without planned supply of agricultural accessories like water, fertiliser, improved implements, seed and technical knowledge will be futile. Orissas consumption of many of the accessories per acre is below the Indian average. Absorption of the unemployed or disguised unemployed persons in industries, and agro-industries must be planned out on a comprehensive scale. Proper coordination between various departments related to agriculture should be continuously maintained. Extensive survey of the handicaps of agriculture in different regions and the suitability of the soils for different crops must be conducted and steps according to the findings must be earnestly taken. The growing interest in use of tractors and other cost saving methods as evinced in Kalahandi must be exploited and their use popularised. This necessarily requires an organisational vehicle. Cooperatives are perhaps the best institutions for the purpose. If socialism is our cherished goal, the move should not stop at agricultural front. In short there is a need for an integrated approach relating to land reform; the whole economy is to be operated with a unity of purpose, drive and social momentum born of resurgence of hope—a social revolution in action. Dr. Gyan Chand's penetrating observation is worth quoting. "Unless a thread of common social purpose runs through the entire economy and effective action is taken to alter radically the power pattern—we may get the shadow, rather phantom of the new agrarian economy, but its substance remains for us an ever elusive object" (Socialist Transformation of Indian Economy) The loosening of the grip of the usurer, merchant and rich peasant on rural mass requires comprehensive planning and strong governmental determination. "The handling of these basic problems requires strong, determined governments at the centre and in the states". This is precisely what India does not have and for some years to come, may not have." (Daniel Throner) This bitter truth, should not lead us to despair. Public alertness and non partisan, enlightened and united endeavour of the ruling parties can alone effect rapid progress in agriculture and avert painful socio-economic disaster.

LAND REFORMS IN ORISSA—WITH SPECIAL REFERENCE TO SAMBALPUR DISTRICT**

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I—LAND REFORMS AND ECONOMIC DEVELOPMENT

The defective agrarian structure in an economy is an impediment to economic progress. The problems of the structural organisation of agriculture claim importance as the foundation for all other reforms. Economic development in an under-developed country, especially in an over-populated country, hinges to a great extent upon the progress made and contribution rendered by agricultural sector. But agricultural progress is formidably hindered by a peculiar land tenure which is intimately related to the institutional factors, viz. the land ownership, the pattern of land-use, and the basis of production and distribution. Higher agricultural productivity may result from reform of the land tenure systems. This involves decisions in the re-distribution of the land ownership, conditions of tenancy, and control of rents. Where agriculture is the main industry, such action is very important. India's First Five Year Plan, for example, maintained that the "future of land-ownership and cultivation is perhaps the most fundamental issue of the national development. The pattern of economic and social organisation will depend upon the manner in which the land problem is solved."¹ Many of the land tenure systems impair productive efficiency. The incentive to make permanent improvement is also discouraged by periodic reallocation of land, uncertainty as to ownership and control, short leases, rack-renting, arbitrary evictions, absentee landlords, excessive rentals, and chronic indebtedness of the tenants. Land reforms, therefore, are to be carried on to clear all the impediments on the way of agricultural improvement, which would facilitate and further the growth of both agriculture and industry.

In short, a close relationship between the peculiar agrarian structure and economic progress may be made out. "In a country like India where feudal land system, high pressure of population, and meagre industrial growth are the main features, agrarian structure has reduced the actual tillers of the soil to the position of serfs, paying exorbitant rent and receiving only subsistence income ;

**The paper has been written under the guidance of Dr. B. Mishra, Professor of Economics, Orissa University of Agriculture & Technology, Bhubaneswar-3.

1. India, Planning Commission, First Five-Year Plan, Peoples' Edn., Delhi, 1953, p.88

it has reduced the farms palpably to uneconomic size ; it has given rise to concentration of land in a few hands ; it has in general failed to offer adequate incentives to the cultivators to increase farm production."² This complex of legal, economic and social relations characteristically peculiar to the agrarian structure in India served to produce an effect of a built-in depressor. Through the operation of " this multi-faceted 'depressor,' Indian agriculture continued to be characterised by low capital intensity and antiquated methods."³ With this type of land system, no improvement measures will be possible to be effectively undertaken. " Neither scientific agriculture nor co-operation can make much headway unless we reform the land system."⁴ Whatever might be the type and efficiency of planning measures, no substantial material results would be achieved if it overlooks the adverse effects of defective land tenure system on the productivity of land.

With these defects in the agricultural system, agrarian reforms become an urgent social and economic necessity. The land system not only produces economic obstacles, but also produces unfavourable atmosphere for progress. So land reforms must aim at ameliorating the social conditions, viz. promoting social justice, and agricultural efficiency. " The justification for land reform must be found either on the inequitable nature of juridical base of the existing system of land distribution or on the abuses and evils, social and economic, that have developed over a period or on both."⁵ But mere realisation of social justice may not facilitate economic progress and on the other hand, " it may even prove to be a retrograde step in the purely economic sense ;"⁶ Therefore another side of approach—the most important one from the point of view of relationship between land reforms and economic development—is " the attainment of a standard of agricultural efficiency."⁷ Thus land reforms in a country must have both social and economic objectives. They are interdependent and, therefore, one calls for another. So the nature of land reforms can properly be understood only with reference to their objectives. On the other hand, the nature of objectives depends upon the political ideology and social and economic environment of the country. Land reforms " is a political necessity in many areas where land is held in a great latifundia and where the aspirations of the peasantry have become indented with the ownership and cultivation of a separate plot of land."⁸ Prof.⁷ Schultz, therefore, points it,

2. H. V. Shivamaggi, " Agrarian Reforms and Economic Development", The Ind. Jnl. of Agricultural Econ., Vol. IX, No.2, Aug. 1954, p.12

3. Daniel Thorner, The Agrarian Prospect in India, p. 12

4. R. K. Mukerjee, Land Problems of India

5. S. Thirumalai, Post-war Agricultural Problems and Policies in India (1954), p.125

6. United Nations, Progress in Land Reforms (Third Report), 1962, p.9

7. S. Thirumalai, o. cit., p. 125

8. C. P. Kindleberger, Economic Development, 1958, p.225

"the problem of land reform is one of relating the community preferences and possibilities."⁹ Though value judgements are outside the perview of economic arguments or justifications, the former, specially in an under-developed economy, cannot be relegated to the background. The basic objectives of all economic activities is the promotion of welfare of the people. Welfare of the rural people depends both on agricultural production and the pattern of distribution. Thus, the following broad objectives of land reforms may be formulated, viz. social justice and economic equality, individual freedom, and efficient and increased production."¹⁰ Land reforms would reduce social injustice; exploitation (both social and economic), promote incentives of the farmer, and above all would facilitate and accelerate agricultural productivity. Further, it must create and foster congenial atmosphere for progress. "Economic progress will not occur unless the atmosphere is favourable to it. The people of a country must desire progress and their social, economic, legal and political institutions must be favourable."¹¹ Thus for development to proceed further, "a readaption of social institutions and social relationships become necessary."¹²

But it is evident that promotion of social and economic objectives might prove contradictory. However, a proper synchronisation of both the aspects is a vital necessity. It must be borne in mind that efficient land reform measures is only a factor among the different factors that facilitate and accelerate economic growth. Further, land reforms alone cannot augment agricultural productivity. A set of other measures have to be combined with land reforms. In India, land reforms have attempted to promote the social objectives and have neglected economic aspect. Till recently, tenancy reforms have become the chief land reform measures. Measures have been undertaken with regard to security of tenure, abolition of intermediaries, regulation and fixation of fair rent and reduction of exploitation, both social and economic. Tenancy reform is, of course, of supreme necessity, for complexity of the tenural system quite greatly impede agricultural development. This, therefore, calls for a brief analysis of the tenure system in Orissa, particularly with reference to the district of Sambalpur.

II—LAND SYSTEM IN ORISSA

The tenural system in Orissa is peculiar and complex. Because of the association of different parts of the State with different provinces when the present administrative set up started growing, different Revenue Laws operate

9. T. W. Schultz, *The Economic Organisation of Agriculture*, p. 312

10. M. L. Dantwala, "The Basic Approach to Land Reforms", *The Ind. Jnl. of Agricultural Economics*, March 1953, p. 95

11. United Nations, *Measures for Economic Development of Under-developed countries* P, 13

12. Planning Commission, Govt. of India, *First Five-year Plan*, Chap. I ; para 2.

in different parts of the State. The diversity has further been accentuated by the fact that special provision has always been found necessary for the large population of Scheduled Castes and Scheduled Tribes. Further, each of the princely states had its own system of revenue law, the administration generally depending upon its local and financial circumstances. Thus there are as many as 32 different laws and administrative system governing the land and the rights therein in the State."¹³ This state of affairs has made the land revenue administration of the State "Very complicated. . . perhaps the most complicated in India. . . especially because, for certain areas like some of the ex-State, there is no systematic and codified revenue law to administer and most of the work is done on conventions and usage"¹⁴ This kind of semi-feudal tenures "without well-defined rights and obligations between landlords and tenants."¹⁵ have gained more peculiarity and complexity in Orissa.

There are four types of land tenures in the State : Zamindari, mostly found in the coastal districts (The Bengal System) ; Raitwari System (Madras System) ; Malgujary and Gaontiahi System, mostly found in Sambalpur (The C. P. System). But in the process of development of tenure system in the State, different interests in land have developed and the complex structure constitutes a serious bottleneck in putting the tenancy system of the State on an uniform basis.

III—TENURAL SYSTEM IN SAMBALPUR

A brief history of land tenure system in the district of Sambalpur will reveal the peculiarities of the interests in land and their effects on the district. By the end of the 18th century, the district formed one of the cluster of states held by Chauhan Rajputs. It escheated to the British Government in 1849. In 1862, it was transferred to form a part of the newly constructed Central provinces. But in October, 1905., the district was retransferred to the province of Bengal where it remained until 1912, when the province of Bihar and Orissa was created. Thus it formed a part of Bihar and Orissa till 1936 when the province of Orissa was created and it finally became a part of Orissa.

However though the district experienced different administrative changes the agrarian laws have not undergone many changes. The Rent Act X of 1859 of Bengal was in force in the district. But it is the successive Land Revenue and Tenancy Laws of the Central Provinces enacted subsequent to 1862, that have governed the substantive and procedural law regarding the land and land

13. The Board of Revenue, Govt. of Orissa, Land Tenures & land Reforms in Orissa, 196 , p. 1

14. Ibid., P. 1

15. Meir & Baldwin op, cit., p. 277

revenue in the district. But after the transfer of the district to Orissa, the above Acts were repealed in the Central Provinces and their place was taken by the Land Revenue Act of 1917 and the Tenancy Act of 1920.

The proprietary tenures that existed till recently were six in number, viz. (1) Zamindary, (2) Malguzari, (3) Gaontiahi, (4) Bhogra-Bhogi, (5) Malik-Makubjas, and (6) Brahmottardars.

The Zamindars of Sambalpur "stand halfway between the chief of a feudatory state, who pays tribute to the British Government, and the ordinary proprietor of a Khalsa village who pays a portion of his assets as land revenue".¹⁶ The nature of his tenure is not revealed in any Act, but is expressed in the *Wajib-ul-arz* (administrative paper). Briefly, the legal status of the feudal Zamindars is that they are proprietors of estates which are impartible (except one case, viz. Sub-Zamindars of Garh Losing) and non-transferable except to heirs, who are approved by the Government.¹⁷ The rights and privileges of the Zamindars were personal. The Zamindars in Sambalpur "are thus comparable to permanently settled estates of Bengal with certain restrictions".¹⁸

The malguzars of Sambalpur consist of certain estate holders who, for services rendered to the native rulers or to the British Government, held their estates revenue-free or paid only nominal quit-rents. They were like ordinary proprietors of Bengal holding land on temporary settlement.

The Gontias were a peculiar class of proprietors in the district of Sambalpur. Such proprietary interests are not found in other districts of Orissa. Enquiry has shown that, under the rule of Rajas of Sambalpur, Gaontias or village headmen had no proprietary rights in their villages and that though they claimed the rights of hereditary succession, their claim had never been recognised; that they held on short term leases, to the renewal of which they had no intrinsic right; that on their renewal heavy 'Nazrana' fees were levied. But soon after the British annexation, it was decided that Gaontias should be given proprietary rights in their villages, but owing to the disturbances which followed in the wake of the Mutiny, and consequent delay in the resettlement of the District, the policy of converting village headmen into proprietors began to be seriously doubted. Soon after the transfer of the district of Sambalpur to Central Provinces a proclamation was issued in 1862 notifying that the proprietary right would be conferred on all Gaontias. But subsequently the policy was changed and it was decided not to grant full proprietary rights to the Gaontias, and rather make them proprietors only in respect of their Bhogras or Home-farm lands.

16. Bihar & Orissa District Gazetteer, 1932, p. 198

17. But no permanent dispossession of a Zamindar has actually occurred in Sambalpur

18. Board of Revenue, Govt. of Orissa, 1962, op. cit., p. 18

The rights of a Gaontia, who is also 'lambarder' and 'Mukaddam' of his village, as exercised and sanctioned by the ordinary practices of Civil Courts, include :

- (i) proprietorship and free right of alienation of the home-farm;
- (ii) the right of management over the whole village and undisturbed possession of it, so long as the governmental revenue demand is fully and promptly paid; and
- (iii) the right of alienating the whole village or a share in the village, is accompanied by a transfer of home-farm land.

A complete account of the rights and duties of the Gaontias in relation to the Raiyats and to Government is contained in the settlement Wazib-ul-arz. The Wazib-ul-arz further provided that the Lambarder was to be responsible for the management of the village and that he would be the land lord.¹⁹

There are superior and inferior (Shikmi) Gaontias. The rights of Shikmi Gaontias are exactly the same as those of ordinary Gaontias, except that they pay their village assessment to the Superior Gaontias instead of to the Government, and that they usually also pay him 'Malikana', or a sum which represents a share in the cultivating profits of the home-farms. In a large number of Khalsa villages dual rights of Gaontiahip are exercised, and in all cases it is inferior Gaontias who are the real village managers, and also bear the responsibilities of rent collection.

The tenure called 'Bhogra-Bhogi' connotes proprietary rights exercised in small parcels of land, and not in entire villages. The history of this type of tenure reveals that, at the time of private partition of 'Khalsa' villages among various branches of Gaontiahi family, the senior branches divided themselves the principal part of the home-farm and took the overall management of the village. They assigned to junior or illegitimate branches plots of home-farm land, the understanding being that their recipients relinquished all rights to interfere in the disposal of 'Bhogra-Bhogi' plots. The right of transfer of this kind of plot has been frequently exercised.

Bhogra-Bhogi lands held by malguzars are called Malik-Makubja. The proprietor of such plots can sublet without creating occupancy right of transfer as the proprietor of Bhogra-Bhogi land. There were only 13 such tenancies in the district.²⁰

19. Section 2 (6), The C. P. Tenancy Act, 1998.

20. Bihar & Orissa District Gazetteers, Sambalpur, 1932, p. 202

Finally, Brahmottardar tenures relate to those plots granted in proprietary to Brahmans. It has been ruled that "the tenure is a proprietary one",²¹ and that the holders are entitled, on the resumption of the revenue, to have a proprietary sub-settlement made with them. Their land not being village home-farm, every tenant holding from them becomes by the payment of rent an occupancy tenant.

The Tenancy Act connotes that all tenants, not being sub-tenants, have occupancy rights, except the tenants in possession of service holdings and those servants of Zamindars who hold tenancy land in return of service. The occupancy tenants enjoy all the heritable occupancy rights subject to the following statutory restrictions : the holding (i) cannot be sub-let for more than one agricultural year, (ii) cannot be transferred by sale or fore-closure except for default of agricultural loans advanced by the Government, and (iii) cannot be diverted to non-agricultural purposes.²² This restriction of transfer was made in order to check the transfer of lands to the non-agriculturists and rich people. Till recently, however, the occupancy rights were transferable only in the following cases, namely :—

- (i) a tenant might sub-let his land for a period not exceeding one year, and
- (ii) he might transfer his right of occupancy to any person who, if he survived the tenant, would inherit the right of occupancy or to any person in favour of whom as a co-sharer the right of occupancy originally arose, or who had become by succession a co-sharer therein.

There are also service holders. Most of the service holders are in possession of village Watchmen, viz., the Jhankar and the Ganda.

Some sub-tenancies found in the district can also be indicated. The ordinary sub-tenancy in both raiyati and bhogra land are :—

(1)—usufructuary mortgages, (2)—holding for two or three years on 'Chirol', viz., with the subrent paid in full in advance, (3)—holding on 'bhagel' terms, by which half of the gross produce is handed over to the lessor, (4)—service sub-tenancies, and (5)—Some few cases of land given out on an annual cash sub-rent.

In addition to the above descriptions of the types of tenure found in the district some other peculiar features are also found. In the Zamindaries

21. Ibid., p. 203

22. Section 85, The C. P. Tenancy Act, 1898.

many villages are held free of rent by persons who were either relations of Zamindars or his former servants. They were usually called 'Maufidars'. This 'maufi' was against the Zamindars not against the Government. Therefore, the 'Maufidars' used to pay proportionate share of the land revenue payable by the Zamindars to the Government. This was a non-official arrangement. Being the creation of the Zamindars, the demand for having absolute right over the holding was turned down.

Another feature of the Zamindari was the intermediate status of a class called 'Thikadars'. Thikadars had the right to collect rent from the tenants of his village, manage the village and enjoy the 'sir' (home-farm) land of the village. He was to pay "Theka-jama" (which was equal to the active assessment of the village) to the Zamindar in time. There are both protected and unprotected Thekadars. Because of large profits made by the Thekadars out of the 'sir' lands the Thekadars at the renewal of the settlement were to pay 'Nazrana'. In order to check the Zamindars for charging exorbitant 'Nazrana', in 1888, legislative actions were taken to protect Thekadars. But the legislative action taken worked 'more or less satisfactorily'.²³ However, the tenure of a protected Thekadars was impartible.

IV. INCIDENCE OF THE TENURES IN THE DISTRICT

The peculiarity of tenure was, to a great extent, hindrance for provision of proper security of tenure, promotion of efficiency and augmenting agricultural productivity. The misuse of the statutory provisions, the better financial and social status of the proprietors, and sub-proprietors lead to various abuses and problems. This can be described as follows.

In the district, about 95 percent of the tenants are occupancy tenants who were put to immense difficulty that was inherent in the statutory restrictions regarding the transfer of their property and "land being more or less the only asset, their capacity to raise a credit in times of need was very much limited."²⁴

In spite of the rigid restrictions envisaged in the Tenancy Act, transfer used to be freely made by an indirect method of surrender to the landlord (viz. Gaontias, Thekadars, Malguzars or the Zamindars) and resettlement by hire with the transfer. Obviously, this method immensely benefitted the landlord at the cost of the tenants. It was evident in the district, that landlords charged about 25% or sometimes more of the consideration money as premium for becoming a party to this questionable process of getting round the statutory

23. Board of Revenue, Govt. of Orissa, Land Tenures & Land Reforms, 1962, p. 21

24. Ibid., P. 23

restrictions. If the intention was to prevent the lands from being concentrated in the hands of money-lenders, exploiters and speculators, then "this danger did not threaten Sambalpur and the Act has been inoperative to prevent the passing of land from the poor men into the hands of the richer and more industrious agriculturists."²⁵ The two sections of the C. P. Tenancy Act, 1898 (involving restrictions of transfer of occupancy tenancy)²⁶ really lead to dangerous consequences. It is observed that "the chief person who is benefited by this provision of the law, as it stands, is the landlord who generally manages to secure a heavy premium (anything from about 25% consideration or upwards) on every transfer made by the tenants."²⁷ And these were the "prolific sources of litigation".²⁸ Thus the provisions of the law "which were intended to benefit the tiller of the soil had the only effect of benefitting the landlord at the cost of the tiller".²⁹ Some tenants with borrowed money used to purchase occupancy holdings and to evade the creditor took the shelter under the Insolvency Act. These inequities led to litigation generally contested with vigour "causing constant flow of wealth from the sweating and labouring interior to ease-loving towns and dragging the tenants from the field to the Courts where he had to tell lies in order to avoid the law."³⁰ Thus occupancy right did not become marketable. This is one of the evils found in the Sambalpur District stemming from the C. P. Tenancy Act of 1898. Further, this Act was mostly utilised for the benefit of the money-lender and speculator. This clearly reveals as to why in the district of Sambalpur where there was a lot of scope for extension of cultivation and the standard of husbandry is generally high, the tenant did not feel encouraged to invest all he could in the extension of cultivation.

Another black side of the Act is that an occupancy tenant could be ejected for non-payment of rent. This was really too harsh a provision which very much reduced the security of the tenure.

Further, as the Wazib-ul-arz reveals, each cultivator when abandons the holding, is to lose the right over house-site in the village, which were given free of rent during the time of renting of the holding. This really led to insecurity of the tenancy and misery of the tenants.

In the case of Bhogra-Bhogi and 'Sir' land, tenants were ordinary tenants, but practically they were tenants-at-will (or sub tenants). The land continues to be shown as Bhogra Bhogi and 'Sir' and the tenant continues to be a sub-tenant. The statute connotes them as mere tenants-at-will.

25. Mr. F. Dewars' Settlement Report, 1906

26. Section 46 and 47, The C. P. Tenancy Act, 1898

27. Khan Bahadur Mahamad Hamid's Settlement Report on the Sambalpur District, 1926

28. Ibid., (1926)

29. Board of Revenue, Govt. of Orissa, Land Tenures & Teforms in Orissa, 1962, p.22

30. Ibid., p. 23

The peculiar provisions in the statutes created a strained relation between the land-lord and the tenant. During the time of Mr. Dewar's settlement (as is evident from his report) the practical relation with Gaontia towards the raiyats was "in its essentials still maintained, and there is little direct opposition between the landlords and the tenants."³¹ But the 1926 Settlement Report reveals : "The relation between landlord and tenants are not on the whole, as they were 20 years ago. The raiyats' chief grievances are that the landlords are becoming more and more rapacious in demanding Nazranas for consenting to the raiyats transferring their lands or reclaiming new fields from the waste. An active cause of strained relations between landlords and tenants is the Gountias' own dissensions with his 'hissadars' (co-sharers) which invariably result in creations of the factions amongst the raiyats".³²

Thus, the relations between the landlords and the tenants were a strained one, the security of tenure was obscure and threatened, the service holders were many, the revenue was less (as the landlord enjoyed vast amount of 'bhogra' and 'Sir' lands), the heavy Nazrana affected the economic position and incentives of tenants, and the heavy 'beth begar' (free labour) were enjoyed by the landlords for cultivating the 'bhogra' and 'Sir' lands. And these were some of the major incidences of the different tenures that prevailed till recently in the district of Sambalpur.

V. LAND REFORMS IN THE DISTRICT AFTER INDEPENDENCE AND THEIR EFFECTS

Conforming to the general decision of abolishing the intermediaries throughout the country, the Orissa Estate Abolition Act, 1952 was passed and it also came into force in this district. In Sadar and Bargarh sub-divisions, there were some eighteen Zamindaries and they were abolished in different orders of the Orissa Revenue Department. The last Zamindari abolished was Padampur and Chandrapur.³³

In the Zamindaries of the district, there were a number of Thekadars and Maufidars interests. On the 1st April, 1960, the interest of Gaontias, Malgujars, and Maufidars in Khalsa villages along with those of Thekadars and Maufidars in Sardar and Bargarh sub-divisions of Sambalpur district were abolished and were vested in the State.³⁴

The different 'Maufis' (service tenures) in the district of Sambalpur were for the following :—(1) Jhankar, (2) Nariha, (3) Ganda, (4) Barber, (5) Washerman,

31. Mr. F. Dewar's Settlement Report on Sambalpur, 1926

32. Khan Bahadur Mahamad Hamid's Settlement Report on Sambalpur, 1926

33. By the Govt. Order No. 696-EA-I-46/58-R dated 6-1-59.

34. By the Govt. Orders No. 15191-EA Dated 30-3-1960 and No. 15190-EA dt. 30-3-1960

(6) Chaukidar, (7) Potter, (8) Negi, (9) Bohidar, (10) Blacksmith, (11) Khijmat maufi, (12) Brahmottardars, (13) Debottardaras.³⁵ The village service maufis "are village service holders and it is dignifying their position unduly to call them village service tenants."³⁶ All the Maufidars are abolished and they are to be given record of rights in the settlement (now in progress). Thus intermediary interests were abolished.

The payment of 'Nazrana' led to much abuses. In 1888, legislative actions were taken to do away with these practices. This unsatisfactory practice was clearly appreciated as early as 1904 by Mr. Dewar, the Settlement Officer of the Sambalpur District, 1904-1908. In a Government Notification, the taking of 'Nazrana' was prohibited.³⁷ But it was ineffective and all suggestions from time to time for amending the law were turned down till 1953.

With regard to the tenancy reforms in the district, the most important step has been the making of occupancy right a marketable property. This had serious repercussions on the agrarian economy and social life of Sambalpur District. It was really essential to remove the restrictions and make amendment of the C. P. Tenancy Act.³⁸ This ultimately was amended in the year 1953 by the Orissa Acts 13 and 15 of 1953. Further, it was amended by the Orissa Acts 14 and 15 of 1958. With these amendments, the occupancy tenants in the district of Sambalpur got all the rights which occupancy tenants in the other areas of the State had been enjoying for a long time.

The crop-sharing system, a general feature of the State, is also found in the district. But the Orissa Tenants Protection Act, 1948 was not applied to the district of Sambalpur because of the absence of defined bhag-chasies of the Act. But the 'Kara-dhara' system is also synonymous to the bhag-chasies of the other areas of the State Accordingly. The Orissa Tenants Relief Act 1955. was passed which also covered this district. In this Act the tenant has to pay " $\frac{1}{4}$ th of the gross produce of the land or the value thereof or the value of $\frac{1}{4}$ th of the estimated produce as rent to the landlord".³⁹ Now this Act has lost its force from the district (as well as throughout the State) from 1.10.65 and has been substituted by the Orissa Land Reforms (Amendment) Act 1965.

35. From (12) to (13) were called 'Revenue Maufi' and from (1) to (11) as 'Rent Maufi' Further, 'Rent Maufis' are classified as 'Village Service Maufis', viz. from (1) to (4); and 'Individual Service Maufis', viz. from (5) to (11).

36. Khan Bahdur Mahamad Hamid's Settlement Report, 1926.

37. C. P. Govt. Order No. 191-S-110-R dt. 12-5-1927 (Quoted in the Bihar & Orissa District Gazetteers, 1932, p. 207)

38. The Sambalpur Land Laws Committee, 1939

39. Section 3 (b), The Orissa Tenants Relief Act, 1955 (as amended upto 1963).

Thus in the district of Sambalpur, the different land reform measures were mainly on the following directions :—(1) the abolition of intermediaries, (2) the abolition of different 'maufis', (3) the prohibition of 'Nazranas', (4) the making of occupancy rights marketable, and (5) the regulation of rent in case of crop-sharing tenancy.

The effectiveness of tenancy reforms in Sambalpur district is not at all appreciable. The district really needs radical land reform measures, because the percentage of landless tenants is higher here than that in the coastal districts.

With regard to the mode of payment of rent in Sambalpur district, the general method is paying the rent in kind. In the year 1948, about 32% of the tenants paid 50% of the gross produce as rent while in the year 1960, 57% of the tenants paid 50% of the gross produce. Thus the "provisions regarding rent payment in the Tenants Protection Act of 1948 (that rent would not exceed 2/5th of the gross produce) were not effective."⁴⁰ Further as regards maximum rent, the law requires that market value of the paddy should be notified from year to year.⁴¹ "The provisions do not, however, appear to be effective".⁴² Further, the study taken up by Dr. Bidyadhar Mishra⁴³ reveals that in Sambalpur district, about 97% of the tenants stated that the existing relationship between them and the landlords was not strained. But this is not due to the effectiveness of tenancy reforms. Because, it has been found out in Sambalpur district, about 93% of the tenants did not know that the Tenancy Act was passed. The fact indicated that the Acts were very little effective. In about 92% of the cases where there was a change in tenancy, the change was due to eviction. In only eight percent of the cases the change was due to surrender of land by the tenants. In very few cases, the landlord evicted the tenant due to irregular payment of rent or for actual selfcultivation of land.

In spite of Tenancy Acts, a large number of landlords leased out their land wholly or partly. The average amount of self-cultivated land and leased-out land of the landlords in all the district decreased between 1948 and 1960. But the percentage of landlord leasing 90 percent to 100 percent of their land increased during the said period. The figures "indicated that the practice of leasing out land on share-cropping basis was increasing."⁴⁴ Thus in spite of certain radical tenancy reforms, the impact is quite inappreciable in the district. High rent continues, disguised evictions are practised and the security of tenure is still threatened.

40. Dr. Bidyadhar Misra, Effect of Land Reforms in Orissa, Seminar on Land Reforms by the Research Programme Committee, Planning Commission, Govt. of India, p. 160-B.

41. Part II, the Orissa Tenants Relief Act, 1955 (as amended upto 1963) p. 19

42. Planning Commission, New Delhi, Implementation of Land Reforms... A Review, August, 1966, p.209

43. Op. cit., P. 160-B.

44. Ibid., p. 62-B

The agricultural productivity in the district was increased during the plan periods. But it is mostly due to the increasing irrigation facilities, co-operative assistance, availability of better knowledge and techniques of cultivation and other requisities. The land reforms have contributed little to the promotion of the objective of increasing agricultural efficiency and productivity. The relationship between land reform and productivity cannot easily be calculated. It is often asserted that a direct relationship exists between land reforms and agricultural productivity and output, mainly because land reforms result in a greater incentive to operators and in more efficient farm organisation. But while assessment of output is often comparatively simple, "the contribution of any land reform measures cannot easily be separated from that of other factors which affect output".⁴⁵ The previous analysis of ineffectiveness of tenancy-legislation can also help us to conclude that the contribution of 'Land Reforms Measures' to the productivity side of agriculture is quite negligible. Thus, neither in this district, nor in the State as a whole, the land reform measures have been effective.

Many drawbacks and difficulties have been faced mainly in implementing tenancy reforms and imposition of the ceiling. Broadly speaking, "the problems can be identified as (1) defective legislation and difficulties in implementing legislation : (2) the lack of finance ; (3) inadequate planning; and (4) administrative failures."⁴⁶

VI. CONSLUSION

There cannot be "any lasting improvement in agricultural production and efficiency unless without comprehensive reforms in the country's land system".⁴⁷ If land reform implies that "land must belong to the tiller", "sub-letting of land will be prohibited", "immediate prevention of all evictions", protection of the tenants "from rack-renting and illegal exactions", and fixation of ceiling on present and future holding, then we find that "little has been made with regard to them. The effectiveness of land reforms will depend upon its quick implementation. But the progress of land reform in Orissa is slow and halting. "Land reforms can be successful and help increased production only if they are comprehensive and thorough, implemented quickly and effectively".⁴⁸ Before being accompanied by other follow ups to reap the fruits of land reforms, there is first of all, a necessity of granting security of tenure, regulation of rent and imposition of ceiling. Security of tenure, however, "is essential; without it the cultivator has no incentive to conserve land resources, improve the land with long term investments and raise productivity".⁴⁹ Further, due to slow progress

45. U. N. Progress of Land Reforms, (Third Teport), 1962, p.2

46. R. Gopalswamy, Revenue Secretary, Govt. of Kerala, "Land Reforms in Perspective", Seminar in Land Reforms, Research Programme Committee, Planning Commission, 1966, p.158

47. Report of the Congress Agrarian Reforms Committee, 1949, p.7

48. D. Bright Singh, Economics of Development, p.488

49. Meir & Baldwin, Economic Development : Theory, History & Policy, p. 378

of settlement in the State, land reforms have not been successful. If land reform measures in the State have to promote agricultural productivity, rather than merely social justice and individual freedom, then other steps are to be taken. These developmental steps, in general, are (1) provision of technical guidance and training, (2) financial arrangements to provide credit and capital, (3) reorganisation of the scale of farm plots and farming operations, and (4) provision of suitable marketing arrangements.⁵⁰ But to facilitate these measures, the Government should try to implement the land settlement programmes.⁵¹ Thus the effects and achievements with regard to land reforms have been very slow and limited in our State.

SUMMARY

A defective agrarian structure is an obstacle to development. In the process of growth in a developing country agricultural progress has to play a crucial role. Reforms of tenancy and other allied land reforms are essential to facilitate progress in agriculture. Our country in the post-independence period has only concentrated on certain tenancy reforms. But if the social and economic objectives of land reforms programme have to be realised, then land reform measures should be implemented with much greater vigour and expediency. The productivity in agriculture in our State, specially in Sambalpur district, has increased due to certain other factors such as irrigation facilities, availability, of better and scientific knowledge, seeds, fertilisers, etc. The contribution of land reforms to productivity side of agriculture in Orissa is very little. Hence, to be precise, there has not been any land reforms in Orissa. Coming to Sambalpur district of Orissa, the land reforms are the following: abolition of intermediaries and other allied interests, the abolition of mutation fee (Nazrana), the regulation of rent and protection of tenant. But all these pertain to tenancy reforms. The effectiveness of these tenancy reforms is also very negligible, for there exists the evils of crop-sharing tenancy, high rent, disguised eviction, lack of personal cultivation on the part of land owners, absentee-ownership, etc. If land reforms have to increase the output in agriculture then there is immediate necessity of implementing the programmes quickly. The administrative set-up required for quick implementation of programmes have to be re-oriented and streamlined. In addition to the stipulated land reform programmes, other steps are to be taken to augment agricultural productivity, such as provision of technical guidance and training to the cultivators, provision of financial facility, reorganisation of scale of the farm plots and farming operations and provision of suitable marketing arrangements.

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SOME ASPECTS OF LAND REFORMS IN ORISSA.

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The subject of discussion—Land reforms—has a wide meaning. Land and its relationship with various interests, namely, landlords, tenants and agricultural labourers technological innovations on land and structural and organisational changes—all these can be herded together under this heading. This writer proposes to confine his study in this article to the relationship between land and various interests in land in Orissa during the period 1947 to 1967. A study of this type cannot logically exclude the conditions existing elsewhere in other parts of India which have given rise to the same pattern of land legislation there also. This explains our not very infrequent references to the objectives and implementation of Zamindari abolition and tenancy legislation measures in other states of India.

2. Abolition of intermediaries : Abolition of intermediaries is the first step in the lengthy and otherwise complicated process of strengthening the relationship between land and its actual cultivators by eliminating the middlemen of various shades and meanings.

3. Orissa is not a land reform unit. In fact, Orissa as constituted in post-independence era, had three different types of land tenure, each being prevalent in three major divisions of Orissa namely North and East Orissa West Orissa and South Orissa. Bengal system based on Bengal Tenancy Acts of 1859 and 1885 which had its counterpart in Orissa Tenancy Act of 1913 (as amended in subsequent years) had its sway on North and East Orissa, that is to say, mainly the three coastal districts. In West Orissa, C. P. Land revenue Act of 1881 and Tenancy Act of 1898 created such intermediary agencies like Zamindari, Malguzari and Gaontiai, in South Orissa, Madras Estates Land Act 1908 determined the rights and obligations of the actual cultivators. The occupancy ryots enjoyed such privileges like fixity of rent, payment of rent in instalments, rights of succession and some measure of security of tenure. The non-occupancy ryots were ejected too often at the will of the owner and even if there was a provision for determination of rent by revenue officials (under C. P. system) or by courts (under Bengal System) in actual practice, it was made inoperative partly because of inadequacy of the law and partly also due to lack of willingness of the tenants to invoke the provisions of law against the powerful, privileged and influential landlord who held an undoubtedly dominant position in the society. (1) The conditions of agricultural labourers, casual and permanent, was particularly very depressing;

These people were neither provided employment for all the year round nor guaranteed adequate income to pay their way. The tribals are the worst sufferers. They had little land, were employed as life labourers in the farms of higher caste people (a system which is known as 'Goti' and was prevalent in Oraput district especially) and gave more than their share of the produce of land to the landowners.

The Orissa Estates abolition bill in 1950 was framed with a view to eliminate the middleman's interest in land one among the 65 acts to have been enacted in different states with the same purpose. It succeeded in abolishing absentee landlordism, Inam (gift) and 'bethi' (forced labour) became a thing of the past. The landlords could reliably learn the lesson that ownership divorced from cultivation of land might not go too far in the long run. The wind of change disturbed the *status quo*, made the rich owner panicky and tenants unconscious of their own rights but it could not sweep away the old order to bring in the new. The difficulties were many and they need enumeration.

Firstly the ex-zamindars were granted land for the purpose of personal cultivation. It is amusing that erstwhile absentee landlords suddenly changed their mind to apply themselves to cultivation of land in the process striking at the root of their false sense of social prestige. Again, it is one thing to engage the ex-Zamindars in productive occupations and quite another to grant a longer lease of life in their previous role as middleman in between the government and the ryot. Expropriation would not have been palatable to our country which has been wedded to democracy as well as Gandhism but what could have been avoided is investing these middlemen with the ownership of 250 to 500 acres of land. (2)

Secondly, the intermediaries were allowed to continue under the umbrella of ryotwari system. They were made the highest holder with full occupancy rights (3). "It was perhaps a retrograde step that an intermediary tenure instead of being abolished, may be simply converted into a ryotwari tenure." (4)

Thirdly the tenants or sub tenants worked on the some terms as were applied to them under the intermediaries. The 'Built-in-depressor' system continued to exist, the only change was state replacing the intermediaries (5) There was no proposal for rationalisation of land revenue, and no change in the position of sub tenants. This did not bring out a picture of total change the change was merely uneven and haphazard.

Tennancy legislations : Orissa Tenants' Protection Act (1948) and Orissa Tenants. Relief Act (1955) were obviously designed to fill up the void created by the bill of 1950. The 1948 Act fixed the rent at one third of the gross produce or two fifth in the case of non-occupancy tenants. The 1955 Act further reduced

it to one-fourth of the gross produce. Rent was different in case of dry lands (4 standard maunds of paddy as against six in case of wet land). Both the acts restricted eviction of tenants. The 1948 Act applied to landlords holding 33 acres or more and the 1955 Act to those holding 7 acres or more of irrigated land and 14 acres or more of unirrigated land (6).

But did this work ? The reply is in the negative. The defects are mainly two, that (i) the measures were half hearted and that (ii) they were hardly implemented effectively.

(i) Half hearted measures : (a) The law was inadequate to meet the problem of eviction. In Hyderabad, the land Commission pinpointed this problem (7) In Madras, it was found out that the interpretation of laws favoured the owner against the tenants (8) An investigation in Orissa villages (Kalei, Mahadevpur and Balarampur in Balasore district) arrived at a similar conclusion (9).

(b) Further more, in Orissa as in a few other states like Andhra and Madras, the tenants may be ejected after the expiry of the minimum period of lease. This, in fact, serves as a legal justification of eviction.

(c) The personal cultivation clause was incongruous with the spirit of the tenancy legislation. If encouraging the actual cultivators of the land is the objective, then there is no necessity of an escape clause of resumption of land for personal cultivation. If protection of owners be the criterion then obviously there is no need for such a law. The legislations, in fact, confirm the suspicion that these were enacted to create a 'Show window effect' (10). Again, the term 'Personal cultivation' should have been properly defined and might not have been left vague (ii) In U.P. and West Bengal, it even meant cultivation through labourers or servants unaccompanied by personal supervision of the owner. It should have meant, in the best interest of the tillers of the soil, risk of undertaking cultivation, conduct of personal supervision and contributing one's own labour in the cultivation of land.

(ii) Implementation — The problem of implementation is rather more serious in nature. It can be said that where the tenancy acts have been effectively implemented the tenancy has become all things considered as good as ownership (12)

(a) Evictions took place on a large scale, even so called voluntary surrenders were made. Illiteracy and ignorance (13) of the ryots of the tenancy laws may be particularly important in the districts of Koraput, Kalahandi, Balangir and Phulbani, the first and last mentioned districts being mainly tribal areas. The tradition bound tribal, not all of them, of course, may be perfectly justified in respecting the so-called rights of owners to evict as freely and frequently as

possible. But, in Balasore district which also claims a large percentage of literate mass, the right-conscious peasants have been involved in the doctrine of self-denial and do not assert themselves vis-a-vis the landlords (14).

(b) Rent fixation also had a similar story to tell. Customary rent was often 50% of the gross produce. Orissa Survey of the villages (three villages mentioned earlier in this article) confirms our statement (15). Fair rent is indeterminate, it may be mentioned but 1/2 of the produce by any standards is excessive (16) "Officials as well as nonofficial inquiries have revealed that the law as it exists failed to provide to the tenants either security of tenure or reasonable levels of rent" (17) Indifference possibly arising out of helplessness, disinclination to antagonise the landlord who by virtue of his position in the society and political influence in the higher circles still remains the most important man in the village, fear of losing the right of cultivation of land and unequal bargaining power of an economically weak tenant with the rich owner are the reasons for probable collusion between the landlord and the tenant which explains the subtle evasion of rent fixation legislations.

So far, the present writer has refrained from discussing the impact of tenancy legislations on tribal population of the state mostly to be found in districts of Koraput, Phulbani and Mayurbhanj. The tribals have their Zamindars in their Nayaks (headmen) the only difference (and that is an important point) is that in this case 'Nayaks' are also the group captain. He is usually an elder of the widely respected Adivasi family, he is also the landlord sometimes and head of the village panchayat. It is no wonder that tradition bound adivasi has not been shaken by the wind of change blowing in India's rural economy and this statement holds good even in case of agricultural cooperatives organised in Tribal areas (18) In their relation with non-Adivasis, the situation was still worse for the tribal population. Mostly, he is appointed on a casual basis with subsistence wages or is hired as Gotti (labourer for the life) which is not an Indian equivalent of American slave. The 'Gotti's had personal freedom, were not hereditary slaves but they worked for the landlords in the process discharging the work of a tenant in some respect and that of an agricultural labour in some other. The non-Adivasis are eager to enlist the Adivasis as agricultural labourers even if work is that of a tenant, the Adivasi on his part, is content with his position in no way interested in asserting his rights vis-a-vis the landlord. They pay higher rent and enjoy no security of tenure. In the relation among Adivasis themselves, the faith is the substitute for tenancy legislation. It is faith which acts as an insurance against eviction and it is faith alone which guarantees the landowner a higher amount than the legal rent, a sort of customary rent. The present writer only outlines the problem and leaves open the scope for future discussion on the problems.

The tenancy legislation and Zamindari abolition measures have not worked upto satisfaction. But, the laws or political expediency of the government,

the bonafides of officials or the manoeuvring by the landlords and the illiteracy and ignorance of the ryots are not the only set of conditions to blame. Land hunger of the people, the problem of over—population, lack of alternative employment and the social prestige of land ownership are responsible for demand for land exceeding its supply and there is no use moving on the periphery when the central problem goes untouched. The land reforms measures, in not so distant future, if there be any, must deal with these problems and deal effectively too.

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LAND REFORMS IN ORISSA—A COMPARATIVE STUDY

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Land reforms hold the key to a planned agricultural revolution in India today. Multiplicity of land tenures not only creates an atmosphere of uncertainty all around, but also adversely affects the agricultural efficiency and makes technological improvements impossible. Any scheme of agricultural planning in a country like ours with a predominantly agricultural economy would not succeed if it overlooks the adverse effects of a defective land tenure system. Agrarian reforms have become the urgent need of the hour to make the Indian agrarian structure 'more efficient', more effective and more productive and the policy of land reform, has therefore been accepted as a part of the national plan and the land reform programme outlined in the Five Year Plans is an integral part of the scheme of agricultural development and rural reconstruction.

The objectives of land reform have been described in the draft outline of the Fourth Five Year Plan as "to remove such motivational and other impediments to increase the agricultural production as arise from the agrarian structure inherited from the past, to create conditions for evolving an agricultural economy with high levels of efficiency and productivity and to eliminate elements of exploitation and social injustice within the agrarian system." "Land to the tiller" has been our main slogan in the scheme of land reforms which contemplates that owner cultivation should be established on the widest possible scale and all cultivators should come into direct relation with the state. Land reforms in India have been undertaken on the following lines.

1. Abolition of Zamindars and other intermediaries between the state and the cultivator.
2. Tenancy reforms and reconstruction of the land system (i.e. regulation of fair rents, provision of security of tenure to the tenants and a right to purchase for the tenants).
3. Fixation of ceilings on holdings and distribution of surplus land among the landless.
4. Reorganisation of agriculture through consolidation of holdings and prevention of their further fragmentation.

5. Development of cooperative farming and co-operative village management.

Land reforms in Orissa may be reviewed in the light of the above objectives vis-a-vis the progress made in the implementation of the land reforms programme in the other states. The first step taken in the direction of land reforms was the abolition of intermediary tenures like Zamindaries, Jagirs and Inams etc. which covered more than 40 percent of the area of the country at the time of independence. The progress for the elimination of intermediaries is nearing completion by now through out the country. About 200 million tenants have become actual owners of their holdings and there now exists a direct relationship between them and the State. Considerable areas of cultivable waste lands and private forests were made available for distribution to landless agriculturists and the reform has affected about 26 lakhs intermediaries in the country.

The Orissa Estates Abolition Act, 1951 provides for the abolition of intermediaries in the State. The total number of intermediary interests in the state was 3,99,966 out of which 3,51,795 estates including permanently settled, temporary settled, revenue free estates and tenures etc. have been abolished by 1964 leaving a balance of 48,171 estates still to be abolished. Besides, there were 0-479 trust estates to be abolished. It may be seen that the process could not be completed during a course of twelve years. The delay in completing action regarding abolition of intermediaries lies in the fact that the notifications for abolition were challenged in a large number of writ petitions that led to protracted litigation upto the supreme court. Thereafter the Act had to be amended. Secondly, Government felt that it would be risky to abolish the existing state of revenue administration without making adequate arrangements for a substitute. However, all the big estates were abolished by 1953 and the Government expected that by the end of 1967 the general abolition would be completed excepting those owned by charitable or religious trusts of public nature. The abolition of estates belonging to such trusts were contemplated to be taken up after the general abolition is completed.

There is a total abolition of intermediaries in Rajasthan and all the tenants have been brought into direct relationship with the state. There are no estate holders or land owners now who can let out their lands. They have all become Khatedar tenants in respect of their Khudkasht lands. The state of Assam ranks second in the progress of abolition. Leaving a very small number of tenures it has abolished all the intermediaries by April, 1965 and the Government expected to ensure total abolition by the end of 1967. In most of the states it is nearing completion. The large number of tenures, non-availability of upto date record of rights and the litigations involved contributed to the delay.

The total amount of compensation to be paid by different states is estimated at about Rs. 641 crores, and the compensation to be paid by the state of Orissa is estimated at Rs. 6.25 crores. The abolition of intermediaries and the vesting of estates have enhanced the revenue of different states and in Orissa with the abolition of intermediaries an additional income of about Rs. one crore has accrued to the State Government.

The main task of implementation of land reforms in Orissa commences with the enforcement of the law relating to ceiling on holdings and comprehensive tenancy reform. The Orissa Land Reforms Act, 1960 contains provisions for ceiling and tenancy reforms. Tenancy reform has three principal features i.e. regulation of rents, providing security of tenure and enabling more tenants to become owners.

Over the past few years, all states have enacted legislation for regulating rents. In Gujarat, Maharashtra and Rajasthan the maximum rent now stands at one sixth of the produce. In Assam, Kerala, Orissa and Union Territories, the rent payable is one fourth of the produce or less. In several states, however, the normal level of rent is still about a third of the produce. In Orissa fixation of maximum rent of 1/4th. of the gross produce would apply in all cases irrespective of the terms of contract. The third plan envisaged to hasten the transition from rent in kind to cash payments and Orissa has accepted the proposal of commutation of produce rents into cash on the basis of 2 maunds of paddy for dry land, 4 maunds for rainfed land, 6 maunds for seasonally irrigated land and 8 maunds for perennially irrigated land.

Legislation providing for security of tenure has been enacted in all states and Union Territories. It has three essential aims (a) that ejectments do not take place except in accordance with the provisions of the law (b) that land may be resumed by an owner, if at all, for "personal cultivation" only and (c) that in the event of resumption the tenant is assured of the prescribed minimum area.

There is a fairly common practice in Orissa of cultivating land through crop sharers known as Bhagachasis. They have no security of tenure and it is well known that they are liable to eviction at the will of the land lord. The names of Bhagachasis are not generally entered in the record and in most cases they pay 50 percent of the gross produce as rent. It is therefore felt that in Orissa, provisions of the tenancy law are not taken advantage of by the people to any appreciable extent. But the state Government has protected the tenants from ejectment subject to the land owners' right to resume land for "personal cultivation." If the land lord after evicting the tenant for personal cultivation failed to personally cultivate the land during the first three quarters

of the next agricultural year the tenant was entitled to restoration. The social structure plays an important role in any law regulating the relationship between the landlord and the tenant and the operation of the law has not made the expected progress if viewed from that angle. But there is reason to believe that this enactment has to a very great extent achieved its object. In cases where clear harassment of tenants has been brought to the notice of the Government and a general question of principle involved, Government have given necessary legal help to the tenants to fight out the litigations against the landlords.

In Uttar Pradesh and Delhi all tenants in cultivating possession of land have been given full security of tenure without land owner having any right to resume land for personal cultivation.

In Assam, Bombay, Punjab, Rajasthan and Himachal Pradesh, owners are permitted to resume a limited area for personal cultivation subject to the condition that a minimum area or a portion of the holding is left with the tenants. In West Bengal, Jammu and Kashmir and in former state of Hyderabad a limit has been placed on the extent of land which a land owner may resume, but the tenant is not entitled to retain a minimum area or a portion of his holding in all cases.

To confer rights of ownership on as large a body of tenants as possible is the principal aim in a tenancy reform. Some progress has been made in this direction though it has been uneven. In U. P. and West Bengal all protected tenants and sub-tenants were provided with the rights of ownership without payment of any premium to the landlord. In M.P., Orissa, Punjab, Rajasthan, Delhi, Himachal Pradesh, Manipur and Tripura, only principal tenants under direct control of intermediaries were brought under direct relationship with the state, but sub-tenants were required to purchase ownership rights only after payment of premium varying from 2 to 12 times the multiple of the land revenue or net income from that land. In Kerala, Maharashtra, Mysore, Gujarat, Andhra Pradesh and Jammu and Kashmir most of the tenants were not brought into direct relationship with the state, instead intermediaries were converted into *royatwari* holders.

The question of ceilings has two aspects, viz, fixation of an upper limit for future acquisition in order to prevent accumulation of large areas of land in a few hands and fixation of an upper limit on present land-holdings in order to secure equitable distribution of land.

Ceilings on holdings have been applied in some states on individual holdings and in some other states on family holdings. Orissa has fixed the ceiling

on individual holdings. The following table shows the ceiling imposed in different states.

State	Future acquisition	Existing holding.
Andhra	.. 18 to 260 acres	27 to 324 acres
Assam	.. 50 acres	50 acres
Bihar	.. 20 to 60 acres	20 to 60 acres
Gujarat	.. 19 to 32 acres	19 to 132 acres
Jammu and Kashmir	.. $22\frac{3}{4}$ acres	$22\frac{3}{4}$ acres
Kerala	.. 15 to $37\frac{1}{2}$ acres	15 to $37\frac{1}{2}$ acres
M. P.	.. 25 to 75 acres	25 to 75 acres
Madras	.. 24 to 120 acres	24 to 120 acres
Maharastra	.. 18 to 126 acres	18 to 126 acres
Mysore	.. 18 to 144 acres	27 to 216 acres
Orissa	.. 25 to 100 acres	25 to 100 acres
Punjab	.. 30 standard acres	30 standard acres
Rajasthan	.. 30 standard acres	30 standard acres
U. P.	.. $12\frac{1}{2}$ acres	40 acres
West Bengal	.. 25 acres	25 acres
Manipur	.. 25 acres	25 acres
Tripura	.. 25 to 75 acres	25 to 75 acres
H. P.	.. 30 acres in Chamba dist. and land assessed at Rs.125/- in other areas	30 acres in Chamba dist. and land assessed at Rs.125/- in other areas.

Some progress has been made in the implementation of the legislation regarding ceilings. In Jammu and Kashmir during the second plan period 4.5 lakh acres were taken over and distributed. The West Bengal Government has come into possession of 5.24 lakh acres of agricultural land which is being leased out to share croppers and landless workers on a yearly basis. In U. P., 1.4 lakh acres have been declared surplus of which 24,000/- acres have been distributed. In Maharastra about 90,000 acres have been declared surplus and 35,000 acres have been taken over by the Government. In Andhra 52,000 acres of surplus land have been located. In Assam, Bihar, Gujarat, M.P. Madras, Delhi, H. P. and Tripura the provisions in the legislations relating to ceilings have been brought into force.

Consolidation of holdings is another important aspect of land reforms. It increases the operational efficiency by making the land more compact.

There are provisions in the Orissa Land Reforms Act, 1960 to prevent subdivision and fragmentation, partition, transfer or leasing of a holding of a plot below the specified size. Partition and transfer of holdings or plots which are already below the specified size are also disallowed. Similar legislation has also been enacted in Assam, Bihar and Gujarat, M. P., Maharashtra, Punjab, Rajasthan, U. P., West Bengal, Manipur, Tripura, Andhra Pradesh and Mysore. So far as development of co-operative land management is concerned Orissa has not made any progress in this direction worth the name.

The social structure is playing a dominant role in the success or failure of any law in the state of Orissa and is contributing to the inefficacies of the land reforms measures. Yet we have succeeded in eliminating the functionless and superfluous intermediaries. But we are yet to go a long way. The glaring problem of uneconomic holding is still there and we are also to correct the structural imbalance between land and labour. Land reforms may succeed or may fail. If it succeeds it will open up a new era of peace, prosperity and happiness but if it fails it will be a sad pointer to our other experiments in the same field and we would be preparing for an era of economic instability, confusion and chaos.

FIRST ALL ORISSA ECONOMIC CONFERENCE, 1968

Rapporteur's Report on Land Reforms in Orissa

DR. BIDYADHAR MISRA

Rapporteur.

In all seven papers on the subject have been received. Out of the seven, in four the land reform laws passed in Orissa, the lacunae in them and the difficulties faced in implementing the laws have been analysed. Of the remaining three papers, one compares the progress of land reforms in Orissa with that in other States in India and two others show the working of the land reform laws in particular regions of the State.

In the four papers discussing the problems of land reforms in Orissa in general, firstly the main objectives of land reforms have been brought out as follows :—

- (a) Rationalization of the system of land tenure in order to improve the efficiency of agricultural production and increase the volume of production.
- (b) Attainment of social justice in the distribution of landed resources and in the distribution of income in the rural areas.
- (c) Achievement of individual freedom.

To attain the above objectives the papers point out that generally measures have been adopted to put land in the hands of the tillers by abolishing rentier classes, to give them security of tenure, to ensure fair and reasonable rent and for equitable distribution of land to put a ceiling on large land holding and distribute surplus land to the landless.

Secondly the papers describe the different phases of land reforms in Orissa such as :—

- (a) Abolition of intermediary rights.
- (b) Passing of tenancy laws.
- (c) Passing of a comprehensive Land Reforms Act and framing of a Land Reforms Code.

The papers in general analyse the provisions of the Orissa Land Reforms Act of 1960, and Orissa Land Reforms Amendment Act, 1965, point out the defects and difficulties in implementation of the provisions and put forward certain suggestions for improvement of the laws and their implementation.

Basudeb Sahu thinks that tenancy laws relating to rent payment have been ineffective because of the strong position of the land owners and the weakness of the tenants and for the same reasons the landlords have taken measures to forestall the possible effects of ceilings. He thinks that imposition of ceiling will not bring about any spectacular economic result and suggests that land reforms will be only fruitful if other agricultural development measures are taken simultaneously.

Ghanashyam Das says that in the context of the man/land ratio prevailing in our State, it would be difficult to implement the provisions of the 1960-65 Act and to enforce legal contracts and formal receipts. In his opinion, the distribution of surplus land over ceilings to the landless and sub-marginal farmers is not desirable in the interest of higher production and generation of agricultural surplus for economic development, though it serves the purpose of distributive justice. He thinks that the land to the tiller programme in our land reforms should aim at creating large tenanted holding with other ancillary facilities. He therefore suggests that there should be no ceilings on land holdings and there should be a gradual and smooth rise of entrepreneurial class in agriculture who will substitute the absentee land holders on the one hand and small peasant farmers on the other. To facilitate that process the waste land available at the disposal of the government should also go to persons who can operate large farms with efficiency.

Gopal Chandra Tripathy analysing the ceiling provisions of the land reform Acts states that the main object of ceiling which is to redistribute land to the landless has been defeated. He says that landless agricultural workers are so many in number and the surplus land available over ceiling is so small that provision of land to them in reasonable quantity is not feasible. Such attempts would mean distribution of poverty. In the distribution of surplus land, the co-operative farms formed by landless labourers or submarginal farmers should be given the first preference.

Ramaya points out that provisions of the land reforms Acts are not effective because they are not known to the illiterate tenants. The ceiling laws have been diluted in implementation and have not been effective because of the ineffective enforcement machinery. He suggests the preparation of record of tenants and landlords through the village panchayats and wide publicity of the measures for their effective implementation within a reasonable time limit.

D. D. Panigrahi compares the measures for land reforms and their progress in Orissa with those of other States in India and points out that in general, the progress in Orissa has been slower than in many other States of India.

Bijay Kumar Mohapatra and Kishore Chandra Padhy give their studies on the effectiveness of land reform measures in particular regions of Orissa. Sri Mahapatra gives a detailed description of the system of land tenure which prevailed in the district of Sambalpur before the land reform measures were introduced and its defects. He points out that the progress of land reforms in the Sambalpur district as in other parts of Orissa has been slow. He also suggests that for agricultural development land reform measures should be accompanied with provision of other facilities for increasing agricultural production.

Sri Padhy gives the results of his personal study in some villages in Koraput and Mayurbhanj districts and points out how land reform measures of the Governments were not effective there, the main causes of which he thinks, were the defects in the legislation and the manipulations of the vested interests in land.

SUMMARY OF GROUP DISCUSSION ON LAND REFORMS

1. In discussing the objectives of land reforms in India some delegates expressed the opinion that the land reform laws making provision for ceilings and distribution of land among the landless have unduly emphasised the objective of social justice. These provisions create small farms and prevent large scale operation. The objective of social justice goes against the objective of higher production. But most of the delegates thought that there was no conflict between the objectives of higher production and social justice. Under the present technique, the small farms show better performance than large farms. Under the new techniques that are now being introduced agriculture organized in small scale can be very highly productive. So imposition of ceilings and provision for distribution of land among the landless were measures in the right direction.

2. It was generally agreed that land should not remain in the hands of those who will not use it efficiently. The abolition of intermediary rights has been rightly done. The tenancy system and the share-cropping system should be abolished. Almost all were of the opinion that abolition of intermediary rights did not face much opposition as the intermediaries formed a small class of the society. But the measures for abolition of share cropping and imposition of ceiling are affecting a large class of the people particularly the middle class intelligentsia who are in charge of enforcing the measures. Those who have vested interests in land are in charge of the reform legislation and its

enforcement. Thus the reform measures are being very half heartedly implemented. Various flaws in the laws are being pointed out and legal proceedings are involving endless delays. Land owners are adopting various devices to avoid the laws. Tenants are illiterate and poor. They are in a much weaker position than the land owners. Virtually the land reform laws are being avoided not implemented. Bold action of the policy makers is necessary for implementation.

3. It was also generally agreed that the existing uncertainty regarding the ultimate shape of land ownership and management was adversely affecting the agricultural production. The uncertainty should be removed as early as possible for promoting investment in agriculture and improving production.

4. All delegates were of the opinion that land reforms were only one of the measures for agricultural development. Such measures alone cannot increase production. It should be accompanied with other measures providing various facilities such as irrigation, better seeds, fertilizers, pesticides, credit, marketing service etc. for agricultural development. Commercialization of agriculture is absolutely necessary for agricultural development.

5. Lastly it was recognized that there is surplus labour and pressure on land and agriculture in the rural areas. The surplus man power has no other alternative occupation than agriculture. Tenancy and land hunger exist. Tenants willingly offer higher rent and accept the tenancy. Under such circumstances implementation of land reform laws becomes difficult. Man power should be drawn away from agriculture by development of small scale and large scale industries both in the rural and urban areas.

"FINANCES OF THE STATE GOVERNMENT-ORISSA : A STUDY"

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The problem of financial resources of the State Governments in India is an important one, especially when viewed in the broader context of economic development. State finances have their own distinctive role in the overall resources picture of the country, affecting the total national effort for resource mobilisation and therefore ultimately savings and capital formation. In a federal country it assumes an added importance because of its direct impact on Centre-State financial relations.

Considering the growing size of Plan outlay and the limited capacity of the Central Government to provide resources, it is imperative for the States to muster their own resources to the maximum capacity. In the Three Plans the States have not been able to reach the targets of additional taxation. This has been primarily due to their failure to secure greater yield from such sources as land revenue, agricultural income tax, betterment levy, irrigation rates, electricity duty and revenue from commercial undertakings. The Rural Sector, by and large, has remained lightly taxed.

Despite substantial transfer of resources from the Centre (55.3% of the total expenditure of the States in the Third Plan), finances of the State Governments continue to be in doldrums.

The overall budgetary position of the States for 1967-68 shows a much larger deficit than for 1966-67 notwithstanding the advice by the Centre to avoid deficit budgets and the steps taken by the RBI to prevent the recurrence of persistent overdrafts.

The continued uptrend in States budgetary outlays unmatched by adequate resource mobilisation, evident particularly since the beginning of the Third Plan, resulted in large budgetary deficits, which were financed to a large extent by recourse to overdrafts from the Reserve Bank of India. A situation in which the States took persistent overdraft from the Reserve Bank of India is clearly unhealthy and undesirable.

The development Plans have entailed greater responsibilities for the State Governments. Even though the States are getting contribution from the Centre for financing their development Plan, great reliance has been put on

State's own resources. In determining the size of the Plan, the availability of resources from the States' own sources has been taken into consideration rather than their development needs. This has been a great disadvantage of the poor and undeveloped States like Orissa. This leaves the relative position of the States unchanged.

The backward States are thus in a vicious circle. They are not allowed to have bigger Plans because they do not have their own resources to finance the Plans; they cannot develop their resources because they are not allowed to develop them to the desired extent. The crux of the problem is to break the vicious circle, and this can be broken only by the Centre by transferring larger funds to those backward areas. When the country is going through a process of planned economic development; this point of removing the vicious circle should be appreciated.

In spite of the planning, there has not been an allround development of all the States; the regional disparities are getting accentuated. Planning will be meaningless if it results in accentuation of regional disparities.

The figures in the following table indicate that in terms of per capita income there was little change in the relative position of different States. Four States viz. West Bengal, Maharashtra, Gujarat and Punjab remained first both in the beginning and end of the decade. Similarly the four States Bihar, Mysore, Orissa, Rajasthan remained last even at the close of the decade.

Since correction of regional imbalances is to receive increasing emphasis in the subsequent Plans, Central Planning can remove regional disparities by making larger plan outlays to the poorer states, increasing grants-in-aid, giving priority in the establishment of certain non-resource based industries, and offering special concessions.

But ultimately the growth of a region depends on its own resources-endowment. In spite of the advantages of an early start—Bombay, Madras, West Bengal—it is the resources position which becomes the decisive factor even in planned economic development. Manpower, agricultural, forest and mineral wealth, power and hydropotential are some of the best possible natural endowments. If we look at the resources of different States against this background, it leads to the inevitable conclusion that the poor states like Orissa have vast natural resource endowments with great potentiality for development. This requires effort to mobilise adequate resources. Steps should be taken to assess and locate the financial resources to the extent necessary for enabling the State to play its part in the development of the country and its people to reap a fair share of the benefits of planning.

Plan Investment :

The outlays in the three Plans in Orissa were of order of Rs.18.42 crores, Rs.86.59 crores and Rs.221.07 crores respectively. Over the three Plan Periods the total outlay amounted to about Rs.326 crores. But during the last 17 years of planning (1951-68) there were four major floods and 5 severe droughts causing a loss of crops of at least Rs.400 crores. In other-words the damage caused by the floods and droughts during the period has been much larger than the total outlay on development in the plans in the State during all these years.

The state's loans are larger than the total investment in the Plan. These loans by now total to about 400 crores. In the current year (1967-68) receipts under the head 'Loans' amount to Rs.57.86 crores while expenditure on debt servicing charges has been estimated at more than Rs.28.44 crores. It will be noticed from Orissa's average revenue budget that whereas total receipts from both Central and State revenues amount to about Rs.32 crores, expenditure on the administrative establishment including salaries and allowances amount to about 46 crores. Orissa's total income at current prices in 1964-65 which was the best year from the point of view of agricultural production, amounted to Rs.485.44 crores as against Rs.318.69 crores in 1951-52. Income during the three Plan Periods increased by only Rs.166 crores. But loss due to natural calamities during this period is 250% more than the total increase in income during the last three Plan Periods. This brings out in bold picture the critical financial position of the State.

It should be further noted that there has been a rise in population in the State during this period of 17 years to the extent of 50 lakhs (about 33%). In view of this rise in population the increase in State income by Rs.166 crores which is almost 1/3rd. of the State income of 1964-65, has caused practically no improvement in the per capita income of the people of the State of Orissa. It may be noted that the index of per capita income in Orissa (1951-52=100) which was 100 in 1952 had only increased to 118.65 in 1964-65 and has now been reduced due to loss caused by natural calamities such as droughts, flood and cyclone. The percentage of population below poverty line is 35.4% as against the All India Average of 19% and is the highest in whole of India.

In respect of per capita income, therefore, Orissa stands last in the whole of India. This in a nutshell gives an idea about the deplorable economic condition of the state which is naturally reflected in the budgetary position of the State Government.

In 1966-67, the Plan outlay was estimated at Rs.46.52 crores as against the actual outlay of Rs.60 crores in 1965-66. Thus the Plan outlay disclosed a reduction of Rs.15 crores in 1966-67. When the present Coalition Government presented their on account Budget in March 1967, the Chief Minister

announced that the Plan outlay for the year 1967-68 would be of the order of Rs.53.47 crores. But subsequently when the complete budget for the year was presented to the Orissa Assembly in July last, the Chief Minister announced that the previous Congress Government having spent Rs.15.69 crores from the normal Plan budget on Paradeep Port Project, the Central Government have been demanding repayment of Rs.21.39 crores including interest over a period of ten years. The Chief Minister also pointed out that the previous Government had overspent Rs.9 crores through overdraft on the Reserve Bank of India. All these left the public exchequer woefully depleted. These factors coupled with the lack of resources compelled the State Government to reduce the Plan expenditure in 1967-68 to Rs.46.92 crores. Thus the Plan expenditure in 1967-68 was slashed by almost 20 crores in comparison with 1966-67.

The big gap caused in the State's resources position by the expenditure of Rs.35 crores on Paradeep Port including the Express Highway Project and the non-reimbursement of this amount by the centre has rendered the prospect of the State's finances very bleak indeed. On the one hand, loss caused by natural calamities increased to hundreds of crores of rupees, thus entailing severe reduction in Plan expenditure and on the otherhand recurring annual expenditure on the establishment went up by about ten crores on account of increase in salaries and allowances. This has placed the State in an unenviable position.

It is a matter of deep regret that despite the take-over by the Central Government of Paradeep as a major port, the expenditure of Rs. 16 crores which the State had already incurred is not being reimbursed to the State exchequer, perhaps on the ground that the previous Congress Government had held out the hope that money invested by the State Government in the development of Paradeep Harbour so far will be treated as a loan to the project to be repaid in due course with interest when the port is financially in a position to undertake such repayments.

It should be remembered that the Govt. of India, while according approval for construction of the Paradeep Port and the Express High Way, was a party to an agreement in which certain commitments were made. Most unfortunately, the Government of India appear to have been backing out of this commitment as they are neither reimbursing the amount of expenditure on Paradeep Port and Express High Way nor are providing the necessary rail line from Banspani to Paradeep via Talcher and Cuttack. On the contrary the provision for development plan is being drastically cut down and the financial resources of the State are being crippled by subsequent reduction in central assistance and demand for repayment of loan advance for Paradeep port with heavy interest.

The present critical position of the State's finances is thus due to severe depletion caused by these increased expenditure and loss of resources by natural calamities over the past several years. Orissa has now to carry on its normal routine administration by almost borrowing. The State Government has no resources to spend on emergent relief, they depend almost entirely on central assistance. The financial assistance so far extended is meagre. In the circumstances, plan expenditure is likely to be reduced further on account of inability to raise resources from inside the State. Unemployment among both the educated and the unskilled sectors of the population in the State has been steadily rising.

In this context the position assumes alarming proportions with the continuing drought in large parts of the State. This is bound to place the State's backward economy and development in serious jeopardy. Unless vigorous efforts are made to put the state's economy on an even keel. 'The State has to take all possible measures to strengthen its finances and the centre has to give massive and immediate assistance to relieve the gloom that is steadily enveloping the economy of the State.

Even though the problem of Union—State financial relations has become a matter of controversy for the last ten years, and has become a hot-bed of seething discontent, the present trend towards dependency of the States on Union transfers is irreversible. However it is suggested that a predominant part of the grants be given unconditionally on objective criteria in which the states backwardness and the special problems should be given an important place through the agency of an impartial standing Finance Commission.

The ratio of revenue from State taxes to State Income in Orissa was 1.6 percent in 1956-57. Even though per capita tax revenue in Orissa has progressively increased from year to year, the relative position of the State in India however remains the same, as it was during the First Plan period. That is to say, the per capita tax revenue continues to be the lowest in Orissa. This leaves ample scope for additional taxation.

We may now consider the ways and means that are open to the State Government to adopt to move the revenues and expenditure into a state of equilibrium. The first method is to create a machinery for keeping the growth of staff expenditure on plan as well as non plan schemes under constant review and for suggesting improvement and economies consistent with the need to achieve the highest possible efficiency. Plan maintenance which is swelling like a snowball from plan to plan consists mainly of staff and unless proper control and periodic review is insisted upon, we may have all the ill effects of Parkinson's law. The Taxation Enquiry commission said: "We feel that while calling upon the people, as the Govt. must, to bear a larger burden

of taxation in the interest of economic development, they should create the necessary confidence that the money raised will be spent properly and that an unreasonable portion thereof will not be appropriated in inflating the pay rolls". For this purpose there should be a permanent Finance-cum-Planning Board and that it should be clothed with sufficient authority to review the execution of the Plan schemes from time to time, to review the financial needs of the State every year, and to help the State Govt. to press for greater assistance from the Central Government, Planning Commission and Finance Commission

Secondly, the financing policy of the State Govt. needs reorientation. While in the conditions of Orissa, reliance has necessarily to be placed to a large extent on loans, it must be ensured that the amounts so raised are utilised for creating revenue yielding assets rather than on items of revenue expenditure, pure and simple.

However Orissa's problem of resources is too fundamental or deep-rooted to be resolved by the methods indicated above. For one thing, the economy of the State is so backward that it can not be raised to the level of the rest of the country without liberal assistance from outside.

It is well known that Orissa is predominantly an agricultural State and must accordingly draw the major part of its revenue from land. Methods may differ but in the ultimate analysis it is the products of land that have to bear the levies.

In regard to taxation of transport and vehicles the Union Govt. has to give more powers to the State Govt. instead of bringing pressure on them to fix ceilings.

The position of the States in the field of non-tax revenue is also not very much brighter in view of the Centre's policy regarding State Trading. State Trading in rice or other commodities by a component State in a federation is not feasible except with the blessings and active support of the Central Govt. The future of the paying capacity of the commercial undertakings is also not very clear.

Obviously, the centre can not, on the one hand impose restrictions on the States and expect them on the other to raise more and more resources of their own. The Taxation Enquiry Commission observed, "there are fields where the centre can relax or go slow with its restrictions without serious detriment to itself or to the nation at large. What is called for is a flexible approach to the entire problem. We recommend that centre should adopt a realistic and flexible policy in this regard,

To conclude, Orissa's problem of resources is of such magnitude and its economy so backward and its powers to raise revenue so beset with limitations that for a long time to come it will have to rely heavily on Central assistance. Indeed, it is for the centre to promote the health and strength of one of the integral limbs of the body that the country is. This is not, of course, to say that the State has no role to play. All that is open to it must be developed fully without demur.

Per capita Income State-wise in India

		Per capita income		Percentage increase.	Rank on the basis of per capita income.	
		1951	1961		1951	1961
Andhra	..	200	260	30	10	9
Assam	..	234	271	16	6	7
Bihar	..	144	163	13	14	14
Gujurat	..	279	313	12	2	1
Kerala	..	241	284	18	5	5
Madhya Pradesh		201	264	32	9	8
Madras	..	229	280	22	7	6
Maharashtra	..	265	300	13	3	3
Mysore	..	172	200	16	12	13
Orissa	..	159	220	38	13	12
Punjab	..	249	312	25	4	2
Rajasthan	..	187	222	19	11	10
Uttar Pradesh	..	202	222	10	8	11
West Bengal	..	333	389	13	1	4

STATE FINANCIAL POSITION AND LAND REVENUE POLICY OF ORISSA

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It is seldom realized that our State is passing through a grave financial crisis at present. The State income and per capita income are suitable factors to assess the rate of growth of the economy and the comparison of these with that of All India figures bring about the comparative underdevelopment of the area. The per capita income of Orissa in 1963-64 at current prices was Rs. 290.80 as compared to the National per capita of Rs. 370.70 which shows that considerable investment would be necessary to step up the economy to all India level. Infact, it was estimated by the National Council of Applied Economic Research that a total investment of Rs.1427 crores is necessary during 1961-71 to step up our rate of growth to all India level, in view of the vast and inadequately available resources available in Orissa ⁽¹⁾. The actual plan expenditures during 1961-65 have been as follows ⁽²⁾ .—

1961-62	..	Rs.23.76 Crores
1962-63	..	Rs.33.35 „
1963-64	..	Rs.47.83 „
1964-65	..	Rs.61.47 „
1965-66	..	Rs.60.00 „
Total (III Plan)	..	Rs.226.41 „

The expenditures during 1966-67 and 1967-68 have been estimated at Rs.51.72 crores and Rs.46.92 crores respectively and the proposed expenditure during the coming year i.e. 1968-69 is going to be still less i.e. about Rs.40 crores in spite of Planning Commission's advice to restrict to it Rs.29.60 crores only. Apart from the fact that there has been complete disregard to NCAER report, the impact of this severe cut in plan expenditure on development efforts and employment potential can well be imagined. In an expanding economy the tempo of development has to be one of sustained increase, otherwise the economy can never achieve accelerated development and gaps in infrastructure will adversely affect the attained development.

(1) Techno Economic Survey of Orissa—N. C. A. E. R.—Page 165.

(2) Economic Review of Orissa—1965-66—Page 4.

During the period 1951-52 and 1964-65, the State Income has shown an increase of about Rs.167 crores only which works out roughly to 42 percent or about 3 percent, on the average, per year. Similarly the index of per capita income with 1951-52 as base, comes to Rs.118.6 during 1964-65 which indicates an increase of about 19 percent only ⁽³⁾. Population, during the same period, has also increased by about 44 lakhs which means an increase of 33 percent. Such accelerated growth of population is of course responsible for the very low rate of growth of per capita income but that is a general tendency in every state and other reasons must be attributed in Orissa for the lowest per capita income.

The state income in 1965-66 has further declined to Rs.453.9 crores from 485.4 crores (1964-65) and per capita income to Rs.236/- from Rs.258/- ('64-65') as revealed in the budget estimates of the current year. ⁽⁴⁾ The percentage fall are 6.5 and 8.6 respectively. This is keeping in trend with general decline of National Income of India and National per capita income which have fallen by 3.7 percent and 6 percent respectively but the fall is to a much greater extent in Orissa. The causes of this decline in Orissa are chiefly due to shortfall in agricultural production on account of two successive droughts. Agriculture accounts for about 60 percent of total state income of Orissa and about 73 percent of Orissa's working population derive their livelihood from agriculture. In 1965-66 there was a severe shortfall in agricultural production, e.g., production of paddy decreased from 42.48 lakh metric tonnes to 31.88 lakh metric tonnes. Similarly, during 1966-67, production was only 35.37 lakh metric tonnes. It has been estimated that the money value of such loss would be Rs.85 crores and Rs.56 crores respectively in the 2 years. The State Government had to incur a very large expenditure for relief as well as for providing loans to cultivators which has meant additional burden of Rs.15 crores. The loss sustained this year first on account of flood, and then cyclone and drought conditions in certain areas has not yet been finally assessed but the amount will be nothing less than Rs.100 crores. Thus the total loss during the last 3 years only will amount to about Rs.242 crores which is more than the increase in State income during 1951-52 to 1964-65, which was estimated at Rs.167 crores. It seems as if the fruits of development of the five year plans have been simply wiped away by floods, cyclone and drought conditions which have caused unprecedented damage to the state economy.

The present tendency of living beyond the means by the state will be readily evident, if we look at the debt position of the state. ⁵

(3) State Income of Orissa—Bureau Statistics and Economics, Page 4, and Economic Review of Orissa—Bureau of Statistics and Economics—Page 6.

(4) Budget Speech of Chief Minister—Page 2.

(5) Budget speech for 1967-68, page 28, Appendix (A).

Particulars of loans	Outstanding on 1st Apr. 1966 (Rs. in crores)	Outstanding on 1st Apr. 1967 (Rs. in crores)
1. Loans from open market	36.92	45.30
2. Floating Debt	3.60	4.20
3. Loans from Central Govt.	265.37	292.70
4. Loans from Reserve Bank	1.00	1.19
5. Loans from LIC	4.76	5.80
6. Loans from National Cooperative Development Corporation	1.06	1.47
Total	312.73	350.68

The total debt amount of Orissa is more than Rs.350 crores which is more than the amount invested during 3 five year plans which was only Rs.327 crores (=Rs.18.42 crores during I plan, Rs.86.59 crores during II plan and Rs.221.07 crores during III plan period). It has been estimated that the repayment of interest etc. during the current year would amount to Rs.28.44 crores against a debt receipt of Rs.56.86 crores. This is a mounting debt burden and add to this State Govt's tendency to draw excessively from Reserve Bank of India by over drafts. Consequent on depletion of cash balances, the State Govt. had to make it good by ways and means advances from Government of India amounting to more than Rs.9 crores as the Reserve Bank of India did not want any more to accommodate the State Government. In spite of this, it has been estimated that the accumulated deficit on 1st Apr. 1967 has been Rs.16 crores and at least 1/3 of it i.e. 5.40 crores has to be cleared during the current year.

The cost of additional dearness allowances has imposed additional burden of Rs.8 crores and the extra expenditure on account of two consecutive droughts has been Rs.15 crores. It is also estimated that an extra expenditure of about Rs.13 crores will be necessary on account of delay in completion of hydroelectric, thermal and irrigation projects whose cost has increased on account of devaluation. If we will include payment of interest and principal on loans on account of Paradeep port, which has been about Rs.15.69 crores and which the Government of India has not yet agreed to reimburse to the State Government, the plight of financial burden on Orissa with its meagre resources can well be imagined.

The total revenue receipts during the current year are estimated at Rs.117.06 crores and the revenue expenditure at Rs.117.62 crores thus showing a revenue deficit of Rs.0.56 crores. Capital budget receipts and disbursements are Rs.221.75 crores and Rs.214.32 crores respectively. Thus there is the picture

of on overall surplus of Rs.6.87 crores on both the accounts and if we will deduct the opening balance deficit of Rs.6.51 crores, there will be ultimately a surplus of Rs.0.36 crores. The estimates include all schemes of expenditure of the Annual plan of the current year. The total revenue for 1967-68 is estimated at Rs.117.06 crores against Rs.110.51 crores in 1966-67 indicating an increase of above Rs.6.54 crores ⁽⁶⁾. The increase is mainly due to provision of Rs.128 lakhs on account of receipts from additional resource mobilisation already done and receipts from additional mobilisation of resources at the centre. At the State level, the additional resource mobilisation will be as follows ⁽⁷⁾.

	Rs. in lakhs
1. Enhancement of rent on urban land	10
2. Increase in Electricity Duty on Tariff ..	40
3. Imposition of tax on passenger fare and freight ..	40
4. Reorientation of Excise policy ..	20
5. Tax on Expressway	10
6. Increase in the Royalty on Minerals ..	8
<hr/>	
Total ..	Rs. 128 Lakhs

While the total additional resources will be only about Rs.1.28 crores, the Govt. have decided to abolish land revenue from the current year and the cost of revenue on that account will be about Rs.3 crores annually. It has been argued that land revenue is an inequitable and inelastic source of revenue and abolition of land revenue will provide relief to a large sector of population and will result in better utilisation of land for agricultural production. Moreover land revenue is being abolished as a political policy measure in fulfilment of the election pledge of the party in power.

It may be true that people in rural areas have been long neglected and their standard of living is comparatively poorer and they deserve to enjoy higher incomes which they now receive. It is also a fact that distribution of wealth in the rural areas is more inequitable and people have very little taxable capacity. But the fact remains that some people in the rural areas have gained enormously not only on account of development projects but also because of higher price of foodgrains, commercial crops and other goods sold by them. Secondly, a large sector of the economy in rural areas has always been non-monetised and these people have not been affected by increasing income and commodity taxation. The surplus that arises in the agricultural sector as a result of various development programmes is being mostly appropriated by land lords, merchants and money lenders. So it is only proper that a substantial part of it should

(6) Orissa Budget—1967-68, Vol. V page 3.

(7) Budget Estimate of Orissa—Page 13.

be utilised for economic development. Moreover there exists great disparity in urban and rural taxation and the incidence of taxation widely differs. It has been estimated by the Orissa Taxation Enquiry Committee through a sample survey that the combined incidence of direct taxes per person per year is Rs.1.56 in the rural areas against Rs.8.64 in the urban areas of Orissa. Thus the incidence in rural and urban areas in the ratio of 1 : 5 ⁽⁸⁾. The wide disparity in the incidence certainly calls for higher taxation on rural section and not relaxation of age-old taxes. The yield from some selected State taxes in Orissa over the plan period are as follows :—⁽⁹⁾

	(Rupees in lakhs)		
	1954-55	1960-61	1965-66
1. Share of Income Tax ..	206.09	324.37	430.86
2. Agriculture Income Tax ..	3.87	3.72	8.01
3. Land Revenue ..	126.37	205.79	286.57
4. General Sales Tax ..	132.41	286.09	659.83
5. Share of union Excise Duty ..	68.19	265.04	848.81
6. State Excise Duty ..	156.94	132.73	222.99
7. Salestax on Motor spirit ..	19.08	28.07	62.71
8. Entertainment Tax ..	8.85	14.17	30.41
9. Electricity duty ..	0.24	3.94	87.41

From the above table, it is evident that even though the rate of increase in various taxes during the last ten years has been very high, land revenue has not remained inelastic. In fact the increase in land revenue percentage has been more than double i.e. about 125 percent. When the land revenue settlements would have been completed, it would have reached Rs.3.5 to Rs.3.75 crores. According to the calculation of Orissa Taxation Enquiry committee, the incidence of land revenue per acre in 1959 was only Rs.1.39. This is the lowest in India. If this is doubled it would have been only Rs.2.78 ⁽¹⁰⁾. The average yield of an acre, in recent years in terms of money has risen to Rs.240, if we take average yield in Orissa of an acre to be 16 mds. Thus the burden of land revenue is found to remain a small fraction of the value of gross produce. Its burden is likely to decline further with increase in production and price of agriculture. Of course, it does not mean that during drought, famine or flood, relief in land revenue should not be given on an *ad hoc* basis. But to scrap it totally on a permanent basis can hardly be justified on economic grounds.

(8) Orissa Taxation Enquiry Committee Report—Page 53.

(9) Statistical Abstract of Orissa-1963—Page 485 and Budget Estimates for 1967-68—Page 3.

(10) Orissa Taxation Enquiry Committee Report—Page 119.

Further if relaxation of prohibition measures and reorientation of Excise policy which are socially condemned evils has been necessitated to improve the resource position of the State, there is no justification to revise the policy with reference to land revenue particularly when a large amount of state revenue has already been spent on settlement operations and particularly in the face of acute financial crisis of the state.

The taxation of land is not only perhaps the most ancient form of taxation but almost universal. In recent times several land reform measures have been initiated by the state, the effect being to make the tiller of the soil the proprietor of his land and to bring him into direct relationship with the state. The various measures of tenure and tenancy reforms aim at giving greater security and additional rights to tenants. With abolition of land revenue, the relationship between the state and the owner cultivator will be difficult to be recognised and maintained. Though the general sales tax has become an important source of revenue in Orissa, compared to all India, Orissa relies more on land revenue than the general sale tax. Orissa has got only a small industrial structure and a small urban population in relation to the total population. In this situation, the fiscal structure must rely for some time to come on the taxation of agricultural sector. If land revenue is considered as regressive and inequitable, a surcharge on land revenue may be introduced to impart an element of progression to it. According to NCAER report, "the problem of increasing the yield from land revenue as well as that of reducing disparities in an equitable way may both be solved to some extent, if resettlement operation is carried out quickly in all areas". (11)

(11) NCAER : Techno economic survey of Orissa, page 157.

BUDGETARY POSITION OF ORISSA DURING THE PLAN PERIOD (1951-52 TO 1965-66)

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Of late the financial relationship between the union and the states has taken a predictable turn on account of the difficult financial situations in the states. Notwithstanding the emphasis laid on the balanced budgets for the states within the developmental strategy of planning, there has been an increasing deterioration in the budgetary position of particularly the backward states. The growing budgetary deficits in states has not only created problems of overdrafts, it has also created problems in terms of overall fiscal management in the country, as most of the deficits have been made good by deficit financing at the union level.

An attempt is made here to survey the financial landscape of Orissa, a typical backward state, having vast potentialities for economic growth. The purpose is to bring to the fore the inherent factors contributing to the chronic financial imbalance of the state, so that necessary adjustments may be made to stream-line the financial relationship between the union and the states. Although this paper is purely a case study of Orissa the diagnosis is more or less true of the other backward states of the Indian union.

A historical background of the state finance of Orissa from the date of its inception in 1936, is necessary to set the financial picture of the state in its correct perspective. However we would like to confine ourselves mainly to the plan period. From the point of view of analytical convenience the entire plan period is divided into three parts coinciding with the periods covered by the three five year plans.

The state of Orissa assumed its present status after 13 years of its birth in 1936, with the merger of 23 feudatory states on the first January 1948, and with another state (Mayurbhanj) joining it just one year after. During the two years of post merger period (i.e. 1949-50 and 1950-51) which preceded the planning period, the state had to pass through financial difficulties as it had to face suddenly the problems of organising the administration of the ex-state areas and also the task of raising the level of social services in those areas, to that of the level obtaining in the older parts of the state.

First Plan Period :

Against this difficult background, the state had to start its First Five Year Plan with a modest outlay of Rs. 73.15 crores, including the Hirakud Project

which alone was estimated to cost Rs. 42 crores. The plan produced its immediate impact on the state budget during the period. Out of the five years of the period, the first two years showed modest surpluses. The overall accounts also showed positive balances during these two years. The later three years (1953-54 to 1955-56) witnessed continuous deficits on the revenue accounts, culminating in a huge deficit of Rs. 708.11 lakhs in the final year of the first plan period. Of these three years, 1953-54 and 1955-56 have also revealed minus balances in the overall accounts. The later year showed the largest gap in the overall account, closing with a minus balance of Rs. 106.71 lakhs at the end of the year. From 1955-56 onwards a minus on the cash balance position became a norm, rather than an exception for the state. In 1955-56 the revenue deficit was so great that it demanded heavy drain on the public account funds for meeting the current revenue requirements of the state. The extent to which the revenue deficit of the state is covered by the capital receipt, either under the consolidated Fund of Public Account, shows the depth of its precarious revenue position. By the end of the first plan period the cumulative revenue deficit had reached a level of Rs. 10.23 crores, out of which Rs. 729.85 lakhs was the total revenue deficit during the first plan period alone.

During the first plan period, whatever increase in the revenue receipt of the state was achieved, it was mainly possible on account of large devolution of revenue from the union Government either by way of greater share in the central taxes or greater central assistance. So far as receipts from the state taxes were concerned, they remained more or less constant between 5 and 5½ crores. During the period no fresh measure of taxation was imposed. Except in regard to tolls, the rates of existing taxes and duties remained unaltered. In 1951, in view of high price of jute, the toll rate on the carriage of jute by the canals was increased. It was again decreased to the original level in 1954 on the ground that the price of jute had declined. Tolls were imposed on vehicular traffic using some of the new bridges constructed by the Government. The non-tax revenue of the state also remained constant between 2½ crores and 3½ crores during the period. So the main source of increase in revenue receipt of the state was from the central source, including greater central assistance for plan purposes. But the increase in receipt was greatly offset by the increase in the revenue expenditure mainly under non-development heads like tax administration, civil administration, debt services, relief measures and on miscellaneous accounts. The non-development expenditure which amounted to Rs. 447.83 lakhs or 37.43 per cent of the total revenue receipt of the state in 1951-52 increased to Rs. 1,862.79 lakhs or 78.57 percent of the total revenue receipt in the last year of the first plan period, culminating in a revenue deficit of Rs. 708.11 lakhs in the same year. The development expenditure also substantially increased from Rs. 637.95 lakhs in the first year of the plan to Rs. 1,056.69 lakhs in the last year of the plan. At the beginning of the First Five Year Plan, the states were advised to budget on revenue surpluses. But

ultimately it was found that the execution of the development schemes under the five year plan could never be met out of revenue surpluses, as growth of revenue could not keep pace with the increase in the revenue requirements for meeting the committed expenditure of the state. As a result, mounting deficits instead of surpluses in the revenue account became a common feature, rather than an exception for the state.

It would be interesting to compare the trend of the budgetary position of Orissa with that of all states taken together.

The consolidated revenue position of the states showed nominal surplus for two years for 1951-52 and 1953-54 and for the rest of the three years there were deficits. The position of Orissa was not much different from the general trend of the consolidated revenue account of all states during the period. So far as capital account was concerned the consolidated position of states showed deficits for the first two years and surplus during the later three years of the period, while the capital account of Orissa maintained surplus during the period to come to the rescue of the widening revenue gap of the state. The consolidated overall transactions of the state showed minus balances for 1951-52, 1952-53, 1955-56 (R.E.) and positive balances for the years 1953-54 and 1954-55. Orissa's overall position was not much different from the general trend.

Second Plan Period :

During the second plan period, the budgetary position of the state continued to show the stress and strain arising among other things from the increasing revenue outlay under the plan. The deficit on the revenue account which was the most disturbing feature of the budgets during the first plan period, persisted during the second plan period except in the year 1958-59 which showed a modest surplus balance because of the greater central assistance. However the revenue surplus which appeared during 1958-59, proved to be short lived as thereafter the normal phenomenon of revenue receipts falling short of revenue expenditure again asserted itself. The position of Orissa in the revenue account was in contrast to the consolidated revenue position of all the 13 states taken together during the period. The consolidated revenue account of the states showed surplus during the entire second plan period except in the year 1956-57, while Orissa showed deficit in its revenue account for the entire period except in the year 1958-59.

The consolidated revenue account of all states which showed an aggregate deficit of Rs. 91.7 crores during the first plan period considerably improved its position during the second plan period by showing a surplus of Rs. 53.4 crores. The improvement in the revenue position of the states was made possible due to larger allocation of resources from the centre under the award of the Second Finance Commission. In contrast to the general trend among the

states the revenue position of Orissa showed little improvement during the second plan period, inspite of the clear desire of the Second Finance Commission "...to close the revenue gap of each state as nearly as possible..." The recommendations of the Second Finance Commission instead of being able to eliminate the revenue deficit of the state's budgets, had the effect of only reducing the revenue gap from Rs. 618·20 lakhs in 1956-57 to smaller deficits during succeeding years of the period (except in the year 1958-59 in which there was a modest revenue surplus). The total amount of deficit in the revenue account of the state amounted to Rs. 625·24 lakhs during the second plan period, while it was Rs. 729·85 lakhs during the first plan period. The cumulative revenue deficit which was Rs. 10·23 crores by the end of the first plan period reached a level of Rs. 16·48 crores by the end of the Second Plan period. As this deficit in effect involved a corresponding addition to the debt of the state it may be said that the state had been adding to its burden of interest charges also for meeting expenditure on the revenue account. It shows that the volume of strain on the revenue position of the state could not be relieved substantially inspite of the greater financial devolution by the Second Finance Commission and the larger effort by the state to raise resources. It seems that two important causes were mainly responsible for the chronic state of deficits on the revenue account of the state.

(i) The most important cause of imbalance on the revenue position was the growth of plan maintenance expenditure which was met from revenue account. The committed expenditure for the maintenance of the schemes of the first plan during the second plan period was estimated to be about Rs. 880·00 lakhs or 59·66 percent of the revenue component of the total expenditure of the first plan, which was more than the total amount of revenue deficit during the period.

(ii) Secondly the loans incurred during the one plan period, needed to be serviced during the next plan period. The revenue expenditure on debt services which amounted to Rs. 36·97 lakhs or 2·29 percent of the total revenue receipt in 1955-56, increased to Rs. 327·13 lakhs or 9·22 percent of the total revenue receipt of the state in 1960-61. The large increase in expenditure on debt services imposed a heavy burden on the revenue position of the state. These two factors viz. committed expenditure on plan maintenance and on debt services proved to be of staggering proportion on the revenue position of the state, inspite of the fact that the total revenue in 1960-61 increased by 120·15 percent over 1955-56. Revenue from state source (tax and non-tax) and revenue from central source (tax and non-tax) increased by 109·10 percent and 131·66 percent respectively during the period. Revenue from state taxes alone increased by 62·11 percent in 1960-61 over 1955-56. Inspite of the large central devolution of resources and greater effort by the state Government to raise resources internally it was not possible to strike a workable balance between the revenue receipt and revenue expenditure during the second plan period.

The position in the overall transactions and the cash balance positions of the state showed no sign of improvement during the same period. The overall transactions of the state showed minus balances during 1956-57, 1957-58, 1959-60 and positive balances during 1958-59 and 1960-61. After three years of overall deficits from 1955-56 to 1957-58 the state showed an overall surplus of Rs. 633.34 lakhs in 1958-59, which was made possible by the sanction of a general purpose loan by the central government for wiping out the deficit and the increased central assistance for the plan. However, the overall surplus in 1958-59 proved to be short lived, as it again relapsed into deficit in the following year with a minus overall balance of Rs. 323.96 lakhs and the year which opened with a plus balance of Rs. 185.14 lakhs closed with a minus balance of Rs. 138.82 lakhs. The last year of the second plan period, of course, showed an overall surplus of Rs. 154.82 lakhs and the year closed with a nominal plus balance of Rs. 15.98 lakhs.

Third Plan Period :

During the third plan period, the budgetary position of the state demonstrated further signs of deterioration, in comparison with the two preceeding plan periods. The revenue budget of the state showed deficits throughout the entire period, in contrast to two years of surplus during the first plan and one year of surplus during the second plan period. The largest gap in the revenue account in the financial history of the state, was witnessed in the first year and again in the second largest deficit appeared in the final year of the third plan period.

Out of a total revenue deficit of Rs.15.21 crores in 1961-62, the non-plan revenue account showed a deficit of Rs.10.06 crores. This deficit was mainly on account of maintenance liability in connection with second plan schemes which had been financed out of the revenue budgets during the first year of the Third Plan Period, without any additional grants-in-aid, from the central government. Besides an unusually heavy expenditure amounting to Rs.3.91 crores had to be incurred during that year on account of natural calamities. The central assistance recovered in this connection amounted to Rs. 1 crore only and the state government had to bear the balance amounting to Rs.2.91 crores, out of the committed sector of the revenue budget. This gave rise to a large revenue deficit in that year. During the 1962-63 and 1963-64 non-plan revenue account showed a modest surplus because the Third Finance Commission award took into account the additional liability on the state Government for maintenance of second plan schemes. These surpluses, however, were substantially counterbalanced by large deficits emerging out of the inescapable expenditure on plan account during these two years. Again in 1964-65 (B.E.) and 1965-66 (Estimate) revenue deficits on non-plan accounts appeared, thus largely contributing to overall revenue gaps in the subsequent years. The overall transactions also revealed minus balance during the entire period except in 1962-63 and 1965-66 when there was nominal plus balances.

However each of the year of the period closed with minus balance, the largest was witnessed (Rs.828.14 lakhs) in 1963-64. During the third plan period, on a account of grave deterioration in the cash balance position the state had to take recourse to overdraft from the Reserve Bank, off and again.

The total amount of revenue deficits during the third plan period amounted to Rs.3627.77 lakhs, as against a revenue deficit of Rs.729.85 lakhs and 625.24 lakhs during the first and second plan periods, respectively, showing an increase of Rs.267.71 percent over the aggregate deficit during the first decade of planning. Thus it reveals a colossal deterioration in the revenue position of the state during the third plan period. A comparison with the consolidated budgetary position of all states during the period reveals that the consolidated revenue account of all states witnessed surplus for 1962-63 and 1963-64 and deficits for the rest of the years in the period, as against continuous deficits on the revenue accounts of Orissa throughout the third plan period. The consolidated revenue accounts of all states for the third plan period showed an aggregate deficit of Rs.59.3 crores out of which Rs.36.0 crores is attributed to Orissa alone, as its total revenue deficit during the period. It brings out the gravity of financial distress in which Orissa found itself during the Third Five Year Plan. As regards the consolidated capital account of all states, it showed surplus for 1961-62, 1962-63, 1965-66 (B.E.) and the deficits for the rest two years in the period, while in Orissa the capital account showed surplus during the third plan period except in the year 1963-64. The consolidated capital account of all states showed an aggregate surplus of Rs.10.0 crores during the period, while Orissa forced a much larger total surplus of Rs.3681.98 lakhs in its capital account during the same period, probably at the cost of sacrificing capital expenditure (which to a large extent determines the rate of economic development) in order to come to the rescue of the mounting revenue deficits. When capital receipts are used for ordinary revenue purposes they not only increase the debt obligation of the state without creating any capital assets against them, but also they increase the interest burden adding to the financial distress of the state. That is why ordinary prudence demands that the revenue budgets should be balanced as far as possible.

The deterioration of the revenue position of the state can be explained by the disparity in the growth of revenue receipts and expenditure during the period. While the revenue receipts during the third plan period increased by 151.54 percent over the corresponding figure of the second plan, the increase in revenue expenditure was 166.61 percent. The comparatively faster rate of growth of revenue expenditure than the revenue receipt during the period explains the further deterioration in the already strained revenue position of the state. Thus three important factors are mainly responsible for increasing the imbalance in budgetary position of the state

during the third plan period. They are (i) large outlay under the third plan (ii) growing expenditure on plan maintenance (iii) mounting debt servicing charges. Apart from these important factors, acute difficulties for the state were also caused by heavy floods in 1961, severe droughts in 1962, Chinese aggression in October 1962, Pakistani aggression in 1965, famine conditions in the state in 1965 which increased the pressure on the already strained finances of the state.

Thus the analysis of the budgetary position of the state during the three five year plans clearly reveals that in the circumstances of the state, the phenomenon of receipts falling behind expenditure on the revenue account is more common rather than an exception. Mainly three factors seem to be largely responsible for giving rise to such a situation. (i) On the completion of every five year plan several institutions and services are brought into existence and the central assistance available for the scheme for their implementation is stopped at the close of every plan. All these institutions and services whether implemented in the state sector or in the central sector of the plan are required to be maintained out of the states own revenue resources. The plan maintenance expenditure which is thus a consequence of plan implementation creates an additional strain on the revenue position of the state.

(ii) Secondly, the rapid growth of the out-standing debt has been responsible for the phenomenon of expansion of the annual debt servicing charges, which consume a heavy percentage of the states revenue.

(iii) Thirdly the normal expenditure pertaining to the general administration also increases on account of growing complexities of administration and the law and order problems, arising out of a higher level of economic activities in the state. Added to this the state exchequer is frequently called upon to meet the additional liability arising out of floods and droughts to which the state is often a victim.

The additional burdens arising out of the three factors would have caused little strain had the capital assets created by development expenditure during the five year plans produced additional revenues, and had the development of the economy of the state resulted in the substantial growth in the normal revenue receipts. But the growth of revenue expenditure on account of plan maintenance, debt servicing charges and the normal increase in the administrative expenditure far out runs the capacity of the economy to yield additional revenue mainly on account of inflexible character of the tax structure of the state and the backwardness of its economy. This has resulted in the increasing gap between the expenditure and receipts on the revenue account from one five year plan to another.

Added to this precarious existence of the state, there is another discomfoting feature in the state economy which is reflected in the widening economic disparity between Orissa and other advanced states. Whatever indices are taken whether it is per capita income, per capita consumption or progress pertaining to any field of economic development, Orissa emerges as one among the poorer states. This is mainly due to its start from a low base and lack of adequate financial resources for undertaking bigger development programmes under the five year plans. The present practices of determining the size of the development programmes of the states mainly on the basis of their capacity to mobilise financial resources has instead of promoting balanced economic growth for the country, has given rise to widening economic gap between the rich and poorer states. Although Orissa devoted a greater percentage of its aggregate expenditure (both revenue and capital expenditure taken together) for development purposes, comparatively smaller amounts of resources were available for social service like education, medical and public health. Consequently the level of these two important items of social service (which have also some bearing on the economic development in the state) have remained considerably at a lower level than that in most of the other states.

The picture of the financial land scape of Orissa that we have drawn, is also more or less true in case of other backward states of the Indian union. Hence any attempt to maintain the financial equilibrium of the states require a thorough inquiry into the revenue structure of the states including the fiscal relationship between the union and the states, in the changed circumstances of the country.

STATE FINANCES OF ORISSA

DR. D. C. MISRA

Rapporteur

Out of the four papers received for this section, three deal with the problems of state finance and one with those of local finance of Orissa. The papers on state finance deal with the following problems :

(i) The widening gap between the outlay and the resources available to the state as indicated by the tax efforts.

(ii) The higher rate of growth of expenditure (166 p.c) as compared to that of revenue (151 p, c,) ⁽¹⁾

(iii) The problem of recurrent deficit in the revenue account necessitating diversion of funds from capital account to revenue account.

(iv) The phenomenon of mounting debts arising out of the need to finance plans and to close the gap in the revenue budget.

The recurring phenomenon of receipts falling behind the expenditure has been a product of following factors as brought out by S.C. Patnaik in his paper.

(i) Plan maintenance which is a consequence of plan implementation.

(ii) The rapid growth of outstanding debt giving rise to an increase in the annual debt servicing charges which consume a high percentage of state revenue (19 p. c. of the total revenue expenditure).

(iii) Growth of administrative expenditure on account of growing complexities of administration in a developing state and on account of the situation created by the recurrent natural calamities like floods and drought.

All the three papers point out that the plan outlays are modest and hardly come anywhere near the objective of raising the low per capita income of the state to the All India level. Even this modest requirement necessitated a rate of growth of state expenditure which far exceeded the growth of state revenue and this inspite of best efforts at resource mobilisation. If total tax revenue

(1) The increase is during third plan period over the second plan period.

collected by the state Government is regarded as a rough index of its tax efforts, Orissa's efforts seems to have been the highest. In terms of rate of increase in the incidence of state taxation during the period 1959-60 to 1964-65, Orissa's rate of increase seems to have been the highest in India (152.3 per cent). Orissa more than doubled her revenue from state taxes during this period. In terms of per capita incidence, the increase in case of Orissa was from Rs.4.44 in 1959-60 to Rs.10.14 in 1964-65. Of course the high rate of increase was on account of the fact that Orissa started from a very low level of per capita state taxation which is further explained by her low taxable capacity as evidenced by her very low per capita income ⁽²⁾ (Rs.271 in 1960-61).

Each successive plan has increased the inter state disparity so far as per capita income is concerned rather than reducing it. This has been the result of the present policy of determining the size of the developmental programme of the states more on the basis of the capacity to mobilise resources than on promoting balanced regional growth or on the basis of growth potential of the state.

The problem boils down to this; the states are faced with expanding needs and inelastic resources giving rise to increasing dependence on central devolution of resources. This has not freed the poorer states from chronic revenue deficits. Therefore a plea is made for greater devolution of resources from the centre to the poorer states.

Sri S. C. Patnaik in his paper analyses the budgetary position of the state during the three plan periods and comes to the conclusion that imbalance between needs and resources leading to the present financial crisis requires a thorough enquiry in to the resource structure of the states including the fiscal relationship between the union and the states.

Sri Ranglal Agrwalla brings out with sufficient force the dilemma the poorer states like Orissa are faced with. Such states have a good growth potential and an urgent need for higher rate of investment to catch up with the All India per capita income but they have at present a low resource capacity on account of their poverty. In case of Orissa, he argues, the real per capita income has practically remained static on account of frequent occurrence of natural calamities like floods, drought and cyclones etc.

Sri R. C. Patnaik in his paper points out the contradiction involved in Orissa Government's policy of abolishing land revenue and at the same time reorienting the excise policy for obtaining additional revenue. He puts forward several arguments for retaining land revenue in a drive for greater mobilisation of resources for overcoming the present financial crisis in the state.

(2) An Inter-state comparison of the incidence of state taxation E. T. Mather, Indian Economic Journal conference Number 1967. pp. 24 to 26,

The only paper on local finance has been contributed by Sri R. C. Patnaik. His paper contains some interesting findings :

(1) That about 70% of the tax-revenue of urban local bodies is derived from only property and service taxes.

(2) They are unwilling to fully exploit this tax potential and their approach has been one of 'no funds, no work'.

(3) The tax collection has been poor; percentage of collection is 51.3 of the demand in case of Municipalities and 34.9 in case of Notified Area Councils.

(4) Grants from the state Government has equal importance with tax revenue in this resource structure.

His suggestions are :—

(1) The local taxes should be classified into compulsory and optional taxes and suitable steps should be taken in this direction.

(2) There should be an independent central valuation Agency set up by the state Government for initial valuation and periodic revision of valuation of urban property. The increase in urban land value can be mopped up by betterment levy or stamp duty on transfer of urban property.

(3) Octroi duty should be levied in urban areas having a large floating population.

The main points raised by these papers are :—

(i) Whether there is any further scope for tax revenue or have we reached the limits of taxable capacity ?

(ii) What are the prospects for raising non-tax revenue ?

(iii) What scope is there for economy in Government expenditure ?

(iv) What should be the magnitude of the devolution of resources from the union to the states ?

(v) What should be the basis of the distribution of the divisible pool among the states ?

In the discussions that followed some of these points were taken up. As regards tax revenue some like Sri Purnananda Das felt that there was very

little scope for additional tax revenue as household consumption expenditure in the state is greater than state income. Other speakers like Dr. Bidyadhar Misra and Sri Ramayya felt that there is some scope. They advocated scrapping of prohibition, increase in rate of sales tax in case of some commodities, tax on bigger holding and re-imposition of land revenue.

As regards non-tax revenue, some like Sri S. C. Patnaik felt that there is some scope from that source but it is not enough. Sri Purnananda Das advocated state trading in food grains as a possible source. But he was very much pessimistic about the contribution of state undertakings which give a return of 1 percent on their investment. But others, like Sri S.C. Patnaik and Dr. B. Misra, was very optimistic about their future role. As regards economy in Government expenditure, it was felt that some economy could be effected but it was difficult to locate the areas where this could be done without proper investigations.

Regarding devolution of resources from the union to the states, Sri S. C. Patnaik made strong plea for devolution of resources as he felt that tax and non-tax revenues of the states were not enough to meet their ever expanding needs. He advocated devolution of resources according to needs as revealed by per capita income, population and geographical area of the state. He has also indicated a mathematical formula by which the share of each state in the total devolution can be determined according to the benefit ingredients of the principle of need. Dr. C. Misra suggested that inverse ratio of per capita income should be the basis of devolution of resources to the states. But as estimates of state per capita income made by the different state Governments are not comparable, they must first be put on a comparable basis. He was in favour of establishing some objective criteria for determining the plan outlays for different states. Sri J. K. Misra pointed out that making the per capita income the basis of devolution has led to competitive deflation of per capita figures. Similarly a tendency for competitive deficits has developed for getting more grants. He suggested that allocation to states should be on a permanent basis, though periodic revision should be allowed. His scheme was to have a fixed ratio with adjustments for growth of revenue.

Dr. Bidyadhar Misra said that according to the principle of Federal Finance poor states should get more share. But the present system of matching grants has made the poor states poorer. All of them agreed that there should be greater devolution of resources from the centre.

PRICE INCENTIVE AND PRODUCTION RESPONSE IN AGRICULTURE

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1. INTRODUCTION

1.1. Much has been made out in some quarters of the efficacy of price mechanism in inducing agricultural production. Under conditions of an underdeveloped economy much of the emphasis on price-born incentives are misplaced. This is largely because, in such an economy, production function is not entirely conditioned by market behaviour due to following three factors.

(i) There is preponderance of subsistence farming as distinguished from commercialised agriculture, resulting in apportionment of large proportion of farm-output for self consumption.

(ii) There is existence of a wide-gap, between producer's price and consumer's price, resulting in non-dissipation of benefits of high consumer's price to the actual producers.

(iii) Food policy of a State has limited dimension of operation and thus is incapable of influencing the food prices or food production to any significant extent.

1.2. An insufficient realisation of the effects of these problems has often led to many incorrect policy prescriptions in the matter of food prices. Of late, there is a school of thought, which attempts to revive the old 'Laissez Faire' approach and pleads that unfettered price determination by private traders will result in increasing production and therefore, it is opposed to any price fixation measures by Government either for purpose of procurement, from the farmers or for purposes of distribution to the consumers.

1.3. In this background, the objectives of this paper are to examine with special reference to Orissa.

(i) Whether there is significant correlation between production and prices of food grains in general and of rice in particular.

(ii) Whether the benefits of higher consumer price of rice have been transferred to the actual producers.

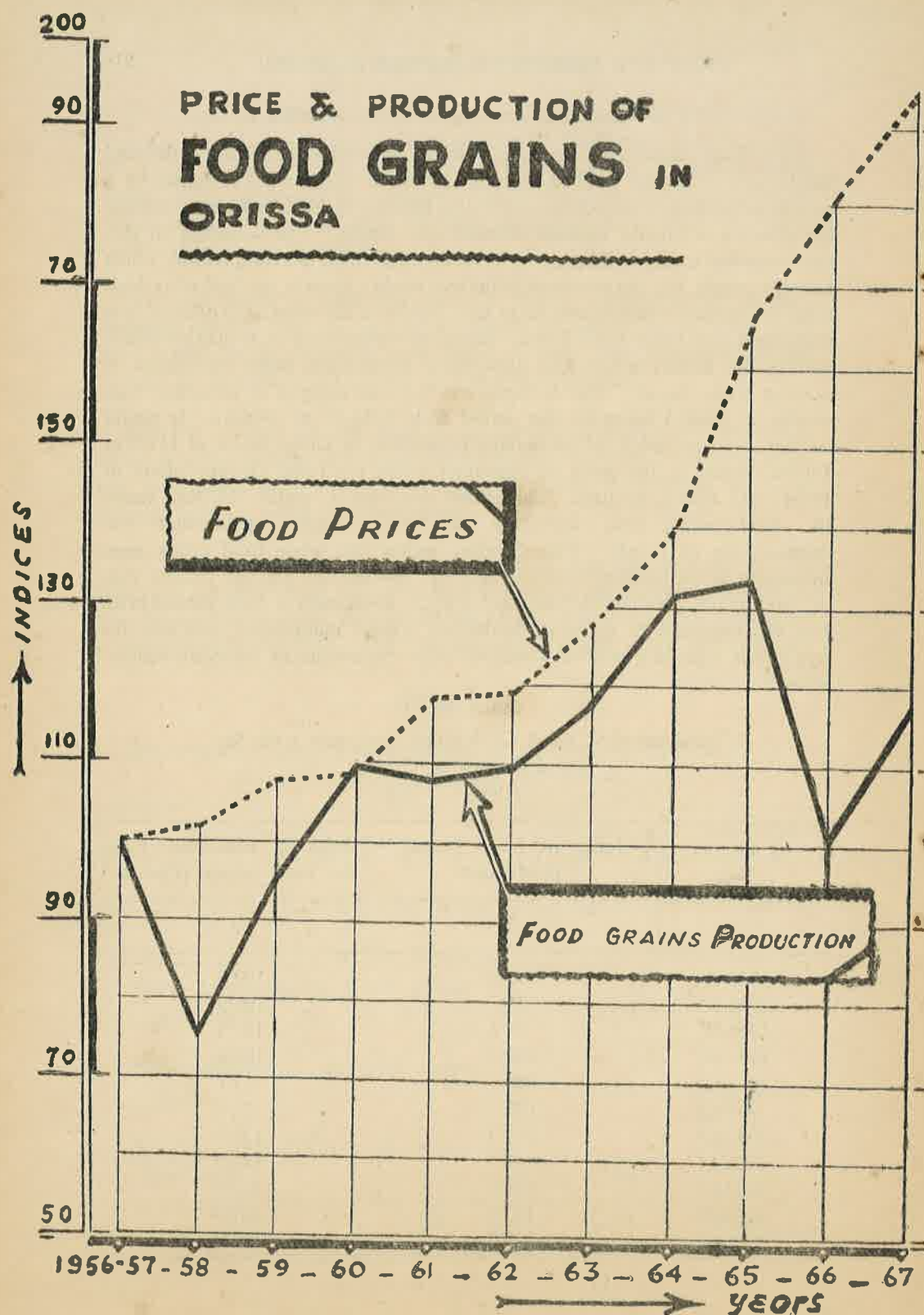
(iii) Whether for safeguarding the interests of the producers as well as consumers of rice, a correct food policy should aim at free trade or distribution cum-price controls.

2. PRICE CHANGE AND PRODUCTION RESPONSE :—

2.1. As production represents the supply function and the prices the demand function, it is often argued that if price of commodity increases by a certain percentage, its production will also increase at least by that percentage for effecting a balance between demand and supply. The weakness of this oversimplified theory is inherent in its assumption of perfect competition, which no where exists, nor can ever exist in the real world. Even in the field of agricultural production, where due to large scale scatter in the ownership of land, it is recognised that there exists greater degree of competition than in other fields, among the factors influencing agricultural production price mechanism is not the prime mover. This is borne out from an analysis of statistical data shown in Table 1 below for the period from 1956-57 to 1966-67. It would be seen that the index of foodgrains production in Orissa stood at 117.7 in 1966-67 where as the index of consumer prices for Food Groups stood at 194.4, with 1956-57 as base. This shows that over a period of ten years, the food prices have increased by 94% whereas production has increased by 18% only. This therefore means that while food prices were increasing at the average rate of 9.4% per annum, the average growth rate of food grains production was only 1.8%. Even such a high rate of price rise was incapable of inducing production (except marginally), confirms the hypothesis regarding in-effectiveness of price mechanism as an instrument of growth.

TABLE NO. 1
Production of Food Grains and consumer price for
Food Groups in Orissa
(1956-57=100)

Years	Index of Food grains production	Index of consumer price for food groups (Cuttack)
1	2	3
1956-57	100.0	100.0
1957-58	75.7	101.9
1958-59	95.3	107.5
1959-60	109.3	108.4
1960-61	108.8	117.8
1961-62	109.5	118.7
1962-63	117.3	128.0
1963-64	131.1	140.2
1964-65	133.9	167.3
1965-66	100.9	181.3
1966-67	117.7	194.4



2.2. Presenting the above figures graphically, we derive the following conclusions :

(i) The price curve is, consistently upward sloping and from the year 51-62 its gradient is rapidly increasing thereby showing that the rate of increase of food prices has been steep thereafter.

(ii) The production curve has always remained below the price curve and the gap between these curves has significantly increased during recent years. This is indicative of the lack of correlation between production and price trends.

3. RICE PRODUCTION AND RICE PRICES :

3.1. We have already seen that rise in food prices have not influenced the production of food grains either by the same extent or in the same direction. We may now examine the position relating to rice alone, as rice constitutes the major food grain for Orissa, accounting for about 90% of total food grain produced annually in the State.

3.2. If price is at all to have any effect in the expansion or contraction of rice production, this effect will not be discernible in the same year but with one or more time lag. But data on production and price of rice in Orissa show that the pre-peak production year was not the year of highest index in rice price, nor the year which recorded the highest price index of rice was followed by the year of highest rice production. In Orissa, the year 1964-65 records the peak production of rice at 43.60 lakh tonnes, but this was not under price influence, as could be seen from the price index (retail price) of rice for the previous year, which stood at 141 (1959=100). On the other hand, in 1965 when the retail price index of rice rose very high and stood at 238, the production of rice the next year fell to 35.37 lakh tonnes. This leads to the conclusion that rice being a basic food crop, and rice cultivation being practised as a way of subsistence rather than under market impulses, its production response to price variation is not significant. This is corroborated by the statistics of production and price of rice in Orissa during the recent years, given in Table—2 below.

TABLE—2

Trend of production and price of rice in Orissa (1959—66)

Year	Production of rice (in lakh M.Tonnes)	Production index (Base—1959)	Index of retail price of rice. (base-1959)
1	2	3	4
1959	37.09	100.00	100.00
1960	37.20	100.29	119.05
1961	36.98	99.70	104.76
1962	36.30	97.87	119.05
1963	42.46	114.48	140.48
1964	43.60	117.55	183.34
1965	31.88	85.98	238.10
1966	35.37	95.36	250.00

From the above figures, the following inferences are obvious :

(i) While price of rice has increased by 150% between 1959 and 1966, its production has fallen by 5%. The fall in production during 1965 and 1966 are, of course, due to drought conditions, but this means that supply of production inputs (which includes water for the crop) is a more important determinant than price incentive.

(ii) While rice production trend is erratic, price trend is consistently high.

(iii) Increase in production, as in 1963 and 1964 does not necessarily lead to a fall in prices.

3.3. Elasticity of acreage to price changes, varies between food crops and cash crops. In case of the basic food crops, like rice, price rise had no influence in increasing acreage under rice in Orissa. In a period of rising prices, it may even fall, as in 1965-66 and 1966-67. Figures on acreage under rice in table 3 below show that (except for 1960-61) it has almost remained constant around 42 lakh hectares.

TABLE—3

Year	Acreage in lakh hectares.
1	2
1959-60	42.68
1960-61	37.66
1961-62	40.41
1962-63	43.74
1963-64	42.46
1964-65	42.71
1965-66	41.72
1966-67	41.92

We may conclude that correlation between production and price of rice is not high. Hence any attempt at increasing production of rice through price mechanism may not yield the desired results.

4. PRICE GAP

4.1. There is another aspect about price movement namely the price gap which deserves special attention for obtaining a correct answer as to why price rise is incapable of influencing higher production. As we find there are three types of prices, each having its separate sphere of operation.

4.2. Firstly, the producer's price, This is the farm harvest-price i.e. the price which the producer receives at his farm yard as value of his produce and this is usually taken for purposes of determining the value of net national product in the agricultural sector for national income estimates. It is this price which is relevant to the actual producer.

4.3. The second category of price is the wholesale price which includes trading cost and business profits of the wholesale traders. This species of prices is not so much related to production as to the marketable surplus.

4.4. The third category of prices is the retail price, which is relevant to the consumers and is usually called the consumers prices. The gaps between these prices are often so large that the benefits of higher prices paid by the consumers do not trickle to the hands of the actual producers thus making production less price-elastic.

4.5. This is borne out by the figures presented in the following table which show that in 1966-67 gap between retail price and producers price was as high as 50%.

TABLE—4

Gap between producer's price and consumer's price of rice in Orissa

Year	Producer's price per ton in Rs.	Consumers' price per ton in Rs.	Price gap (Rs.)
1	2	3	4
1961-62	454	508	54
1962-63	455	600	145
1963-64	720	1077	357

(Note :—In the absence of data on producer's price, wholesale price at peak marketing period has been taken in Column—2 of Table—4 above, which would be higher than the producer's price and consequently, the gap in Column (4) would be still larger).

5. SUPPORT PRICE :

5.1. In recent years, fixation of a minimum procurement price has acted as a support price rather than a price repression measure to the producers. In this sense, it influences the producer's price of rice to go up-ward and as such it has acted as a safeguard against the price repression dictated to the farmers by the traders. In the rural areas, in the absence of growers cooperatives and with the low retentive capacity of the rice growers, there is no free play of demand and supply prices. What is dominant is the demand price offered by the traders, rather than the supply price of farmers, who is a weak partner in the game of supply and demand. Therefore fixation of a procurement price, based on considerations of cost of cultivation and consumer expenditure is a sound price policy. This has also moved year after year with the changing cost structure, which could be seen from the following table.

TABLE—5

Support price of paddy in Orissa

Y e a r	Per quintal of paddy (common variety) Rs.
1	2
1964-65	35.00
1965-66	36.50
1966-67	41.50
1967-68	48.00

Fixation of a procurement price is, therefore, an useful instrument in narrowing down the price gap; but without any measure of success in holding the consumer's price line, this alone will not be of much real value.

6. MARKETABLE SURPLUS :

6.1. What is wrong in our food policy is not the policy of procurement nor the fixation of a support price, but the smaller scale in which State trading is attempted. In Orissa, production of rice has varied from 43 lakh tonnes in a good crop year like 1964-65 to 34 lakh tonnes in a bad crop year like 1967-68. It has been estimated by the Ministry of Food and Agriculture, Government of India that the marketable surplus of rice in Orissa is 31 % of production. On this basis, Orissa's marketable surplus of rice varies from 10 to 13 lakh tonnes per annum. Out of this quantity, Government procurement has been a very small fraction which could be seen from the following table.

TABLE—6

Volume of marketable surplus and procurement of rice in Orissa

Y e a r	Production of rice in lakh tonnes	Marketable surplus of rice in lakh tonnes	Procurement of rice in lakh tonnes	Procurement as % of mar- ketable sur- plus	% of marke- table surplus handled by private trade.
1	2	3	4	5	6
1961-62	36.98	11.46	0.26	2.27	97.73
1962-63	36.30	11.25	0.55	4.89	95.11
1963-64	42.46	13.16	0.55	4.18	95.82
1964-65	43.60	13.52	N. A.	..	..
1965-66	31.88	9.88	N. A.	..	..
1966-67	35.37	10.96	2.00	18.23	81.75
1967-68	34.00	10.54	2.00	18.97	81.03

These figures clearly show that state trading in rice has been on a very limited scale and has never touched even the 20% level, and that private trade still dominated the rice market handling more than 80% of marketable surplus.

6.2. That price control measures have not been fully effective directly emerges from this low percentage of marketable surplus handled by State trading. So long as the dominant share in marketing of rice continues to remain in the hands of private traders, it is difficult to achieve a price stabilisation measure. It is, of course, true that there are administrative deficiencies for making large scale state trading a success, but there is nothing wrong in the theory of state trading. This is one way of abolishing the spectre of dual pricing and certainly a better way than introducing unfettered price fixation by private traders and profiteers only. As complete state trading is not possible at present on practical grounds and as complete private trading is not desirable on theoretical principles, a sound rice policy should attempt to strike a golden mean between the two, where both can operate, but the objective in that frame-work should be to increase the share of state trading in the total marketable surplus of rice.

7. CONSUMER DEMAND :

7.1. In Orissa, the need for greater dose of state trading in rice emerges from the large and increasing size of consumers dependent on cash purchase of rice and that their internal consumption requirement of rice is increasing noticeably on account of the following factors :

(i) Though Orissa had only 11 lakh urban population in 1961, the rate of growth of urban population in Orissa during the current decade is very fast. It is estimated that it is increasing at the rate of 8% per annum which is higher than in states like West Bengal. On this basis, in 1968 Orissa's urban population would come to about 17 lakhs and in 1973, it would be double the size of 1961 urban population.

(ii) Food habits of rural population of Orissa, specially in the Adivasi dominated districts have undergone noticeable change in recent years with greater preference for cereals in place of non-cereals. This process of change is bound to continue further with economic development.

(iii) The old-time self-sufficiency in rice for almost entire rural households and for large percentage of urban households has vanished. There is now lesser dependence on home-grown stock and greater dependence on cash purchases both in urban and rural areas.

7.2. From an analysis of National Sample Survey data for 1963-64 for Orissa, it is seen that more than one-third of rural households and about 90% urban households in Orissa were dependent on cash purchases from the market for their rice requirements. The following table would reveal the position.

TABLE—7

Distribution of households dependent on home-grown production and cash purchases of Rice in Orissa

Sl. No.	Categories	Percentage of households	
		Rural	Urban
1	2	3	4
1.	Fully dependent on home grown production.	63.4	11.0
2.	Fully dependent on cash purchases.	29.4	88.4
3.	Partially dependent on cash purchases.	7.2	0.6
Total		100.0	100.0

7.3. On this basis, we may make an estimate of the number of persons in rural and urban areas, who would depend fully on cash purchases of rice in 1968 and project it for the next five years. For this purpose, we may treat half of those partially dependent on cash purchase as fully dependent on cash purchase and by adding it up with the percentage of fully dependent households and by presuming that the resulting ratio for the households also applied to the population, we can make an estimate of the size of the population fully dependent on cash purchase.

TABLE—8

Population fully dependent on cash purchase of rice in Orissa
(1968—73)

Y e a r	Estimated population		Population fully dependent on cash purchase		
	Rural (lakh)	Urban (Lakh)	Rural 33 % (Lakh)	Urban 88·7 % (Lakh)	Total (Lakh)
1	2	3	4	5	6
1968	184	17·38	60·72	15·41	76·13
1969	186	18·79	61·38	16·66	78·04
1970	189	19·21	62·37	17·03	79·40
1971	192	20·13	63·36	17·85	81·26
1972	194	21·01	64·02	18·63	82·65
1973	197	21·95	65·01	19·46	84·47

7.4. Thus we find that the number of rice buyers in the State is 76 lakhs at present and other factors remaining constant, this figure is likely to increase to 84 lakhs within next five years only on account of population growth. This is a formidable figure indeed.

8. CONCLUSION :

In an underdeveloped economy planning for economic development, the strategy for increasing agricultural production lies not through price mechanism but by direct in-put subsidy method. For the successful operation of this process in the conditions obtaining in Orissa, it is essential that price policy and distribution policy of rice should attempt at mobilisation of large share of marketable surplus of rice, regulate its internal distribution and continue state monopoly in its export and thereby safeguard the interests of producers and consumers of rice effectively consistent with the economics of welfare.

PRICE AND PRODUCTION TRENDS IN AGRICULTURE IN ORISSA

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Introduction :

Agriculture is the most important economic activity in Orissa whether judged by the volume of employment or by the volume of output. About 75 percent of her working population depend upon agriculture. In 1956-57, nearly 47.7 percent of the total income of Orissa was derived from agriculture as against 43 percent in all-India.¹ But she is back-ward in the field of agriculture as out of the total cropped area of 15 million acres about 9 million acres are devoted to the rice crop. Thus the economic development of the state depends upon the production of rice, a single commodity and it results in an unstable economy. Price and production trends in Agriculture in Orissa are of special interest to the people of Orissa.

The study of price and production trends leads one to formulate a proper agricultural policy, the main objectives of which are (a) increasing agricultural production, (b) keeping the prices of agricultural products including raw materials low to help in developmental planning; (c) improving the economic footing of the cultivators. The first two objectives, to increase production and to keep the price low, appear to be contradictory. It is known that agriculture is the primary industry, where competition is going on among large number of small farms. In spite of this, the price and production trends reveal that the production is non-responsive to price fluctuations. In the case of industry, both price and production are mutually responsive. Production in agriculture is still largely regulated by nature. The climatic condition, rainfall, pests, disease have their say in the volume of production. This year the bumper crop in Orissa is disturbed by the cyclone in coastal area, flood in Northern Orissa and by the drought in many eastern districts. Therefore agriculture involves uncertainty of yield. "Next to rain price changes have been the greatest enemy of the farmers".* Production in Agriculture depends upon mainly two factors : (a) acreage, (b) Yield. The acreage is constant in Orissa under food crops. Since 1948, after the merger of twentyfour former native states, the area added then and now by reclamation and clearance of forests, to the total, does not make any significant contribution. Next to

1. Based on C. S. O. estimates of National Income.

*Roger Thomas

acreage, the yield, may be considered from two angles, aggregate output as a whole and marketable surplus. The latter is important in Orissa, where the large majority of farmers are subsistence farmers with little surplus. Although 75 percent of the population depend on agriculture, 64 percent of the population consist of actual cultivators of owned and unowned land together with their dependents. Rice is grown in more than 62 percent of the total cropped area.** But the cultivators follow in the main a consumption economy. It has been estimated that of the total rice produced in Orissa, 52.4 percent is used for household consumption by the growers, 1.8 percent in barter transactions, 15.5 percent in payments in kind for various services rendered including wages in kind paid to agricultural labour and 8.3 percent for seed and stock-feeding. Thus 78 percent of total output does not pass through the money economy at all and to this extent the cultivators are indifferent to the fluctuations in the price of rice. Only 22 percent of the production of rice constitutes our marketable surplus. It feeds the urban and industrial classes. It becomes the principal factor to determine the price in the market. The cultivators owning up to five acres of land have hardly any surplus food grains to sell. The pattern of consumption expenditure in Orissa shows that the percentage of total expenditure on food is 71 percent, whereas the all India proportion is 66 percent.† What little the cultivators sell to pay rent, interest etc. is of the nature of distress sale. The price and production tables given below (Table I) of both food and non-food crops in Orissa, reveal that production is not so sensitive to price like that in industry. It is principally due to the fact that farming is still a way of life.

TABLE—1

INDEX OF PRICES AND PRODUCTION TRENDS OF FOOD CROPS FROM 1957—64
(Base 1957-58=100)

Year	Rice		Wheat		Ragi	
	Price	Production	Price	Production	Price	Production
1957	100	100	100	100	100	100
1958	100.6	123	98.8	108.4	102	116
1959	91.3	143	94.5	114.7	87.8	114.6
1960	106.1	210.1	90.3	116.6	97	111.7
1961	95.4	209.5	90.6	115.7	103.7	132.3
1962	113.8	207.6	91.2	114.2	83.7	199.9
1963	118.2	242.3	86.6	229.7	89.5	173.4
1964	139.0	248.6	78.4	204.5	116.0	141.1

Source :—Office of the Director of Agriculture, Orissa.

**Techno-Economic survey of Orissa, Page 11.

†National sample survey.

Table 1 reveals the index of price and production trends of rice, wheat and Ragi between 1957 and 1964. Regarding the production of rice, the price does not play an important role to determine the level of yield. But one thing is evident that price of rice has gone up from 100 to 139 whereas production has increased from 100 to 248.6. The increase in both the respects is not proportionate. It is found also at certain places that at low prices production has gone up instead of declining. It can safely be concluded that trends of production are quite insensitive to the trends of price. The reason is discussed at length at the beginning. In Orissa, the increase in production is due to many other factors besides price. The Intensive Agricultural District Programme at Sambalpur, increasing irrigation facility and launching of incentive drives to increase production may be some of the possible factors.

The prices and production trends of wheat show that there is quite an appreciable change in both the directions. It can be seen from Table 1 that when the price of wheat has gone down from 100 to 78.4, the production has gone up from 100 to 204.5. Here also the increase in production is not responsive to the trends in price. When the production has gone up considerably the price has gone down moderately. It shows as if the production is determining the price. The reason of increase in production even when there is decline in price may be due to the change in food pattern in each and every family. It is a general observation that the habit of taking 'atta' in the night in place of rice has spread quite well to the remote villages of the state. So the wheat production is increasing gradually and is not affected by the behaviour of price, since the cultivators are raising wheat for family consumption and for seed purpose. The decline in the price of wheat in the market is mainly attributed to the supply of U. S. A. wheat in the Indian market under PL 480. When the supply in the market is increasing the price is coming down. The production at village level is indifferent to the price as the cultivators are taking interest to raise wheat on experimental basis more and more on their land.

Table 1 also shows the index of price and production trends of Ragi. There is little relationship between prices and production though there has been increase in both. When the price has gone up from 100 to 116, the production has gone up from 100 to 141.1 Ragi constitutes an important crop in Ganjam, Koraput and Bolangir districts. This crop is mainly consumed by poor people who do not raise it for the market. The supply available at Jeypore, Bolangir and Berhampur markets is very insignificant. The marketing of ragi is still confined to south-western Orissa. The farmers do not plan ragi cultivation for the market.

The price and production trends of foodcrops in Orissa clearly prove that farming is carried on for consumption. The demand for and supply of these

products are themselves very peculiar. Considering the supply side, we find, as Schultz has pointed out "agricultural output is not afflicted by the business cycle virus."

From a study of price and quantity data in U.S.A. between 1942 and 1946. Prof. Willard Cochrane concludes that "output of food by farmers has no price elasticity whatsoever."¹ During the Great Depression in U.S.A. in face of severe fall in prices, output in agriculture hardly declined. For instance in U.S.A. "the price of wheat fell by 52 per cent between 1929 and 1932, but production fell by 8 percent. In the same period, the prices of milk fell by 33 per cent and output actually rose."² The supply of food products takes such condition due to the peculiarity of the agricultural sector itself. It is found in the table that some-times when price has fallen, production has gone up. It is due to the fact that the farmers are required to step up production to earn a desired income to maintain their minimum standard of living at reduced prices. Not only the production goes up during a period of fall in prices but also there is a flow back from factory to farm to a great extent. For instance in U.S.A. between the 1929—1932 the number of persons engaged in agriculture increased from 10.5 million to 11.1 million or by 5 percent. The flow from farm to factory takes place when the employment situation in other sectors of the economy is better. Thus, between 1940—44, the number engaged in Agriculture in U.S.A. declined from 10.6 million to 8.7 million, i.e. by 20 per cent."³

Table 2 gives prices and production trends of different types of agricultural products, mostly of non food crops. Price and production trends of jute, gur, potato, coconut and Arhar Dal are taken to represent commercial crops. The proportion of the area under commercial crops in Orissa is very low.

Table 2 shows that jute production has certain relationship with its price. The production of jute has increased from 100 to 169.6 and the price of jute from 100 to 129.1 between 1957—64. The production in any year has determined the price for the next year. Because the cultivators generally grow jute, seeing the market price of the previous year. In 1957, 1958 and 1959 production has gone down, and price has also declined. Jute, unlike the food crops, is raised for the market. This table shows that the increase in production is more than proportionate to the increase in the price. It is due to the fact that the coastal area (Jute belt area) mostly Salepur and Kendrapara, is having more and more acreage under irrigation facility.

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1. "Farm price Gyration", *Journal of Farm Economics*, 1949,
 2. "Elements of Economics", Lorie Tarshis—1947.
 3. "Elements of Economics", Lorie Tarshis

TABLE—2

INDEX OF PRICES AND PRODUCTION OF NON-FOOD CROPS IN ORISSA (1957-58 TO 1964-65)

(Base—1957-58=100)

Year	Jute (Fibre)		Gur (local)		Potato (local)		Coconut (fruit)		Arhar Dal (pulses)	
	Price	Production	Price	Production	Price	Production	Price	Production	Price	Production
1957	100	100	100	100	100	100	100	100	100	100
1958	78	85.8	113.3	87.9	87.2	137.2	111.6	120.3	111.3	86.2
1959	66.3	86.8	145.4	82.6	113.7	105.4	142.0	348.2	139.1	81.7
1960	126.8	115.1	135.4	87.9	96.2	112.0	114.3	273.2	125.0	77.1
1961	151.6	146.4	135.0	88.4	97.4	125.0	120.9	240.7	113.6	104.4
1962	107.6	146.4	121.7	186.0	105.1	196.8	117.2	233.9	116.6	149.7
1963	110.0	173.7	134.5	237.7	119.3	425.7	121.7	229.3	119.4	267.8
1964	129.1	169.6	188.0	236.9	136.0	772.4	143.1	229.3	121.0	267.8

Sources—(a) Bureau of Economics and Statistics

(b) Office of Chief Statistician, Director of Agriculture, Orissa.

In the case of Gur, between the year 1957 to 1964 price has gone up from 100 to 188.0 and production from 100 to 236.9. The index table shows that when the production has gone down price has gone up. From 1957 to 1961. The production has gone down from 100 to 88.4 and price has gone up from 100 to 135.0. Gur, in Orissa, is produced in certain restricted areas. The cultivators produce it only for the market.

The potato crop constitutes an important item in the daily consumed vegetables. The Government of Orissa has launched now a programme to increase the area, under potato in rural areas through C.D. Blocks and District Agricultural Officers. The up-to-date variety has become very popular in 'Bailishmauza' area, near Cuttack. The production does not appear to keep have much correspondence with the price trend. When the price has gone up from 100 to 136.0, the production has increased considerably from 100 to 772.4. The inception of cold storage facility at 'Satsankh' of Puri District and at Cuttack, has given an impetus to potato production.

Coconut crop shown in the index table is itself a very peculiar crop. The production is subject to periodical cycle. Moreover the price ruling in West Bengal, and U.P., determined the net supply of coconut from Orissa. The reason is that the coconut growing area is very near to sea and feeds the market generally outside the State. The production has very low response to the price trend.

There is some relationship between price and production in the case of Arhar (pulses). The production generally determines the price for the next year. That is why from 1957 to 1960, the production has gone down from 100 to 77.1, while the price has increased from 100 to 125.0. Throughout the table, the trend remains moderate.

Thus non-food crops containing commercial crops, like gur and jute, are responsive to price. The farmers grow them for the market. The picture is quite different with the food crops like rice, wheat and ragi. The output of food crops per acre in Orissa is very low. The cultivators are in utter poverty. Production in subsistence farming is likely to be more inelastic to price compared to large-scale commercial farming. The presence of high percentage of fixed cost compared to variable cost in the cost structure in this sector, also makes it highly inflexible.

TRENDS IN PRICES AND PRODUCTION OF JUTE IN ORISSA

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THE PROBLEMS OF THE INDIAN JUTE INDUSTRY :

Jute is principally an internationally traded agricultural commodity and a potential foreign exchange earner of India. The problems that the Jute Industry faces after devaluation relate to that of "finding enough raw jute supplies indigenous as well as imported and finding profitable export outlets for Jute goods."¹

An inadequate supply of raw jute of right quality and right prices is the first problem of the industry. By the end of the Fourth Plan, India would be requiring 9 million bales of raw jute. The problem becomes more complicated because the import of raw jute from Pakistan and Thailand will not increase more than the current level. We have a stupendous task ahead of us in reaching the production target. In 1965-66, the actual output of raw jute was 6.2 million bales. This necessarily calls for an increase of 45% of the present quantity of raw jute produced in the country. Central Government proposes to increase the production of raw jute by intensive cultivation in selected areas.

Jute being a cash crop its production is influenced mainly by the price. The higher the price the more will be the production of jute. The Government of India has fixed the minimum prices of jute and at the instance of A. P. C. has also made an upward revision to provide incentives for higher production.

EXPORT SECTOR :

The most serious deterrent to exports of jute is the high cost of the Indian product as compared to that coming from Pakistan. The cost of raw jute from Pakistan and Thailand have increased by 57.5% of their original cost due to devaluation. Caught between the sky-rocketing prices of raw jute and the difficulty in its export, the industry had to cut the consumption of fibre and face brief spells of block closure of mills.

The problems that the jute industry faces are (i) to increase the production of raw jute and (ii) to reduce the prices of raw jute to a reasonable level so that the competitive position of the industry would not be impaired and there would be no block closure of mills. There should be neither a consumers' nor a buyers' market but a free market mechanism for the production of jute.

THE CASE OF ORISSA :

Jute is an important cash crop of Orissa. The Third Plan targets were 2.10 lakh acres and 6.20 lakh bales of jute.² It can be found out from the following table that in Orissa in recent years there is a high co-relation between prices and production of jute. High prices result in larger amount of jute produced. In the table we have taken the whole-sale prices of jute even though the agriculturists get the harvest prices generally. But there is also close relationship between the harvest prices and the whole-sale prices.

PRICE & PRODUCTION TRENDS OF JUTE IN ORISSA

Y e a r	Harvest price of jute per maund in Rs.	Wholesale prices of Jute per maund in Rs.	Production in tons.	Acreage under cultivation (in acres)
1953-54	23.43	23.85	129116	58713
1954-55	24.25	26.37	192280	87400
1955-56	26.44	25.09	244750	111250
1956-57	25.20	24.09	182632	91316
1957-58	22.80	18.89	207669	94392
1958-59	30.00	16.17	177300	98500
1959-60	24.00	28.40	180034	75014
1960-61	..	28.02	238832	99534
1961-62	..	27.15	303810	114000
1962-63	..	44.60	304000	114000

Source : "Statistical Abstract of Orissa, " 1963. Issued by Bureau of Statistics and Economics, Orissa.

In case of an agricultural commodity, the price of the current year influences the volume of production of the coming year. The broad conclusion from the above table is that, with the rise and fall in the prices of jute there has been a rise and fall in the volume of production of jute. In 1958-59, the whole-sale prices were the lowest and as a result in 1959-60 the volume of production

was the lowest. Secondly, the shift effect of the prices has been significant in as much as with every rise in prices there has been a rise in the acreage under cultivation of jute. From this it also appears that a minimum price support is the right incentive for increasing the production of jute. But to conclude from this that only price—incentive would yield the desired results of increasing the production of jute with low cost of production and reasonable profit to the producer is to over-simplify the matter. A note of caution can be added that the principal market for jute is the foreign market where Indian sellers face not only competition from the product of Pakistan but also the substitutes of jute goods. So if the production of jute will be under-taken only from the point of view of the price of raw jute, then the entire jute market in foreign countries may be lost or a monopsonistic buyer like All India Jute Mill Association may force the jute producers to sell their commodities at a lower price. In order to ensure increased production of jute at low cost and reasonable profits to the producers, the following follow-up measures should be taken by the Government concerned.

GUIDE LINES :

(a) Minimum support price should be effectively enforced by a buffer stock operation, without which the minimum support price would be meaningless. Generally we understand by the minimum price support policy, a policy which assures that the price of a commodity would not fall below a stipulated level. If the prices fall below that minimum, then the Government must be prepared to purchase the unsold stock at the minimum price. In case of jute the Government of India has decided that the Jute Buffer Stocks Association will undertake the purchase if the prices fall below a certain stipulated level. But the S. T. C. is not purchasing the amount of goods that it has to purchase to make the minimum price support effective. "The nibbling purchases made from the Growers' Co-operatives here and there failed to arrest the down-ward trend."³ So the Growers' Co-operatives and the S. T. C. should be prepared to purchase jute at the minimum prices. In case of Orissa, the market information being inadequate, the rural people are unable to take full advantage of the minimum price support by selling their produce to the growers co-operatives. Sometimes the sale of the commodity being a distress sale, the cultivators require immediate cash payments, whereas the growers' co-operatives make post-poned payments, as they receive it in a delayed manner from the S. T. C.

(b) Secondly in the interest of both S. T. C., producers and the industry, a minimum price support also requires a maximum price support. Supposing a growers' Co-operative, S. T. C. and other agencies purchase raw jute at the stipulated price in a year of good harvest when supply is more than the demand, when will they like to sell the commodity? "The most opportune time for

their disposal is when in an year of bad harvest supplies are short and prices are rising. If used purposefully and effectively, the disposal can be so operated as to prevent the market prices from rising above a certain maximum. Thus even operationally a maximum price becomes a necessary corollary to minimum support price".⁴ The industrialists should know that if they offer higher prices in the good harvest season they will also get certain concession in the bad harvest season. The farmers also should know the maximum and minimum gain they can get from the cultivation of jute.

(c) The third thing in this connection is the supply of the factors which will reduce the cost of production of raw jute and also simultaneously increase production. It is reported that Pakistan raw jute is cheaper than raw jute produced in India. So here we have to decrease the supply price and at the same time increase production. Production can be increased with same or increased cost given the state of technology. But what is needed is increased production at reduced costs. Reduction in the cost can be effected only if one adopts improved technology and that improved technology should be cost saving. The second factor that increases the cost of production is labour cost. With increase in price level the wage level goes up and the labourers employed in raw jute production have to be paid higher wages. If the general price level is brought down, then the cost of production may be reduced. The third factor that pushes up the cultivation of raw jute is the prices of sugar cane, rice and potatoes. Because of higher market prices, superior grades of lands are diverted to the cultivation of these products. Here jute production requires special assistance and subsidy to induce farmers to produce jute.

The Government of India in the Fourth Plan has decided upon a centrally sponsored scheme to introduce a package programme on 7000 acres of selected areas in Bihar, West Bengal and Assam with assured water supply for achieving qualitative and quantitative excellence of the fibre in 1968-69. The Government of Orissa should also take advantage of such a programme. The Central Government has also decided to distribute 3670 tons of urea to various jute growing States and 520 low volume power sprayers on 50% subsidy. The Government of Orissa should lose no chance to take advantage of such a scheme.

(d) Not only price incentives but also non-price incentives are necessary to increase the production of jute at low cost of production. Land to the tillers elimination of middlemen in jute trading by introducing regulated markets, sufficient expansion of growers' co-operatives and availability of water and fertiliser will go a long way to increase the production at low cost and reasonable profit to the producer. So one should not conclude that only price incentive is both necessary and sufficient for the purpose. "A more rewarding approach to the problem is by way of cost reduction through improved technology and productivity-raising research and management."⁵

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THE EFFECT OF RAINFALL ON THE GROWTH IN THE YIELD RATE OF RICE IN ORISSA

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INTRODUCTION

A review of the cropping pattern in Orissa will show that about 68.9% of the net area sown is under winter rice alone. The next in order of importance is pulses. But they are very extensive crops and therefore growth in the yield rate of winter rice (hereafter designated as rice) in Orissa signifies growth in agriculture. Since the crop is grown mostly under unirrigated condition, the total rainfall together with its distribution becomes a limiting factor for its continuous growth. It is sought in this paper to find out precisely how far the rainfall affects the growth over period of time.

The yield rate of winter rice has grown at a compound rate of 1.3% per annum during 1959 to 1964 (six years) and when the net linear influence of rainfall on yield rates is allowed for, the trend was found to be nonsignificant.* This also holds true for all the individual districts except Maurvanj. Besides, the net regression of rainfall on the yield rate of winter rice was significant showing that the total rainfall (From June to October) has a definite influence on the yield rate of rice. With this review of work done we may proceed further to examine the effect of rainfall on the yield rate over of rice period of years.

D A T A

The yield data used in the paper has been taken from the reports of the Bureau of Statistics and Economics, Orissa. The data is based on crop cutting surveys and therefore considered to be fairly reliable compared to the traditional estimates. The rainfall data has been obtained from the Directorate of Agriculture, Government of Orissa. Since the yield data obtained from crop cutting survey is available only from 1959, the fitting of trend and the study on the effect of rainfall on the growth of yield rate of rice may not be as accurate as it should be for long term prediction. Now, we have six years yield data of predrought period and two years yield data of the drought period for the analysis of the present problem.

*See "Trend of Area and yield rate of Rice in Orissa", By H. K. Das Gupta, Indian Journal of Agril. Economics, Vol XXI, No4, 1966, p. 215

RELATIONSHIP BETWEEN YIELD RATE AND RAINFALL :

The yield rate of rice and the corresponding rainfall of each individual district over a period of years are given in Appendix I. The following table illustrates the nature of variation in the mean yield rate of rice and the mean rainfall between predrought and the drought period.

TABLE—I

Distribution of rainfall and yield rates of unhusked rice in different districts during drought and pre-drought period.

Districts	Pre-drought period		Drought period	
	Yield in Mds/Acre	Rainfall in mm.	Yield in Mds/Acre	Rainfall in mm.
Balasore ..	13.72	1234.6	16.05	892.8
Bolangir ..	16.79	1133.9	11.37	791.7
Cuttack ..	16.90	1134.4	18.12	1082.2
Dhenkanal ..	16.99	1114.8	12.03	753.9
Ganjam ..	18.55	947.3	16.28	585.3
Kalahandi ..	16.18	1346.9	8.43	778.9
Keonjhar ..	17.35	1172.3	17.68	1071.9
Koraput ..	16.40	1179.3	10.35	878.9
Mayurbhanj ..	16.43	1333.8	14.26	972.8
Phulbani ..	14.54	1126.9	9.48	969.6
Puri ..	18.02	1191.5	18.17	861.4
Sambalpur ..	16.29	1141.0	11.58	806.2
Sundargarh ..	15.46	1331.0	10.44	857.8
Orissa ..	16.43	1183.6	13.40	877.2

Table I brings out very clearly that the mean rainfall for the state has been very inadequate during the drought years as compared to that of the pre-drought years. The difference in the mean rainfall between the two periods for the State is 313.5 m.m. With 12 degrees of freedom this difference was observed to be significant at 1% level of probability. Therefore we have every reason to believe that there exists a real difference in the quantum of rainfall received during the drought and predrought period. There is also a difference of 3.03 mds per acre in the yield between the two periods. This difference is also significant at 1% level of probability. It is therefore, important to find out how far the variation in rainfall has contributed to the variation in the yield rate of this crop independent of other factors which might also have been responsible for bringing about this decline. This may lead one to believe that there is certain amount of relationship between the quantity of precipitation and the yield rates. The simple coefficient of correlation between the yield rate of rice and the rainfall for individual districts has been estimated. Their values together with their level of significance is given in the table below.

TABLE 2

Coefficient of correlation between rainfall and the yield rate of unhusked rice in mds per acre.

District			Coefficient of correlation	Level of significance
Balasore	..	..	0.084	N.S.
Balangir	..	..	0.857	0.01
Cuttack	..	..	0.533	N.S.
Dhenkanal	..	..	0.576	N.S.
Ganjam	..	..	0.650	N.S.
Kalahandi	..	..	0.917	0.01
Keonjhar	..	..	0.840	0.01
Koraput	..	..	0.707	0.05
Mayurvanj	..	..	0.430	N.S.
Phulbani	..	..	0.504	N.S.
Puri	..	..	0.146	N.S.
Sambalpur	..	..	0.431	N.S.
Sundargarh	..	..	0.200	N.S.
Orissa	..	..	0.943	0.01

With six degrees of freedom, the simple correlation coefficient between yieldrate and the rainfall is found to be significant for the State as a whole. It is also significant in respect of other four districts. The coefficients also vary from 0.43 to 0.65 in respect of other six districts. It may be seen that the coefficients are fairly high. There nonsignificance can be ascribed to the few (six) degrees of freedom which we have to test them. But apart from this, there can not be a positive significant correlation coefficient between the two variables after an optimum level of precipitation has been received. However, from what has been observed earlier together with the estimates of correlation coefficient, and their level of significance one can assert with reasonable confidence that there is a strong positive correlation between the two variables within the level of rainfall generally received in the State.

GROWTH IN THE YIELD RATES OF WINTER RICE

It will be interesting to findout the growth in the yield rate with and without the drought period as is suggested in the following table.

TABLE 3.

Variation in the growth in the yield rate of unhusked rice with and without drought years.

District	Compound growth rate without drought years	Compound growth rate with drought years
Balasore	+0.0247	+0.0323
Bolangir	-0.0201	-0.0576
Cuttack	+0.0241	+0.0214
Dhenkanal	+0.0241	-0.0410
Ganjam	+0.0145	-0.0268
Kalahandi	+0.0436	-0.0712
Keonjhar	+0.0076	+0.0079
Koraput	+0.0181	-0.0544
Mayurbhanja	+0.0434	-0.0031
Phulbani	+0.0416	-0.0413
Puri	+0.0216	+0.0122
Sambalpur	+0.0134	-0.0386
Sundargarh	-0.0181	-0.0591
Orissa	+0.0137	-0.0185

While the growth in the yield rate of rice was +1.4% per annum for the State without drought years, it is -1.9%, when the two drought years are included in the estimates. The difference in the growth rate between the two periods in all the individual districts will reveal that excepting for two districts, where the growth rate has gone up with the inclusion of the drought period, it is mostly negative with the inclusion of the drought period. This speaks of the magnitude of the effect of rainfall on the growth of the yield rate of rice. Other factors such as temperature, pests and disease attack etc. might have contributed to the decline also. But it is probably beyond doubt that adverse rainfall is the primary factor, responsible for bringing about a negative growth.

EFFECT OF RAINFALL AND TIME FACTOR ON THE YIELD RATE OF RICE

An attempt should now be made to find out precisely the net effect of time variable (whether there is real growth over the period of years) while simultaneously eliminating from the yield rate any variation accompanying changes in rainfall. This is done by estimating the net regression coefficients of the two variables. They are specified in the multiple regression equations as in the table below.

TABLE—4

Fitting of multiple regression equation for individual districts.

Balasore	..	$Y=11.49$	+	$(0.4453)X_1$	+	$(0.0007)X_2$
Bolangir	..	$Y=17.24$	+	$(-0.6241)X_1$	+	$(0.0097)X_2$
Cuttack	..	$Y=14.48$	+	$(0.1086)X_1$	+	$(0.0021)X_2$
Dhenkanal	..	$Y=12.47$	+	$(-0.4104)X_1$	+	$(0.0052)X_2$
Ganjam	..	$Y=19.07$	+	$(-0.4541)X_1$	+	$(0.0012)X_2$
Kalahandi	..	$Y=-5.52$	+	$(0.3740)X_1$	+	$(0.0147)X_2$
Keonjhar	..	$Y=7.66$	+	$(0.1308)X_1$	+	$(0.0083)X_2$
Koraput	..	$Y=5.64$	+	$(-0.1538)X_1$	+	$(0.0092)X_2$
Mayurabhanj	..	$Y=18.19$	+	$(0.7873)X_1$	+	$(0.0104)X_2$
Phulbani	..	$Y=6.82$	+	$(-0.2549)X_1$	+	$(0.0075)X_2$
Puri	..	$Y=14.54$	+	$(0.2298)X_1$	+	$(0.0016)X_2$
Sambalpur	..	$Y=0.76$	+	$(0.1366)X_1$	+	$(0.0135)X_2$
Sundargarh	..	$Y=12.85$	+	$(-0.7749)X_1$	+	$(0.0045)X_2$
Orissa	..	$Y=4.13$	+	$(-0.1078)X_1$	+	$(0.0101)X_2$

Where Y = Yield rate in mds. per acre

X_1 = Time variable in years

X_2 = Rainfall in mm.

The net regression coefficients of rainfall (X_2) specifies the increase in yield rate when the linear influence of trend is allowed for. Thus, there is an increase of 0.01 md. per acre for each increase of 1mm. of rainfall in the state when the influence of trend is held constant. It will further be seen that there is a positive increase in the yield rate for an increase in the quantity of rainfall in all the districts. Apart from this, these equations help in the prediction of future course of events such as what would be the yield rate consequent upon changes in the other variables.

The following table specifies the net regression coefficients of the two variables with their level of significance.

TABLE—5

Effect of Rainfall and time factor on the Yield rates of Winter rice

Districts	Partial regression of yield rate on time variable			Partial regression of yield rate on rainfall		
	b_1	S.E.	Calculated 't' value	b_2	S.E.	Calculated 't' value
Balasore ..	0.441	0.295	1.508	0.0007	0.0019	0.383
Balangir ..	—0.624	0.219	2.838	0.0097	0.0018	5.433**
Cuttack ..	0.108	0.212	0.512	0.0021	0.0151	0.139
Dhenkanal ..	—0.410	0.452	0.908	0.0052	0.0040	1.280
Ganjam ..	—0.454	0.386	1.176	0.0012	0.0032	0.396
Kalahandi ..	0.374	0.345	2.162	0.0147	0.0028	5.088**
Keonjhar ..	0.130	0.148	0.883	0.0083	0.0022	3.773*
Koraput ..	—0.153	0.559	0.275	0.0092	0.0059	1.565
Mayurbhanja ..	0.787	0.405	1.940	0.0104	0.0043	2.420
Phulbani ..	—0.254	0.485	0.525	0.0075	0.0079	0.943
Puri ..	0.229	0.091	2.520	0.0016	0.0011	1.352
Sambalpur ..	0.136	0.277	2.029	0.0135	0.0040	3.372*
Sundargarh ..	—0.774	0.240	3.225*	0.0045	0.0004	10.044**
Orissa ..	—0.107	0.098	1.117	0.0101	0.0015	6.408**

*Significant at 5 per cent level of probability

**Significant at 1 per cent level of probability

The result shows that when the net linear influence of rainfall is allowed for, the growth over the period of years (trend) is not significant for the state as a whole. Though the time variable is negative, so long as it is nonsignificant, no purposeful meaning can be attached to it. With regard to the individual districts, the table above suggests that with net effect of rainfall kept constant, there has been no real growth in the yield rate over the period of years in all the districts. With regard to Bolangir and Sundargarh districts, however, there is a definite evidence of a negative growth with net effect of rainfall held constant. A reference to Table 3 will show that these two districts have maximum negative growth rate with only Kalahandi as exception. The cause thereof has to be sought elsewhere in the socio-economic set up of the people. The net effect of rainfall has also been significant for the State as a whole and for six individual districts. The values of the coefficients are fairly high in respect of other three districts also. A little larger number of degrees of freedom would have detected them to be significant. Therefore, it can be concluded that quantum of rainfall has a definite influence on the yield rate of rice as evidenced by the data.

APPENDIX I

VARIATION IN YIELD RATE AND RAINFALL OVER THE PERIOD —1959—66.

Districts	1959	1960	1961	1962	1963	1964	1965	1966
Balasore	.. (1228.2)	11.60 (1076.1)	15.16 (1019.1)	11.19 (869.6)	13.73 (1404.3)	15.50 (1810.7)	16.87 (939.8)	15.23 (845.8)
Balangir	.. (1194.5)	18.36 (1181.6)	15.29 (817.6)	12.04 (840.5)	16.62 (1312.5)	18.63 (1456.9)	9.14 (603.5)	13.60 (980.0)
Cuttack	.. (958.2)	15.33 (1150.3)	16.61 (716.6)	14.62 (1022.8)	17.92 (1303.3)	18.73 (1655.2)	18.63 (980.5)	17.62 (1183.9)
Dhenkanal	.. (1067.8)	14.49 (1365.1)	18.84 (791.4)	13.71 (1027.8)	17.74 (1257.6)	17.90 (1179.6)	12.11 (551.6)	11.95 (956.3)
Ganjam	.. (992.0)	21.10 (1132.8)	14.57 (966.3)	18.79 (1312.2)	18.57 (1301.0)	18.67 (1149.6)	17.20 (688.5)	15.35 (482.1)
Kalahandi	.. (1492.8)	15.64 (1243.3)	14.08 (1289.3)	17.16 (1320.7)	17.36 (1226.7)	18.20 (1508.8)	6.27 (656.5)	10.60 (901.4)
Keonjhar	.. (1086.9)	15.74 (1176.7)	18.90 (1306.2)	14.46 (871.7)	18.69 (1366.4)	17.52 (1226.2)	17.07 (984.1)	18.29 (1159.8)

Districts	1959	1960	1961	1962	1963	1964	1965	1966	
Koraput	..	13.88 (1360.3)	17.39 (1146.8)	18.60 (1353.6)	14.94 (932.8)	16.81 (1263.8)	16.83 (1018.7)	8.17 (683.2)	12.52 (1074.4)
Mayurbhanj	..	14.60 (1510.6)	17.23 (1545.5)	14.05 (1160.1)	15.79 (1265.9)	18.59 (1387.5)	18.32 (1133.5)	13.69 (874.8)	14.83 (1070.9)
Phulbani	..	12.34 (1125.3)	14.91 (1387.2)	15.06 (949.9)	12.52 (1027.9)	16.48 (1170.2)	15.98 (1100.9)	9.48 (940.7)	9.49 (998.5)
Puri	..	16.52 (1191.0)	17.73 (1088.2)	18.06 (1024.7)	18.43 (1263.4)	19.01 (1297.4)	18.31 (1284.8)	18.02 (740.1)	18.33 (982.7)
Sambalpur	..	15.25 (1109.7)	17.69 (1388.5)	16.51 (999.4)	13.36 (976.3)	17.04 (1203.0)	17.92 (1170.6)	9.00 (689.9)	14.16 (922.5)
Sundargarh	..	15.85 (1192.8)	18.23 (1451.5)	14.72 (1381.9)	12.54 (991.1)	15.65 (1631.0)	15.80 (1337.8)	8.49 (711.8)	12.38 (1003.8)

NOTE—Figures within parentheses show rainfall in millimetres and the corresponding figures above show the yield rates of winter rice in maunds per acre.

FIRST ALL ORISSA ECONOMIC CONFERENCE, 1968

Rapporteur's Report

on

"Price and Production Trends in Orissa"

DR. KHETRA MOHAN PATNAIK

Rapporteur

Three papers on the subject have been received. One of these studies the effect of rainfall on the growth in the yield rate of rice in Orissa. The other two papers analyse the relationship between price and production trends of different crops in Orissa.

Profs. H. K. Das Gupta and P. K. Das study the effect of rainfall on the yield rates of winter rice in the state. This is the principal crop of Orissa in as much as 95% of the total rice yield is accounted for by winter rice. Their study shows that when the net linear influence of rainfall is allowed for, the growth over the period, 1959 to 1964 (six years), is not significant for the state as a whole. With regard to the individual districts, it is observed that with the net effect of rainfall kept constant, there has been no real growth in the yield rate over the period in all the districts. In the case of the districts of Bolangir and Sundergarh, however, there is a definite evidence of a negative growth with net effect of rainfall held constant.

Benudhar Bhuyan analyses the yield responses of different crops in Orissa to the price stimuli. In the case of food crops, he observes that the trends of production are quite insensitive to the price movement and concludes that production is determining the price and not vice versa. The principal cause of this phenomenon is the subsistence nature of farming and smallness of holdings. Production in subsistence farming is likely to be more inelastic to price compared to large-scale commercial farming. The presence of a high percentage of fixed cost compared to variable cost in the cost structure in the case of such farming makes the later highly inflexible.

Sri B. C. Parida analyses the impact of prices on one of the important cash crops of Orissa, viz., jute. Statistics available in this matter show that there is a high degree of co-relation between prices and production of jute. Not merely this. The shift effect of the prices in this case has also been significant. With every rise in prices there has been a rise in the acreage under jute. From this, it is concluded that a minimum price support policy is justified as a right

incentive for increasing the production of jute. A few important suggestions have been given to make such a policy effective and to guard against the possible dangers of this policy.

These stimulating papers raise certain important issues.

1. If production of rice is not price sensitive the question of the appropriateness of a minimum price-support policy should engage our attention.
2. In view of the yield rates being non-responsive to the price changes, we have to consider whether the consistent rise in food-prices have benefited the farmers or not. The answer to this question can help us to lay down certain guide-lines for state finance.
3. The possibility of making small-scale farming market-oriented so as to enlarge the marketable surplus essential for price stabilisation and growth with stability.

SUMMARY OF GROUP DISCUSSION

on

"Price and Production Trends in Orissa

The view expressed by Sri H. K. Das Gupta that human efforts have not resulted in any significant growth rates in agriculture in Orissa raised a controversy. It was agreed that effects of such efforts are found along with the influences of other factors in the increases in output obtained from agriculture. Dr. C. Mishra showed statistical evidence in favour of high-yielding variety of paddy and emphasised that human efforts have resulted in positive responses in productivity from land. The group was of the view that significant growth rates in agriculture in Orissa can be achieved if greater efforts are made to popularise high-yield varieties of paddy in experimental state farms in every district.

The next important point which engaged the attention of the group was the response of output in agriculture to the price stimuli. It was accepted on the basis of the evidences shown by Dr. Bidyadhar Misra, Dr. Baidyanath Misra, Sri B. C. Parida and Sri B. Bhuyan that there is a positive co-relation between prices and production in the case of cash crops like jute and sugarcane in Orissa, though this is not true in the case of the main crop of the state, i.e., paddy. Dr. Sadasiv Misra explained that paddy should be treated as the main cash crop of Orissa in view of its importance in our economy. Out of a total cropping area of nearly 15 million acres in Orissa, nearly 10 million acres are devoted to this crop. Again the rice crop is mostly the winter crop which contributes nearly 95% of the total rice yield of the state amounting to approximately 36 lakh tons annually. Thus the entire economy of Orissa revolves round one pivot, i.e., winter rice. But production of this crop is not sensitive to price changes.

On the basis of the empirical finding that there is a close relationship between prices and production in the case of crops like jute and sugarcane, the group favoured in these cases a policy of minimum support prices to augment production. But the group felt that minimum support prices for paddy may be necessary but not a sufficient condition for stimulating its production. Support prices by themselves cannot enlarge production so long as supply conditions are inelastic. Inelasticity in supply is due to factors like small holdings, unfavourable institutional framework, subsistence nature of farming, lack of adequate supplies of inputs and the like. Increased production of the main crop of the state can be brought about by larger availability to farmers of inputs, finance and, if possible, a reorganisation of the agricultural set-up.

If these factors favouring increased production in agriculture are made available and high-yield varieties of paddy are popularised through experimental state farms, support prices can give a better incentive to farmers by affording a sort of insurance against risk and uncertainty arising out of seasonal price fluctuations. A support price policy would create in the minds of farmers a belief that prices would not fall below a certain level and would, therefore, afford greater incentives to them to adopt improved techniques, better seed, high-yielding varieties of paddy and the like to increase production. On account of this, a dual price policy for rice is perfectly justified.

However, a mere price-support policy without measures to reorganise agricultural production and introduction of improved techniques would mostly help the middlemen but not the farmers.

SCHEDULE

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