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# LAND REFORM IN WESTERN INDIA

*Analysis of Economic Impacts of Tenancy Legislation, 1948-63*

EPS FOREIGN 82

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LAND REFORM IN WESTERN INDIA:  
ANALYSIS OF ECONOMIC IMPACTS OF TENANCY LEGISLATION, 1948-63

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BACKGROUND

Each of India's three 5-year plans since 1951 has had a policy for land reform. The Planning Commission stresses the importance of land reform by declaring that "land reform programmes have a place of special significance in a balanced and combined approach to the problems of economic development and social justice" (28, p. iii). 1/

The Government of India looks upon land reform as (1) an instrument of economic development and (2) a means to reduce social injustices. These objectives, contained in the two previous 5-year plans, were reaffirmed in the Third Plan:

Land reform programmes . . . have two specific objects. The first is to remove such impediments to increase in agricultural production as arise from the agrarian structure inherited from the past. The second object . . . is to eliminate all elements of exploitation and social injustice within the agrarian system, to provide security for the tiller of soil and assure equality of status and opportunity to all sections of the rural population. In pursuance of the second object, in particular, it was proposed that steps should be taken to reduce disparities in the ownership of land (31, p. 220).

Yet the Government of India has not been unaware of the problems involved in implementing a land reform program:

. . . the total impact of land reform has been less than had been hoped for. . . . In the first place, there has been too little recognition of land reform as a positive program of development, and it has been only too often regarded as extraneous to the scheme of community development and the effort to increase agricultural production.

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1/ Underscored numbers in parentheses refer to items in References,  
page 36 .

Secondly, there has been insufficient attention to the administrative aspects of land reform. Frequently, at the lower levels of administration, collusion and evasion have gone unchecked and there has been failure also to enlist the support and sanction of the village community in favor of effective enforcement of legal provisions (31, p. 221).

Despite the great importance placed upon land reform by India's Central Government, the direct powers to implement land reform reside within the States of the Indian Union. Land rights and agriculture are constitutionally the concern of the respective States. Furthermore, the diverse culture, history, and geography of India have left different States with markedly different land reform programs. The programs have been pursued at different levels of vigor. A study of land reform policy in India, therefore, must be a study of the policies and programs of the various States. Implementation and evaluation of the various land reform enactments have been complicated by the changes in boundaries and the reorganization of many of the States of India.

The land reform programs in India have been built around three major types of land reform measures: Intermediary tenures abolition, regulation of size of holding and settlement, and regulation of tenancy. All three types of land reform measures have been enacted and are in force in what we have termed Western India, which consists of the present States of Gujarat, Maharashtra, and Mysore.

Intermediary tenures abolition. Although Western India was considered, primarily, a "ryotwari" area, 2/ there were interspersed throughout the territory many intermediary tenures. 3/ Steps have been taken so that now all of these tenures have been abolished. 4/

Settlement and regulation of size. The former State of Bombay (now parts of Gujarat, Maharashtra, and Mysore) was among the first to pass legislation preventing fragmentation and beginning the consolidation of fragmented plots. Consolidation or prevention of fragmentation, however, rarely has much immediate effect on the distribution of holdings. Not until recently were ceilings placed on existing holdings. Acts in the three Western States now regulate acreages either in terms of "standard acres" or in terms of

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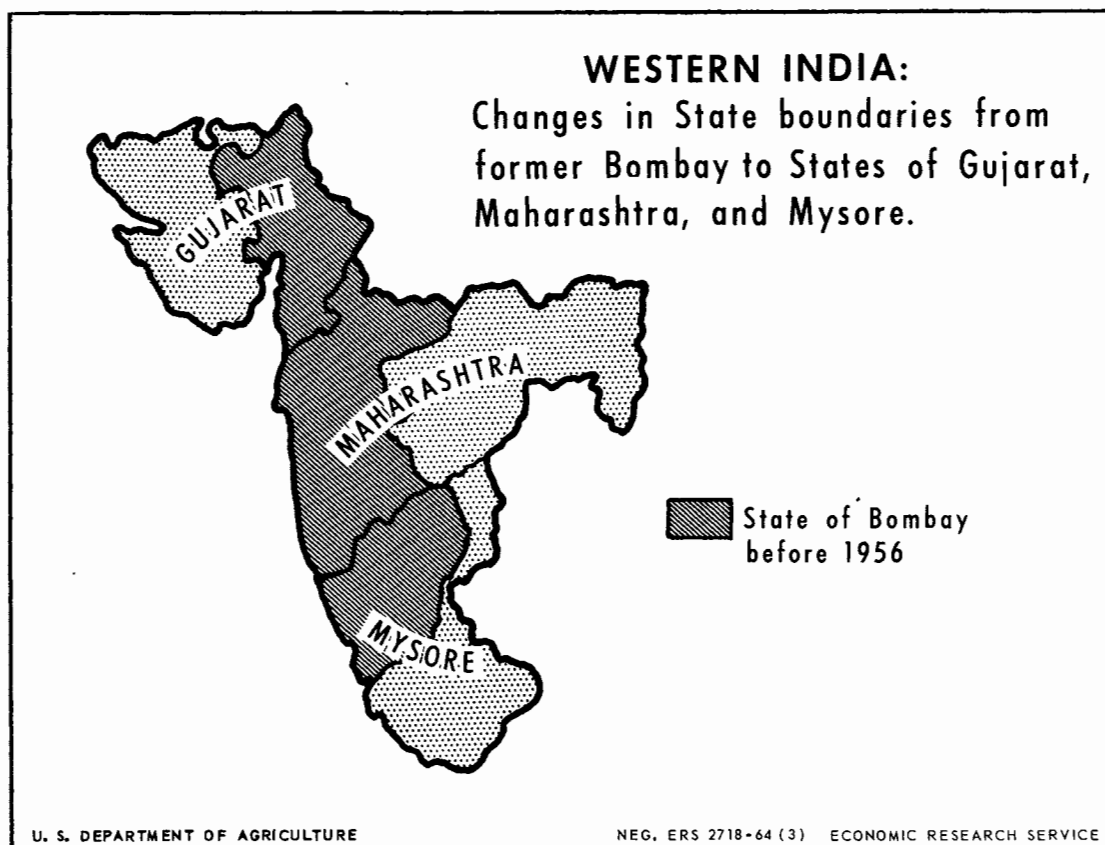
2/ Generally speaking, "ryotwari" is a tenure system in which occupants (ryots) derive rights directly from--and pay land taxes directly to--the State. "Occupant" and "owner" are used synonymously here.

3/ The intermediaries, such as talukdars, jagirdars, and matadars, pay revenue to the State and in turn collect a tribute or tax from the tenant (inferior right holder). Although specialized terms are defined in place or converted to the nearest American equivalent, "Collector," the District (county) Revenue Officer, and "Mamlatdar," the Taluka (township) Revenue Officer have been retained, as have "lakh" (=100,000) and "crore" (=10,000,000).

4/ See Appendix 1 for a list of abolition enactments affecting Western India. For a discussion of the fiscal aspects of tenure abolition see (10).

"flat acreage ceilings" depending upon land quality. Landless workers also have been settled on bhoodan (gift) lands, land in excess of ceilings, and reclaimed lands.

Regulation of tenancy. Tenancy legislation in Western India, since its inception in the former Bombay State, has been regarded as model legislation. The Bombay Tenancy and Agricultural Lands Act contains some elements of all three types of land reform measures, and has been considered one of India's most progressive tenancy enactments. Section 32 of the Act, converting tenants into owners, was both innovation and model--and, in a sense, a form of "tenancy abolition." Section 34 limited the amount of land that might be held by noncultivators; therefore, it was a "ceiling on holdings" until the comprehensive 1960 and 1961 Ceilings Acts were passed. The Tenancy Act as it developed over 15 years, however, was intended, first, to secure the rights of tenants, next, to improve the economic and social positions of tenants, and finally, to elevate tenants to the status of owners.



The following pages contain an analysis of the series of tenancy enactments from 1948 to 1963, with special reference to the Tiller's Day Amendment of 1957. The analysis cannot include all the land reforms in Western India (28, 29, 30). Some of the breadth lost by such a restricted focus hopefully is compensated for by concentration on a specific set of measures.

This report has been constructed in two parts:

- I. Land Reform as a Process, and
- II. Impact of the Program on Capacities and Incentives

The first part, comprising four chapters, covers the development of tenancy and related reforms in Western India, the transfer of rights in land, some of the reactions of landowners and tenants to the emerging tenancy law, and a brief illustration of contrasts in implementation. The second part attempts to show, quantitatively where data permit, the effects of tenancy acts on redistribution, the impact on incentives, the impact on capacities, and the importance of the tempo of reform.

#### I. LAND REFORM AS A PROCESS

Land reform programs affect not only current relationships and rights but expectations about future relationships and rights. These expectations can induce behavior consonant with, or counter to, the objectives of the reform program. Therefore, a long-run strategy of government presumably should take into account the effect of measures enacted at one time period on the behavior of affected parties at some future time.

The Tiller's Day Amendment 5/ of the Bombay Tenancy and Agricultural Lands Act (1956), for example, was the culmination of a series of reform measures designed to provide ownership of land to the person cultivating it. However, the step by step process used to place "land in the hands of the tiller" continued 15 years after the basic Tenancy Act in 1948. 6/ Through a succession of amendments and ancillary enactments, tenants and certain other inferior right holders have been (or are being) made owners of agricultural land. Generally speaking, government has whittled away most of the rights of landlords and intermediaries and either reserved these rights or transferred them to former tenants or inferior right holders.

Conceivably government might have declared land to the tiller in 1948. The usual argument tendered in favor of the step-by-step procedure is that democratic processes would not permit such an agrarian transformation overnight.

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5/ The Bombay Tenancy and Agricultural Lands (Amendment) Act, 1955, was published in Gazette No. TNC 5826/125214-F dated 8 October 1956. It became effective August 1, 1956 as Bombay Act XIII of 1956. Unless otherwise designated, "the Tenancy Act" pertains to Bombay Act No. LXVII of 1948 (as modified to 1 October 1961) published by Government of Maharashtra, Law and Judiciary Department, 1962.

6/ Bombay Act No. LXVII of 1948, effective December 28, 1948.

Conceding the validity of this political argument, we might examine the economic effects of carrying out agrarian reform over two decades, which the present procedure apparently requires. What effect have the pace and sequence of land reform legislation and implementation had on the tenure expectations of owners and users of land? How have these owners and users reacted to the reform process? How rapidly should the reform have been implemented?

A. Fifteen Years of Tenancy Reform  
Before and After Tiller's Day (1948-1963)

In August 1955, B. S. Hiray (Minister for Revenue and Agriculture) introduced a Bombay tenancy and agricultural lands (amendment) bill that was to become one of the major land reform enactments in India:

Without our seeking it, this State has been looked upon as being in the vanguard of progress in the various measures of reforms which have followed the dawn of independence eight years ago. Whether in the administrative sphere or in the realm of policymaking, Bombay's legislation is either considered as model or something notable which might be followed up in other States (3, 29(2), p. 171).

The bill Hiray introduced was enacted in 1956. Its key provision established "Tiller's Day" (April 1, 1957), after which tenants were deemed to hold occupancy rights directly from the State. "Owner" and "occupant" are used interchangeably in this discussion. Strictly speaking, the State is the "owner" of the land; the landowner is, in fact, a holder of a nontransferable, nonpartible (without sanction of Collector), but heritable occupancy right.

Events leading to and following the Tiller's Day Act represent a social, economic, and political process that cannot be fully appreciated without realizing its complexity (over 60 reform acts) and scope (over 2 million cultivators). A brief review of the legislative changes, and of the people and areas affected, will indicate the sources of problems faced by legislators, administrators, tenants, and landlords in the land reform program.

Because some aspects of the reform were affected by shifting jurisdictions, combinations and divisions of States are included as significant events.

1948

The Bombay Tenancy and Agricultural Lands Act of 1948 was passed shortly after independence. As such, it represents more of an anchor point in Indian land policy than a radical departure from the current land reform ideals. The 1948 Act reflects the same Congress party philosophy underlying the Bombay tenancy acts of 1939 and 1946. Prior to the Bombay Tenancy Act of 1939, landlord-tenant relations were regulated by the Land Revenue Code of 1879, which left rents determined by (1) agreement, (2) local usage, and (3) "just"

or "reasonable" practices. In essence, therefore, landlord-tenant relations were not regulated at all.

The Act of 1939 restricted eviction and set a ceiling on rents. It provided for two classes of tenants--protected and ordinary. Other sections provided for suspension and remission of rents, and commutation of share rent to cash. The Act of 1939 was limited to a few districts: Surat, Thana, West Khandesh, and Dharwar. In 1942, the Act was amended to protect rights of armed services personnel.

The Tenancy Act of 1946 was amended to give tenants "protected" status with respect to land they had cultivated 6 years prior to 1945. Furthermore, all tenants were deemed to be protected tenants after 1 year unless landlords obtained a declaration proclaiming the tenants to be unprotected. Maximum rent was set at one-fourth of some crops and one-third of others. All leases were deemed to be for 10 years. The Act applied to the whole of the Bombay State.

The tenancy legislation was supplemented by the Bombay Prevention of Fragmentation and Consolidation of Holdings Act which became law in April 1948. No land could be fragmented below "standard area" which varied from a quarter of an acre to 6 acres. The government began the village-by-village consolidation work.

The Bombay Tenancy and Agricultural Lands Act of 1948 carried all of the features of the 1946 Act, and introduced provisions which enabled the "protected" tenant to purchase his land at a "reasonable" price. The Act also provided secure tenure for cultivation, trees, and homesites; abolished feudal dues; prohibited subletting; provided for government management; and established rules of resumption by landowner.

Protected tenancy was heritable. For tenant purchase, the "reasonable" price was a "market" value, to be paid within 15 years. The tenant could purchase the land he cultivated so that his holding would not exceed 50 acres, but he could not purchase so as to leave the landlord with less than 50 acres. A landlord could repossess the land if it was used for nonagricultural purpose or personal cultivation. If the landlord repossessed the land and failed to cultivate within 1 year, the tenant was to be restored.

#### 1949-55

The Bombay Bhagdari and Narwadari Tenures Abolition Act was passed in August 1949. This Act was the first abolition of privilege tenures in the State. It was followed by 20 other such acts dealing with feudal tenures from 1949 to 1955. The area converted from nonryotwari to ryotwari tenure by such measures was almost 13 million acres, or 19 percent of the then Bombay State.

#### 1950

The Bombay Tenancy and Agricultural Lands Act (of 1948) was extended by the Government of India to Kutch (now part of Gujarat).



The Hyderabad Tenancy and Agricultural Lands Act was passed. Tenancy was to be abolished, with several important exceptions. Landowners with three "family holdings," or less, were permitted to lease out their land. The landlord could repossess land for personal cultivation. This Act was similar to the Bombay Act, but introduced two new ideas: Prohibition of leasing (not only under limited conditions) and the concept of an economic holding (no person with more than five times an "economic holding" could acquire more land).

The Saurashtra Gharkhed Tenancy Settlement and Agricultural Lands Act was passed. With the formation of the Saurashtra State, the large-scale landowners (rulers of small princely States) realized that land reform would take place, so they started wholesale repossession of lands. This Act was intended to stabilize tenures and protect cultivators until reform legislation could be passed.

### 1951

The Saurashtra Land Reforms Act abolished 222 princely estate tenures in 1951, with the result that tenancy, in a sense, was abolished. The Saurashtra area is now part of the Gujarat State.

Two more basic tenancy acts became part of the legislative base of what was later to become Northeastern Maharashtra. The Berar Regulation of Leases Act was similar to the Bombay Tenancy and Agricultural Lands Act; the Madhya Pradesh Regulation of Agricultural Leases Act was more conservative.

### 1952

The Mysore Tenancy Act, passed in 1952, contained general provisions similar to those of the Bombay Tenancy and Agricultural Lands Act, but more conservative. Rents were not to exceed a half share, grounds for ejection were easier, and tenants could purchase only on landlord terms in no more than six installments within 10 years.

### 1955

The Tiller's Day Amendment to the Bombay Tenancy and Agricultural Lands Act was passed by the Bombay Legislative Assembly in September 1955. The essential features, amended to 1963, were:

Rents set at two to five times the assessment, but not to exceed Rs 20 per acre.

As of Tiller's Day, April 1, 1957, tenants were deemed to be owners of the land held by them as tenants provided they cultivated it personally and were subject to ceiling. A person holding less than 16 acres jirayat (dryland), or 8 acres seasonally irrigated, or 4 acres perennially irrigated, could acquire up to that amount.

Purchase price limits were set at

1. Six times the rent for permanent tenants.
2. Twenty to 200 times the revenue assessment placed on the land for nonpermanent tenants.

Payments could be a lump sum or not more than 12 annual installments at 4 1/2 percent simple interest per annum.

If the tenant was unwilling to purchase the land, he could be evicted by the Collector and the landlord would repossess (up to the ceiling) or make disposal to another cultivator with less than ceiling.

Land purchased by tenants under the Tiller's Day Amendment was transferable only through sanction of the Collector.

Land in excess of what tenant might purchase, or landlord retain, was at the disposal of the government, for sale to others according to certain priorities.

If tenant was in arrears as much as four installments, whatever previous money was paid, minus land revenue and rent dues, could be refunded and he could be evicted.

If tenant could not purchase because the landlord's holding was less than an economic holding, he could continue as a tenant.

Landlord could repossess land for personal cultivation, up to the ceiling, by applying to the Mamlatdar, before March 31, 1957.

Tenant could voluntarily surrender his tenancy by so verifying in writing to the Mamlatdar.

The State, under certain conditions, could assume management of the agricultural lands.

Sales and other transfers to nonagriculturists were heavily restricted and, where permitted at all, were subject to price determination and sanction of the appropriate revenue official.

The Hyderabad Prevention of Fragmentation and Consolidation of Holdings Act, similar to the Bombay 1947 Act, was passed in 1955.

#### 1956

In November 1956, the new Bombay State was formed to include all of the old Bombay State, with the exception of the four southernmost districts, and parts of the Hyderabad and Madhya Pradesh States. The new Mysore State was formed to include parts of the Hyderabad and Madras States, and the districts of Bijapur, Belgaum, Dharwar, and North Kanara from the old Bombay State.

## 1957

On March 1, 1957, Mysore suspended the Tiller's Day Amendment provisions and set up the Mysore Land Laws Committee. The report of this Committee was the basis for the Mysore Land Reform Act. This Act was later rejected by the Planning Commission for the four districts of the old Bombay State on the grounds that it was a step backward in land policy.

April 1, 1957, was Tiller's Day in the new Bombay State.

## 1960

Two linguistically oriented States were formed out of the new Bombay State--Gujarat and Maharashtra.

## 1961

Maharashtra passed the Ceiling on Holdings Act on June 14, 1961. Gujarat passed the Agricultural Lands Ceiling Act on June 15, 1961.

## 1962

The Mysore Land Reform Act was passed in March 1962. It was published as the Mysore Act, No. 10, of 1962, in the Mysore Gazette, March 15, 1962.

Landowners and cultivators thus were presented with layer after layer of basic reform measures some of which were amended almost annually (e.g., the Bombay Tenancy Act). To add to the complexity, State realignments placed cultivators in some areas in new jurisdictions, and the old laws had to be adapted to the new States.

Administering agencies have found it impossible to execute the law evenly everywhere. In Maharashtra, for example, the Bombay Tenancy Act is being implemented in the former Bombay area roughly from west to east. In general, the Konkani (western, coastal) area has made more progress than the Deccan (eastern, upland) area. The Vidarbha area has somewhat different legislation. The Marathwada area is controlled by an amended Hyderabad Tenancy Act. The Revenue Department is seeking to encourage purchase by protected tenants in the Marathwada area under provisions similar to the pre-Tiller's Day Bombay Act.

Even if landowners and tenants could detect a trend in legislation favoring the tenants, it was by no means clear when new advantages or rights might be conferred on them or in what form. The legislative process was not one which would create firm tenure expectations.

The vast area and large number of owners and cultivators affected were also a source of difficulties in implementation no less important than the change and complexity of the law. In the regions affected by the Bombay Tenancy and Agricultural Lands Act before the Tiller's Day Amendment was passed, there were approximately 5 1/2 million cultivators farming 40 million acres of land. About 45 percent of the cultivators, holding 35 percent of

the land, were tenants as shown in appendix 2. In addition to the cultivators, three-quarters of a million noncultivating landlords and over 5 1/2 million agricultural laborers feel the impact of the Tiller's Day amendments, the latter primarily by an increase in number.

After the Tiller's Day Act had been passed but just before it took effect, the States were realigned so that the new State of Mysore took over four former Bombay districts. New Bombay State (Gujarat and Maharashtra after 1960) assimilated Saurashtra, 7/ Kutch, and Vidarbha from the Madhya Pradesh State and Marathwada from the Hyderabad State. The number of cultivators currently affected by the Bombay Tenancy Act after all of these realignments was about 7 million. These cultivators held approximately 88 million acres, of which about 70 million were cropped. 8/

Reliable data on the number of owners, tenants, and noncultivating landowners are not available for April 1, 1957--Tiller's Day. Available information 9/ suggests that the number of tenants registered under the Tenancy Act in Gujarat and Maharashtra was about 2 1/2 million. 10/

The number of tenure arrangements affected by the Act was immense--nearly as many as were found in all commercial agriculture in the entire United States. This sheer weight of numbers of owners and cultivators involved--in addition to the inadequacies and noncomparabilities in rights registration, the multitude of reform enactments and amendments, and changes in State boundaries--explains in part why the program was behind schedule in 1963.

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7/ Saurashtra, under the Prohibition of Leases of Agricultural Lands Act, 1953, added practically no tenants to Gujarat's total when the States were merged.

8/ The 7 million cultivators were interpolated from a 1951-1961 classification of "workers as cultivators" in Gujarat-Maharashtra. "Male workers as cultivators" seem to give a rough and slightly high approximation of the number of cultivators derived from the Revenue Department's total of tenure holders where areas are comparable. According to the Ministry of Food and Agriculture of India, agricultural and cropped areas are as of 1956-57: Bombay equals to present Gujarat and Maharashtra.

9/ According to the Gujarat Revenue Department, Gujarat had 716,622 tenants as of January 4, 1957. Of these tenants, 677,918 were deemed to have purchased under Section 32 of the Act. According to the Maharashtra Revenue Department, Maharashtra (Bombay area) had 1,351,623 tenancy cases less those not tenants, plus Vidarbha 370,283 all tenants, plus Marathwada 37,007 protected tenants declared owners.

10/ The 2 1/2 million "tenants" include owner-cum-tenants and--as is true of most published and unpublished tenure data in India--is the number of tenancy arrangements, not the smaller number of "people who rent all the land they cultivate."

From the proportion of tenants of cultivators in 1957 (35 percent), and from the 45 percent shown in appendix 2, a decline in the rate of tenancy cannot be inferred. The areas, the definitions, and the sources are not sufficiently similar to be bases of comparison.

## B. Transfer of Rights in Land

The Bombay Tenancy and Agricultural Lands Act altered three sets of basic rights in land: (1) Purchase and sale, (2) alienation, and (3) use.

Data which indicate directly the rate of transfers of agricultural land are not available. However, the Registration Department Annual Report, 1959 does show the number and aggregate value of sales or exchanges of immovable property. These entries, which numbered 300,263 in former Bombay in 1959, include urban as well as rural transfers. The value of land apart from its structures is not shown. By excluding purely metropolitan areas, however, some idea of change in rate of transfers can be inferred. In 1959, the 228,000 sales or exchanges of immovable property in Maharashtra, exclusive of Bombay and suburbs, was 5 percent of the 4,337,903 holdings in the State.

Transfers of land in Western India were inhibited by the limitations on acquisition and disposal imposed by several land reform measures (33, pp. 8, 14; 34, p. 23). Under the many tenure abolition acts, the Government reserved most of the rights to select transferees and terms of transfer. After tenants of the various jagirdars, inamdars, malguzars, and other intermediaries obtained ownership, restraints were placed on further transfers.

The Bombay Tenancy and Agricultural Lands Act largely limited potential buyers to the tenant in possession. Land purchased by tenants under the Tiller's Day amendments can be sold with the approval of the Collector who follows a priority list of classes of buyers. Buyers, in any case, are limited to agriculturists.

The Ceiling on Holdings Act of 1961 prevented sales to persons holding the prescribed limit of land. The first "ceiling on holdings" act was really part of the Bombay Tenancy Act (Sec 34-36 Bom 13 of 1956) deleted by Mah. 27 of 1961, the Ceilings on Holdings Act. The Tenancy Act ceiling provisions afforded many loopholes but these provisions were not enforced.

Lands in excess of the ceiling are at the disposal of the Government, not the original owner. Sales to and by cooperative societies are often exempt from the limitations of the reform acts. The right to purchase and sell, therefore, has been taken from landlords but not transferred to new owners or tenant purchasers. This set of rights rests primarily with the Revenue Department which regulates transfers according to rules of priority rather than price. This does not necessarily mean that allocations so made are any less (or more) efficient than those of the past markets, which were strongly affected by nonmarket forces such as caste and family.

Since 1957, rights to lease agricultural land have been virtually withdrawn. All mortgages, assignments, partitions, or exchanges are subject to the sanction of the Collector. Since 1939, rents have been reduced through the elimination of personal services, reduction of legal shares from a half to one-third, one-fourth, and then to one-sixth; commutation of share rents to cash; and finally limitation of rents to the lower of Rs. 20 or five times the Revenue assessment.

The step by step transfer of tenure rights from landlords to tenants has encouraged landlords to shift tenants and lands to minimize the establishment of permanent interests in land. Landlords were encouraged by the Tiller's Day Act to repossess as much of their best lands as possible for "personal cultivation." Where possible, land owned by joint families would be partitioned so that each family member could acquire a separate holding.

Special provisions permitted continuance of tenancy for landlords with small incomes or with less than an economic holding (this was intended as a temporary concession). Generally, however, land is no longer leasable (legally) or mortgageable except to the Government or a cooperative society. With the passage of the Tiller's Day amendment, the Bombay Tenancy and Agricultural Lands Act became, in a sense, the last major tenure abolition act in the Gujarat and Maharashtra States. Investment in agricultural land by persons other than cultivators, or those who will become cultivators, was legally abolished. Alienation through tenancy, mortgage, or assignment is temporary, illegal, or pending adjustment through delayed administrative machinery.

Most of the intended effects of the series of tenancy enactments on land use were to come through incentives of the cultivator to improve land once he held secure tenure or owned it. A few direct effects on land use, however, can be anticipated from the Tenancy Act, which provides for compensation for land improvements, exemption of special crops, and management by the State. The Act permits construction of water courses.

The 1948 Tenancy Act and subsequent legislation provided for the compensation to tenants for the value of unexhausted improvements; but because these provisions applied only to protected tenants, and the procedure involved appeals to the Mamlatdar, there was probably little real impact. Some evidence of increased interest in flowers and fruits has appeared in some villages. This interest might be explained, in part at least, by Section 43A of the Bombay Tenancy Act which exempts sugarcane, fruits, and flowers from all important provisions of the Act. Between 1955-56 and 1958-59, the area in sugarcane increased from 225,200 acres to 295,100 acres. Cereals, during the same period, declined from 24,934,500 acres to 24,617,400 acres; and cotton, from 7,006,400 to 6,269,600 acres. These changes may be attributed to other reasons but at least the shift in production is not counter to the probable effect of the Tenancy Act.

Further effects may result from the threat of State management. Since State management is concerned only in cases of severe neglect or dispute, any effects from the provisions would probably be minor. Water courses may be constructed through neighboring lands where such courses would "ensure the full and efficient use" of the land for agriculture. 11/ Thus without resort to the relatively slow court procedures, some obstacles to irrigation can be removed. 12/

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11/ Chapter V-A of the Bombay Tenancy and Agricultural Lands Act. Amendment, Bombay 13, 1956.

12/ To acquire the right to channel across or beside the land of another owner, only application to the Mamlatdar is required.

Increased investment in improvements and improved land use practices presumably result from greater security of tenure attending the ownership of land. Carrying out the land reform measures in slow stages probably negatively affected the landlords whose lands were to be purchased by tenants, however. And landlords, as a whole, probably had greater capacity to invest than their tenants had. Any real incentives to the cultivators from the reform program, therefore, cannot be expected until the "land to the tiller" provisions are wholly in effect. Even then, knowledge of credit sources and improved methods of cultivation must be present, if the tenure incentives are to function.

Thus one can see that during the past decade and a half, legislation has been passed, step by step, transferring rights in land from landlords and intermediaries to tenants and inferior rights holders, or to the Government. In summary, decisions on land use are to rest largely with cultivators (subject to some controls, particularly on size); decisions on buying and selling of land are to rest largely with the Government; and decisions on leasing or contracting are eliminated.

But legislation is not always implemented in the manner or at the pace originally intended. Five years after the Tiller's Day amendments were to come into force, half the cases of tenant purchase had not yet been decided. Although the Administration schedule indicated completion of tenant purchases by March 1961, a third of the cases were still in process at the end of 1962. These were the more difficult ones. It would appear, from present indications, that at least 3 to 5 years beyond 1962 will be necessary to complete these transactions. The nearly 1 1/2 million undecided cases represent a formidable obstacle to program implementation.

In 14 years, a landowner or cultivator could have been affected by from 5 to 10 major land reform enactments or amendments, depending upon the area in which he lived. Some of these enactments are extremely complex and voluminous with executive rules and administrative procedures. In effect, the cultivator's new rights have little in common with his traditional rights; he must depend for his interpretation upon what the Revenue Department tells him. Even village leaders are seldom competent to advise on legal action. Security of tenure probably is not enhanced by changing laws and rules.

### C. Tenure Aberrations

With certain minor exceptions, tenancy under the Bombay Tenancy and Agricultural Lands Act is illegal. Arrangements which affected 45 percent of the cultivators and 35 percent of the land were to have been abandoned (60, p. 296). <sup>13/</sup> Many of these arrangements had existed for generations and represented important social as well as economic relationships (87, pp. 10, 22, 35). When asked about the resumption of land by landlords for personal

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<sup>13/</sup> Patel's data (no source given) appear similar to that in the Bombay Legislative Assembly Debates 31(1): 35, February 18, 1956.

cultivation, for example, one tenant replied, "These are hardly the people one would expect to touch a plow." Strong economic and social forces resisted the changes demanded by the Government. Some landlords viewed this action as an erosion of their whole (relatively superior) way of life. Their defensive measures, alongside the Government's changing laws and irregular implementations, did very little to enhance the security or the confidence of the tenant.

For some tenants, the law seemed unfair--that is a radical change from what they were accustomed to. For others, the law seemed fair in principle but unfair in the short run if it meant the loss of their land through landlord resumption or the shifting of tenants. In short, fertile ground for avoidance or evasion of the Tenancy Act, often with tenant complicity, existed in many areas. Both village residents and revenue officials interviewed by the author in 1962 observed that evasion was more prevalent in more remote areas, in smaller villages, and among the poor, uneducated cultivators.

No accurate picture of the present amount of tenancy is available. In a few unusual cases, tenancy is legal. When a tenancy relationship is so identified, it must be traced to see if it is legally permissible. Widows, minors, members of the Armed Forces, and landlords with income of less than Rs. 1,500 came under special arrangement for tenancy. In Gujarat State, 40,612 landowners, and in the Maharashtra State, 80,135 landowners applied for exemption under Section 88C; about half of these were allowed. This provision was terminated in the Maharashtra State by Mah. IX, 1961. Actual cases of outright evasion were encountered in visits to villages where an informal rental market existed within which prices varied widely but were generally lower than they had been in previous years.

"Bootleg tenancy" can assume several forms. One is outright evasion. The landlord may be shown on the records as the owner-cultivator, but he does not fulfill even the supervisory requirements of "personal cultivation." Tenant-purchasers may legally sublease, but except for temporary circumstances such as illness subrenting is infrequent. Tenants may be prevailed upon by their landlords to give up rights of purchase, to deny they are tenants, and to otherwise reject rights provided under the law, with assurances that they will be reinstated on their lands on the old terms. Agricultural laborers may replace tenants on "personally cultivated" lands on terms comparable to those of tenants. The mortgagor-mortgagee relationship was substituted for leasing in order to avoid the law until that loophole was corrected by amendment.

Desai and Mehta have reported on the distortions of tenure arrangements that resulted from efforts to evade the Tenancy Act.

. . . the implementation of tenancy abolition as to date gave ownership to some tenants but caused, in the process, a new phenomenon of concealed tenancies as occupancies which would very likely change hands every few years. Besides uncertainty of tenure and extremely complicated and confused tenant-landlord relations, they carry heavy rents which tend to eat into profits from farming and farm wages (15).



In Sarasvani village, Sharma also found that changes in tenure were fictitious (72). He observed that the number of tenants had decreased from 300 to 64, and the number of agricultural laborers had increased from 271 to 611. He commented that some real changes had taken place in the mode of cultivation but that "some families reported as agricultural laborers were, in fact, tenants."

Village records, although substantially improved as a byproduct of the land reform program, still contain some inaccuracies and some of these are deliberate. Dandekar and Khudanpur in an analysis of tenancy changes found that out of 2,835 cases of change of tenancy in village records, 598 were not, in fact, changes (7). M. B. Shah, a member of the Legislative Assembly, remarked in 1956:

. . . the actual cultivator of the land should not be deprived of his legitimate rights on the strength of a false entry in the Tenancy Register . . . there are so many such cases where wrong or incorrect entries have been made . . . as many as 70 - 80,000 protected tenants have been deprived of their legitimate rights in Kaira District (3, 31(2), 2241).

In Village Mahudi of Surat District, village records showed 135 acres rented by 51 tenants as of February 1961. When the entire village was surveyed, however, 68 tenants were found to be holding 280 acres. <sup>14/</sup> That these deficiencies in the records were deliberate would be impossible to say. However, such discrepancies do show wide scope for evasion. They also show that evaluation of the implementation of the land reform program must go beyond official records.

Irregularities on resumption of land by landlords or purchase of land by tenants also have occurred, but with unknown frequency. Resumption of land by the landowner was accomplished either by voluntary surrender of land by the tenant (Sec. 15 of the Tenancy Act), unwillingness to purchase by the tenant (Sec. 32), ineffective purchase, or application by landowner to repossess land from tenant under Section 31. The bulk of land returns to the landowners were voluntary surrender, either under Section 15 or simple denial by the tenant that a tenancy existed (Sec. 32).

Land held by joint families was broken up and transferred to individual members including minor children though it continued to be managed as a single unit; the family applied for resumption under Section 31, which entitled them to effective control over a much larger area than if the land were in one name only. Approximately 14 percent of the area-owned land in West India is jointly owned (26, p. 22).

<sup>14/</sup> Comparisons of recorded and ascertained tenure arrangements were prepared by V. M. Rao, Research Assistant, from unpublished data in the Department of Economics, University of Bombay. Mahudi of Navsari Taluka is one of the villages included in the study by M. L. Dantwala on interrelations between land reform and community development.

Numbers of tenants surrendering land--under appropriate legislative provision--by area in 1963 were extracted from data published by the Gujarat and Maharashtra Revenue Departments as of about January 1963 as follows:

Region	Class of surrender of lands			
	No. cases :ineffec.purchase: :Sec.32 BTALA or equivalent	Voluntary surrender under Sec.15 or equivalent	Resumption by :landlord under: :Section 31 or equivalent	Total number tenants issued notices
Gujarat-----	74,634	Not available	128,900 <u>1/</u> (8,760)	752,063
Maharashtra:				
Vidarbha----	<u>2/</u>	29,500	35,361	<u>3/</u> 370,283
Marathwada--	<u>4/</u> 13,713	<u>4/</u>	15,646	<u>5/</u> 37,007
Bombay Area-	129,733	36,021	<u>6/</u> 199,513 <u>1/</u> (25,056)	<u>7/</u> 1,558,657
Total	218,080	65,521	379,420 <u>1/</u> (33,816)	2,718,010
All tenancies (percentage):	8.0	2.4	14.0 <u>1/</u> (1.2)	100.0

1/ Figures in parentheses "disposed in favor of landlord."  
2/ Very small. Total cases under Tiller's Day purchase were only 322.  
3/ Total number occupancy, protected, and ordinary tenants as of 1958-59.  
4/ Net found to be in possession, hence ineligible for purchase rights.  
5/ Number protected tenants declared owners.  
6/ Under Section 31 only. Additional 51,089 applications for resumption under Sections 33B and 88C made.  
7/ Revised total. Revenue Department report shows 1,455,057.

For every two tenants who purchased their land under Section 32, one tenant neglected or refused to purchase. At the present rate, it is possible that by the time all cases are settled, 500,000 tenants will have surrendered 1 1/2 million acres in western Maharashtra alone. Despite Government efforts to discourage such surrenders, a substantial proportion of tenants are not taking the land declared to be theirs. How often such "ineffective purchases" (refusals or neglects) were in collusion with, or independent of, landlords is unknown.

Most of the land reform legislation has had only an indirect effect on landless laborers who considerably outnumbered tenants in the Bombay area, even before the Tiller's Day Act (8, p. 13). In 1951, one-third of the working agricultural population in that area were laborers. In 1951, total agricultural working population in Gujarat-Maharashtra was 14,032,447, of which 5,751,970 were agricultural laborers. By 1961 the agricultural working population in the same area was 22,758,249, of which 25 percent were

agricultural laborers. In 1961, there were 2,791,884 male agricultural laborers, or about 21 percent of the male working population. 15/

Under the Tenancy Act and the new Ceilings on Holdings Act, surplus lands will accrue to some agricultural laborers. The number affected probably will be fewer than would appear from the legislation for the following reasons: 1. The agricultural laborer rarely has income sufficient to pay for land, at least not at the prices now being paid by tenant-purchasers. 2. At present rates of implementation, 5 to 10 years more will be needed for a noticeable amount of surplus land to appear for distribution. 3. From the probable amount of surplus land available after complete implementation of all the reform measures, less than one-tenth of the agricultural laborers could be settled with holdings of average size. This one-tenth would be the maximum possible, assuming that none of the land above the ceilings was added to the present holdings below the ceilings. The estimate was derived as follows: In the several regions almost 52 million acres (dry land equivalent, i.e., 10 percent of the land) were contained in holdings above ceilings. By allowing these holders the maximum only, a surplus of 3.1 million acres was created. This would permit 259,000 holdings of average (12-acre) size. Against these holdings, there are 2.8 million male agricultural workers and 1.3 million persons who hold less than 2 1/2 acres of land. Agricultural laborers are fifth in priority to obtain surplus land, according to Section 27, Mah. 27, 1961, Ceilings on Holdings Act.

Failure to keep up payments will cause many lands of tenant-purchasers to revert to former landlords or to the Government if landlords already hold their legal maximum. Some of the tenant-purchasers who began payments soon after Tiller's Day are already in arrears to the maximum of four payments. For example, out of 288 tenants "deemed to have purchased land," in Badlapur Village, 103 were in arrears on payments and 51 were subject to eviction when the author visited this village in November 1962.

Widespread failure of tenants who have firm expectations of keeping their new lands to keep up payments will present the Government with a serious dilemma. Failure to evict will induce more tenants to neglect to keep up their payments. Widespread eviction could cause serious agrarian unrest.

#### D. Villages Jaska and Madbhavi: An Illustration

Because Part II treats the impact of tenancy legislation in general terms, a brief reference to two villages the author visited first in 1953 and again in 1962 may help to relate this report to real communities. Jaska and Madbhavi, in what are now, respectively, the States of Gujarat and Mysore, illustrate the contrasts in implementation of the law and in economic change. 16/

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15/ Census of India, Final Population Totals, Paper No. 1, 1962 pp. 71-73, 83-85, and 402.

16/ These illustrations are intended to serve in part the functions of case studies as suggested by Rainer Schickele (70).

A 1953 report on Jaska summarized the profound effects of the land reform on the village as follows:

Jaska has registered the full impact of the Tenancy Act. The tenants have not only ceased to be subservient to their former overlords but have become very assertive of their rights. They have taken advantage of the favorable interpretation of the law by the Administration in securing benefits, sometimes exceeding those intended by the law . . . Relations between landlords and tenants, no doubt, have suffered and a great deal of litigation has resulted (87, p. 12). 17/

In 1962, Jaska was undergoing substantial economic change through new crops, new varieties, increased fertilization, water management, improved cropping practices, better housing and schools, and healthier people and livestock. The new school, wells, houses, and regularly swept streets enhanced even the external appearance of the village. The multipurpose credit society appeared to have an active part in mobilizing financial resources. The panchayat (village council) seemed to have been relatively active. Groundnuts had been introduced and a new variety of cotton was providing not only more lint but was yielding sturdy stalks that had replaced cow dung as fuel. Tractors were being hired for deep ploughing.

When the Tiller's Day Act was passed, a number of tenants tendered the full payment for land under Section 32 as permanent tenants. They thus hoped to force their qualification as permanent tenants and acquire the land for considerably less than they would as ordinary tenants. These cases involved a great deal of litigation, but all were denied except a few (six, apparently) left to decide. Under Section 32 of the Tenancy Act, 161 tenants of 1,173 acres of land were deemed to be owners. Twenty-three landlords filed for resumption of 219 acres for personal cultivation, and all 23 applications were rejected. In 1953, Jaska recorded a population of 563 in 107 households and in 1961 (Census) a population of 687. The land reform apparently involved virtually every household. Here, as elsewhere in this report, "tenants" refers to tenant cases or tenancy arrangements, which probably exceed the number of persons who rent land.

The village of Jaska has made noticeable economic improvement. The combination of the Talukdari Act Abolition and the Tenancy Act had a substantial leveling effect on wealth and income, and the village has undergone a social upheaval. It would be difficult to assign a causal relationship between the economic progress and the Tenancy Act and other Government programs such as Community Development. However, one can sense a keener awareness on the part of many of the villagers in Jaska of what their problems are and how their situation might be improved.

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17/ A similar report (unpublished) was prepared from a 1962 followup study of the same villages and many of the same landlords and tenants.

The 1953 report on Madbhavi characterized the impact of the Tenancy Act as follows:

Madbhavi has remained completely innocent of the Tenancy Act. In this village, tenancy relationships are maintained as though the Act did not exist. The landlords and tenants are not unaware of the existence of the Tenancy Act, they simply ignored it," (87, p. 31).

In 1962 there was little evidence of economic progress. Madbhavi appeared to have the same crops, lower yields, no visible land improvements, no commercial fertilizer and poor use of cow dung, and no changes in farming practices. The Better Farming Society in the village that 10 years before had rented out iron plows was defunct and all the plows had fallen into disrepair. Although the village perhaps was a bit neater and the people healthier, the condition of crops and land was still poor.

Conventional lease terms in Madbhavi continue to be a two-third share of the crop for black land and a half share for masari (inferior) land. Costs are shared equally. Leases are continuous, year to year. Although official records showed a predominance of cash leasing, no one interviewed knew of any leasing in the village other than by share rent. Even when confronted with the information that their tenure arrangements were illegal, interviewees answered questions about the fairness and punctuality of Revenue officials by responding that they were doing their job effectively and rapidly.

Owners, apparently aware of impending land reform measures over many years, have resumed some leased land for personal cultivation. In the long run, most resident landowners will be taking back their lands. Eventually most absentee landlords will be giving up their land, if renting becomes unprofitable and the law becomes more difficult to evade. Personal relationships of villagers are such that individuals will rent according to custom and tradition to their fellow villagers, but will probably exercise their rights against absentee landlords.

The two villages of Jaska and Madbhavi illustrate sharp contrasts in the implementation of land reform and in economic progress. From this illustration, of course, no direct connection between land reform and economic growth can be inferred. In the remainder of this report, however, the possible relationship between the changing attitudes on cultivation and the economic change will be suggested.

## II. IMPACT OF THE PROGRAM ON CAPACITIES AND INCENTIVES

The impact of land reform on the relative investment capacities of landowners and tenants is difficult to assess. Even more difficult to measure are motivations and expectations presumed to take place when a reform program is implemented. Nevertheless, limited information does suggest that reforms will affect both capacities and incentives. A closer look at the wealth redistribution (including shortcomings in the measures) and the effects on

capacities and incentives of landowners and tenants may reveal at least the direction, if not the magnitude, of the economic effects of this important reform measure.

Some effects of land reform may be inferred from observed transfers of wealth or income that are an aspect of reform measures. These transfers affect the distribution of wealth and, as a consequence, the capacity or ability of parties to the reform to use their resources, save and invest, or undertake new enterprises.

To the extent that tenure reform measures only transfer rights among owners and cultivators, their effect on an economy's overall capacity to invest or produce is limited mainly to the effects of recapitalizing land income into the transfer price. The relative capacities of various persons, however, may be affected by the reform measures. Economic effects of such transfers will depend upon how different groups respond to their changed capacities.

Jan Tinbergen refers to "reforms" as changes in the foundations of economic and social structure including attitudes and motivations. The Tinbergen approach stresses effects on "instruments" and "structure," and hence affords little help in measuring effects of reform (79, 81).

Much of the justification for reform programs is assigned to changes in incentives. Complete evaluation of land reform programs will somehow have to account for these changes in motivations and expectations--and at the community level. Changes in investment and production brought about in agriculture by land reform measures are primarily through effects on incentives. Effects of the reform program on tenure expectation, therefore, appear critical.

As indicated in the review of various tenure aberrations, the first impacts of a reform measure imposed on a traditionalist environment are likely to be avoidance or evasion of the law. Successful evasion or avoidance may reinforce a community's resistance to reform. Enforcement of one reform may induce or encourage other changes. Rapid and thorough implementation of a reform law at its inception probably increases its chance for success.

#### A. Redistribution of Wealth and Income

One of the prime objectives of land reform in India is the equalization of wealth. Professor M. L. Dantwala in discussing the substitution between the objectives of equality, freedom, and efficiency, for example, emphasized the great importance of equality in a poor country (9). The First 5-Year Plan proclaimed that ". . . a policy for land may be considered adequate in the measure in which . . . it reduces disparities in wealth and income" (27).

Although land was by no means equally distributed in former Bombay, the degree of concentration was not extreme in terms of other countries or other parts of India. Concentration ratios of landownership for the various

Revenue Divisions of Maharashtra range from .64 to .49 and the ratio for the State of Maharashtra as a whole is .61. Maharashtra contains extremely heterogeneous lands (rainfall from more than 200 inches to less than 15 inches annual average) so concentration in value terms would be much less. Concentration ratios of landownership in the United States range from .60 to .72 depending on the region (90). Compared to Bolivia with .95, Honduras with .75, or Argentina with .85, the ratio for Maharashtra is low. (Gini ratios calculated with data from Foreign Agricultural Service, U. S. Department of Agriculture.)

The argument for leveling the distribution of wealth was largely that a generally low level of well-being of all cultivators and owners cannot also be grossly unequal. In addition to wealth taxes, death duties, and income tax, the ceiling on holdings legislation has been one of the key devices for bringing about equality of wealth.

Before the Ceilings on Holdings Acts were passed in both Gujarat and Maharashtra, Section 34 of the Tenancy Act regulated the size of holding. The Tenancy Act was then amended by the ceilings on holdings legislation which forbade either owner or tenant to hold land in excess of the ceiling area. 18/ Land in excess of the ceiling area was at the disposal of the District Collector for distribution according to prescribed priorities. The Tenancy Act served to redistribute wealth in other ways, however.

The Tenancy Act effected a redistribution of income by reducing and commutating rents, restricting transfer and alienation of holdings, fixing land prices, regulating uses, and forbidding subleases.

Before tenancy was abolished in 1957, rents were reduced from a typical unregulated half share to a sixth share. The difference between the legal rent and the unregulated rent represented, to the extent the law was enforced, an income transfer from landlords to tenants. In the former Bombay State, this transfer would have amounted to Rs. 118 million or an average of Rs. 155 per tenant if official records are at all reliable. 19/

This reduction of rents undoubtedly affected the distribution of income but the net effect is incalculable. Changes in lease terms, changes in contributions by landlord and tenant, and evasions of the law would tend to reduce the redistribution effects.

Purchases under Section 32 of the Act, which provided for compulsory transfer from landlords to tenants, probably also had redistribution effects.

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18/ In Maharashtra and Gujarat, Section 34 of the Bombay Tenancy Act was deleted by the Ceilings on Holdings Acts of the two States. The Mysore Act is an omnibus enactment covering tenancy and ceilings. Gupte comments about the Gujarat-Maharashtra Acts: "Restrictions on holding land in excess of ceiling area were relaxed to a certain extent in cases of persons who cultivate their lands personally " (39, p. 307).

19/ Based on 1954 information from the Bombay Government, Revenue Department. If these rents err, it is on the low side (88).

Without land value information, however, only a rather wide range of estimates of the wealth transferred is possible.

The objectives of land reform contained in the 5-Year Plans, and in subsequent legislation, clearly implied a leveling of wealth, not a mere redistribution of the acres of land regardless of their productivity or worth. The Ceilings on Holdings Acts, for example, all contain some procedure for standardizing lands to some equivalent productivity. Evaluation of land reform in terms of the equalitarian objective thus implied some notion of the value of the resource being transferred. An estimate of the total price paid by tenants purchasing land in Western Maharashtra State will provide an insight into the possible redistribution effects and also indicate the need for better land value information.

In Western Maharashtra, approximately 15 lakhs of tenancy arrangements have been directly affected by the Tiller's Day Amendment. Probably less than this number of tenants are affected, however, because the number of leases tends to exceed the number of tenants. These tenants are deemed to have purchased the land they were renting on April 1, 1957. Not all of those deemed to have purchased actually became occupants, however. About two of every three of the cases under Section 32 actually result in an "effective purchase." Thus, about 9.5 lakhs of such transfers will have been made when all the cases are settled. These transfers average about three acres--say, a high estimate of 3.5 to a low estimate of 2.5 acres.

The values of land set by Agricultural Lands Tribunals range from 20 to 200 times the assessment but most commonly run from 75 to 100 times the assessment.

According to the Bombay Act LXVII of 1948, as amended, Section H, prices for land on which a permanent tenancy is established are six times the rent of the land. Legal rents are two to five times the assessment. Within the legal range, prices are set according to Bombay Act XVII, Section 63A--that is, the following factors: (1) rental value of land in the locality; (2) value of structures, wells, and trees; (3) profits of agriculture in the locality; (4) prices of crops and commodities; (5) improvements made by landlord and tenant; (6) assessment; and (7) other factors.

Standard assessment rates vary widely in Western Maharashtra--from Rs. 25.00 for garden land to almost nothing per acre for poor dry land (34, pp. 52, 53). If infrequent extremes are eliminated, however, the range can be narrowed. Garden land is insignificant in amount and is frequently exempted from provisions of the Act. For value calculations a range of assessments of Rs. 6.85 to Rs. 0.25 will be assumed for an acre divided half and half between rice and dry land; the average assessment will be assumed to be Rs. 3.5 per acre.

Under the foregoing assumptions, prices per acre would range between Rs. 5 and Rs. 1,370 per acre and average about Rs. 315 per acre. The accompanying tabulation shows how estimates depend upon the assumptions made.



Range of estimates of total value of land in Western Maharashtra transferred under Section 32 of the Bombay Tenancy and Agricultural Lands Act

Estimated number	:	Estimated total value		
		(Figures in lakhs)		
of acres (950,000 transactions)	:	Estimated value per acre		
		Low (Rs. 5)	High (Rs. 1,370)	Median (Rs. 315)
Low (2.5)	:	119	32,538	7,481
High (3.5)	:	166	45,552	10,473
Median (3.0)	:	142	39,045	8,978

Value per acre	Number of acres
1. Low: 20 x 0.25 Rs. 5/acre	1. 950,000 effective purchases
2. High: 200 x 6.85 Rs. 1,370/acre	2. Low: 2.5 acres per purchase
3. Median: 90 x 3.50 Rs. 315/acre	3. High: 3.5 acres per purchase
	4. Median: 3 acres per purchase

A best guess at the official value of land that will have been transferred under Section 32 is about Rs. 90 crores. Tribunals are instructed to encourage a maximum number of payments--that is, 12 annual installments. This makes an annual payment of Rs. 7 1/2 crores. This annual payment may be compared to the annual average outlays of the Third 5-Year Plan in Western Maharashtra (Bombay and Poona Divisions). The annual outlay by tenants (35,36) 20/ in the purchase of lands under Section 32 is equivalent to the following proportions or multiples of the annual average outlays of (1) a fifth of the entire Third 5-Year Plan for Western Maharashtra, (2) eight times the Plan's outlay for terracing and well repair, or (3) 300 times the Plan's outlay for all agricultural research.

The amount of the transfer under Section 32, therefore, is not insignificant. The amount of redistribution or expropriation involved in these transfers is incalculable without some notion of a market value. Such data

20/ The total Plan in the Bombay and Poona Divisions is a Rs. 40 crores outlay, terracing and well building is Rs. 91 lakhs, and agricultural research is Rs. 2 1/2 lakhs (District and Division Schemes plus State Scheme prorated by population).

are not available. 21/ A difference between market and tribunal prices apparently does exist. Tribunals and Revenue Officials have almost uniformly said that official or legal prices of land are less than what would be an open market price; guesses of official prices range from one-fourth to three-quarters of a market price. If these proportions were accurate for Western Maharashtra, the expropriation or transfer from landowners to renters could be between Rs. 30 and Rs. 120 crores.

Another way in which redistribution can be effected is through the combined effect of the limitation on number of payments under Section 32K and the rule of thumb that prevents an annual installment from exceeding rent. Section 32K states that the number of installments shall not exceed 12. A rule of thumb used by Tribunals in setting the amount of installments prevents these installments from exceeding the rent on land being transferred. 22/

Values of land transferred under these provisions will tend to be less than the price would be in the absence of such provisions. The difference between the "real" value and the official value attributable to Section 32K may be estimated by subtracting the capitalized value of rent for the number of installments (maximum 12) and the full capitalized value of rent. 23/

21/ For an example of land value estimation in relation to the Tenancy Act, see (7, p. 69). For a discussion of land value needs, see (89).

22/ For example, Gupte comments: "The factors which are relevant to the fixation of purchase price are also the factors which could be appropriately considered in relation to the tenant's capacity to pay." (39, p. 265).

23/ The value of the "expropriation" ( $V_e$ ) equals the "real" value ( $V_r$ ) less the official value ( $V_o$ ).

$$V_e = V_r - V_o = \frac{R}{i} - \sum \frac{R}{(1+i)^n} \quad \text{where } R \text{ is the annual installment rent,}$$

$i$  is the capitalization rate, and  $n$  is the number of annual installment.  $V_e$  is then attributable to the two criteria: (a) Installments 12 or less and (b) each installment no greater than rent. The difference between "real" and official value may be illustrated with  $V_r =$  Rs. 90 crores and an  $i$  equal to 8 percent. The resulting annual installment,  $R_j$ , is the same for  $V_r$  and  $V_o$ .

$$V_r = \frac{R}{.08} = 90 \quad R_j = 7.20, \quad j = 1 \dots 12$$

$$V_o = \frac{R}{(1+i)^1} + \frac{R_2}{(1+i)^2} + \frac{R_3}{(1+i)^3} \dots \frac{R_{12}}{(1+i)^{12}} = 54$$

$$V_e = 90 - 54 = 36 \text{ crores}$$

This illustration suggests a basis for expecting differences between official and real prices. The amount of difference would depend upon  $R$ , the rent or land return, as affected, say, by Section 8 of the Act; or  $i$ , the capitalization rate, as affected by current land mortgage rates or the 4 1/2 percent interest prescribed in Section 32K of the Act. In short, the Rs. 36 crores is grounds for, not a test of, the hypothesis that real and administered prices differ.

The difference between value of lands capitalized on 12 or fewer years and these lands capitalized to infinity is, of course, only one possible source of difference between an official and a real price of land.

Thus, the Tenancy Act affected the distribution of wealth between landlords and tenants in at least three ways--reduction of rents, compulsory transfer, and limits on number and amount of installments. Without information on the value of the land transferred, however, very little can be said about the amount or possible consequences of the transfer. Furthermore, it is not clear that a transfer from landlords to tenants is always movement toward equality.

In the ryotwari areas of Western India, landowner and tenant are frequently the same person. The distinction between landlord and tenant, which is fundamental in the objects and reasons for the land reform measures, is thus one of roles, not necessarily of groups of people. The reaction of many landowners and cultivators to land reform measures, therefore, is likely to be mixed. Landowners also may be cultivators. 24/

In analyzing the income redistribution effects of land reform, the stereotype of rich powerful landlords and poor, downtrodden tenants can be misleading (7, p. 143). Even in 1951-52, for example, about half of all owner-cultivators, tenants, and noncultivating owners in Bombay held less than 5 acres. Ninety percent of the noncultivating landlords held less than 25 acres. The economic position and outlook of the bottom 90 percent of these noncultivating landlords was closer to that of the tenants than that of the upper 1 percent of their same tenure class (3, 31(1), p. 35). The leveling effects of abolition of intermediary tenures plus ceilings on holdings considerably reduce the need for equitability features of tenancy legislation. Limitations on resumption for personal cultivation, as well as ceilings on holdings, will affect some of the larger absentee landlords as a class. Some of the small, poor tenants also will be affected as a class. For a large number of cultivating landlords and owner-cum-tenants, the Act will add to the ambiguity of their tenure status, but will probably add little to their security of tenure.

The economic effects of the Bombay Tenancy and Agricultural Lands Act probably can be analyzed best in terms of particular tenure relationships and only secondarily in terms of classes of people. The stereotypes of landlord and tenant that may have served as proxies for rich and poor in the drafting of tenancy legislation are not suitable for an analysis of the distribution of wealth among persons in agriculture. The Tenancy Act probably had distribution effects but these effects were not necessarily in the direction of equality.

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24/ The National Sample Survey reported that, in Western India in 1953-54, less than 5 percent of the households owning land were noncultivators. This same survey reported that over 4 million households owned almost 45 million acres, approximately 11 percent of which were leased (26).

## B. Investment Capacities of Landowners and Tenants

### Landowner's Capacity

In exchange for land transferred to the tenants under Section 32 of the Tenancy Act, former landowners were to receive compensation payable either in lump sum or in 12 or less installments. Since former landowners acquired their lands through grant, inheritance, and purchase with varying levels of tax and other obligations, and since the Section 32 transfer prices were generally lower than market prices, the capital gains or losses of the former landowners are by no means clear. On a "once for all time" (very long-run) reform involving an asset such as land, which in the very long run is totally inelastic in supply, the cost perhaps can be regarded as zero. If, as of Tiller's Day, one can regard the land as a sunk cost or no-cost asset, the compensation paid by the tenant-purchasers may represent new resources to the former landowners. Their capacities to invest may be said to have increased by the amount of the compensation. Offsetting these compensation payments are the losses in rentals.

Interest rates at 4 1/2 percent are low relative to returns in alternative investments. The effective level of compensation is thus lowered, the longer payment can be postponed. Other things being equal, landlords prefer that tenants make rapid payoff, and tenants prefer slow payoff. Tenants are encouraged by tribunals to take the maximum time. The former landowners will not receive a lump amount which could be invested in an expensive asset. In addition, the right to receive compensation payments is not mortgageable, hence cannot be used by a former landowner to obtain credit.

Other provisions of the law 25/ which permit arrears and extensions probably eliminate the installments as a reliable source of annual income. Less-wealthy landowners probably could not rely on compensation as a source of capital for investments requiring a lump outlay.

Investment markets for a large proportion of the landowners--particularly smaller, resident landowners--are extremely limited. For some time one of the principal forms of investment in the villages will be consumer credit. The market for consumer credit probably will continue despite the progress of cooperative credit societies. The credit society's requirements on purpose, repayment, and amount leave a market for high-interest, no-questions-asked consumer credit. The relative success of the credit society probably will affect general interest rates but will not eliminate the former landowner's consumer credit market.

Among the smaller former landowners residing in the villages, therefore, one should not expect large increases in capital formation from compensation payments made to them. Larger absentee landlords with access to profitable

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25/ For example, 32 Bombay 67 of 1948, as amended Mah. 27 of 1961.

investments in trade and production, on the other hand, may convert compensation payments into capital. Until investment markets are far more accessible than at present, much of the compensation payments will not find its way into capital formation.

### Tenant's Capacity

The Bombay tenants who were so reluctant to purchase lands even under the terms favorable to them prior to Tiller's Day perhaps may have had insights into financial management superior to their urban cousins in the Legislative Assembly and the Secretariat. At the time the Tiller's Day amendment was passed in 1955, there were only 64,609 who purchased lands-- or less than 2 percent of the tenants (3, 29(2), p. 173).

The tenants were probably aware of some of the financial disadvantages of paying off a large investment, especially in the face of a fair probability of getting the land rights without paying for them. The failure of 1 out of 3 tenants to become owners even after being officially declared owners on Tiller's Day in 1957 is further evidence of an adamant tenancy. The reluctance of tenants to exercise their purchase rights is frequently attributed to intimidation. Intimidation cannot be overlooked but probably cannot explain fully the slow rate of purchase activity. The burden of transfer payments on tenants in Western Maharashtra, for example, was estimated at Rs. 90 crores or at an average purchase of three acres, Rs. 945 per tenant. According to the Maharashtra Revenue Department, acres per tenant were 3.45 for cases decided by mutual agreement and 2.69 for cases settled under 32H. A midpoint of 3 acres was used. This was the situation as of September 1962 for the Poona and Bombay Divisions of Maharashtra. This outlay would be equivalent to the purchase of a pair of bullocks, 3 tons of commercial fertilizer, 26/ or a gasoline-pump engine. Payments for land will reduce capacity for capital investment by tenant-purchasers. But from the viewpoint of the tenant-purchasers, it may be argued that the payments are so low that they may be no more burdensome than rent. Thus the tenant will have the same investable surplus whether making purchase or paying rent. This will be true if the installments are actually equal to, or less than, the rentals less landlord contribution. Conclusive evidence on the relative size of payments and rents is not available, but to the extent that tribunals are following the "no more burdensome than rent" rule, payments will tend to increase, or at least not decrease, the tenant's capacity to invest from that of his former rental arrangement. 27/

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26/ Fertilizer Association of India. Fertilizer Statistics 1960, pp. 55, 65. Price per ton to farmers of ammonium sulphate was Rs. 380. At 85 pounds of nitrogen per acre, via ammonium sulphate (20 percent N), this would fertilize 9 acres. At the average rate of fertilization in Gujarat-Maharashtra, this would fertilize 75 acres.

27/In comparing payments with rentals, one should use net rather than gross rents. Most of the rental arrangements involved substantial risk shifting in the form of rent remissions and exchange of personal services. Landlords were able to reduce many of the effects of the rent reductions by withdrawing services to their tenants.

Purchase payments may decrease investment by tenant-purchasers in the short run, if the payments have the effect of compressing long-run rent payments into a shorter purchase period. The "no more burdensome than rent" rule apparently is subject to some discretion by administrators, and it is not clear whether the rule refers to each year's payment or the long run, and whether the rule applies to actual, local, or legal rents, or some compromise among them. Only an extensive study of the implementation of the law could determine the Act's effect on the tenant's capacity to invest.

The net effect of tenant purchases on the income position (hence, investment capacity) of the former landowners and tenant-purchasers depends on the relative amounts of rentals and purchase installments. Except as there is some slippage in administration, the total investment capacity of former landowners plus tenant-purchasers might be expected to remain constant, but there will be some transfer between them. The amount of this transfer cannot be measured adequately with the scanty indicators of real land prices and available data on the land prices administered under The Tenancy Act (89).

#### Community Effects

Aside from the internal redistribution effects of land transfers created by various reform measures, there are effects on the community as a whole. At any particular time, once the redistribution has been decided upon, the community as a whole must halt other investments and repurchase claims to land already in existence. In a sense, land transfers are, then, a reorganization cost.

The transfer activity, in itself, creates nothing new. At a time when capital formation is both necessary and difficult, the wisdom of extensive land transfers (especially forced transfers) might be questioned, as Deshmukh and Bhargava, for example, aptly comment:

Though land transfers are quite common and expenditure on this account forms a substantial proportion of the total outlay, this investment cannot be regarded to be of developmental character. If the agricultural production is to be increased rapidly such investment for the purchase of titles should be discouraged. The funds that are now diverted towards purchasing rights in land can be utilized for effective improvements or for adapting improved techniques (16).

From a welfare point of view, the least price at which titles can be transferred is the best price. The fixed cost of land is analogous to the fixed cost of Hotelling's Bridge. 28/ Any payment that requires withholding capital investment to transfer titles is, therefore, from the standpoint of

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28/ Refer to the classic argument by Harold Hotelling in *The General Welfare in Relation to Problems of Taxation and of Railway and Utility Rates*, *Econometrica* 6: 260-263, 1938.

capital formation, "welfare-impeding." From the capital formation point of view, transfer without compensation, up to a socially desired level of equality, might be superior to regular compensation procedures.

The act of transferring land and paying compensation are largely a matter of the quid pro quo: Is the price fair or "expropriative"? To the extent that the price is expropriative, the tenant-purchasers will tend to gain and their capacity to invest will be enhanced. The opposite holds, of course, for the former landowners. There would be no net change in the community's investment capacity--if the exchange were instantaneous. But the exchange process does take time, and it is this time that probably represents the greatest charge by the community against the transfer process. Investment by either tenant-purchasers or landowners is withheld for a time. This delay of time creates a period of noncapital formation.

In summary, the net effects of the Tiller's Day amendment on the investment capacity of landowners and tenant-purchasers were, at best, neutral. Community effects were negative by the amount of delay. Positive effects probably will have to stem largely from changes in the motivations, drives, or incentives of the tenant-purchasers.

### C. Expectations and Incentives

Land reform measures are expected to alter incentives in directions that encourage investment and increase production (64). This theme is stated in many ways in the legislative debates preceding passage of the Tiller's Day Act. For example, Revenue Minister B. S. Hiray stated ". . . cultivation by itself cannot be effective and efficient until the cultivator feels a direct and close interest in the unit of cultivation. This is not only a matter of psychology, but also one of economics . . . he feels more for the property that he owns and possesses." (3, 29(2), p. 175).

The Tenancy Act, as well as related reform measures, was to encourage particularly the incentive for land improvements and more intensive production practices. It appears from the foregoing section that any positive economic effects of the tenancy reform must be based on changes in incentives or expectations. How then might the pace and procedure of tenancy legislation affect investment in improvements and production practices?

#### Investment

No unique insights were necessary for landlords to anticipate the outcome of the land reforms in process even before 1948. Landlords might have expected that, if land were not simply transferred to tenants, most of the profitability of land-holding probably would be removed. Return to investment in land improvements was, at best, so uncertain that the marginal efficiency of land improvements fell.

Land improvements can rarely be removed. Negative effects of the land reform on investment came about through attrition rather than extraction.

The long process of transferring land to the tiller resulted not so much in direct disinvestment as in failure to make new investment or maintain past improvements, such as reclaiming, irrigation, and heavy manuring.

Landlord expectations of retaining land were much greater when the land was "personally cultivated" or when tenants did not have a long history of cultivation of a particular plot. Hence, an appropriate strategy for landlords would be to rotate tenants, falsify records, and do everything possible to show personal cultivation.

Part of the difficulties of implementing the Tiller's Day amendments probably stems from inadequacies of village records made worse by efforts of some landlords to prevent establishment of tenant rights. Incentives to destabilize tenure relationships--hardly the conditions to induce long-term investment--were inherent in a reform program spread over many years.

Assuming that personal services by landlords and tenants under traditional tenure relations about balanced each other, rent reductions, extending over 14 years, reduced the effective returns to rented land from a typical one-half share to less than a one-twelfth share equivalent where it was enforced. <sup>29/</sup> Land as an investment lost most of its value. Even at very low returns, land (the fixed cost of which had already been paid) would not be given up. Nothing more, however, could be expected from added improvements, so probably none were made.

Tenants had little incentive to replace landlord disinvestment in land improvements. Security of tenure was subject to a number of legal loopholes. At one stage in the reform process, for example, "protected" tenants were less protected than ordinary tenants because landlords could repossess the land of the protected tenant more easily. Rent reductions were not uniformly enforced. Tenants who insisted on rights that they did not fully understand often assumed serious risks on their tenure, perhaps even on their person.

After Tiller's Day, but before prices could be set either through negotiation or Tribunal judgment, many tenants were in a peculiar position of uncertainty. In many cases their rights may not have been conclusively established, landowners may have intimidated them, village records may have been faulty by neglect or design, landowners may have filed for personal cultivation or appealed decisions of the Tribunal, other tenants may have claimed rights.

These uncertainties were confounded with intricacies of a law which was little understood by the tenant. It is doubtful if additional incentives to invest could be forthcoming until the tenant had conclusively established his ownership rights. In 1963, many cases still remained unsettled.

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<sup>29/</sup> Subject to a few minor exceptions " . . . rent shall not exceed 5 times the assessment payable in respect of the land or 20 rupees per acre, whichever is less, and shall not be less than twice such assessment." Sec. 8 Bombay 67 of 1948, as amended. Mah. 27 of 1961.



After purchase prices are established, tenants pay either in lump sum or by installments. Unpaid installments, or lump sum payments, are recoverable from the tenant purchasers by the Revenue Department as arrears in land revenue. As such the purchase payments may be more inflexible than rents and may have further deterred tenant investment during the purchase period.

In fact, the net effect of the Tenancy Act and all its related measures on investment in land improvement was probably negative. This negative effect might be wholly attributable to the long time needed for the Act to become effective and frequent changes in the land reform program.

### Resource Organization

The increase of inputs such as labor, fertilizer, and improved seeds might have been expected from tenants with greater tenure security and an increased surplus resulting from rent reductions. During the land reform period (1948 to present), however, there is little evidence of any greater security of tenure in practice despite variably enforced laws to the contrary. This situation exists because, although technically tenancies-at-will, leasing agreements traditionally extended for many years. Security of tenure in fact depended far more on a personal or conventional relationship between landowner and tenant than on the law. The tenancy law, as an outside force, probably did not enhance security of tenure, at least not in the way in which it was being implemented.

Moreover, the increased income of tenants resulting from rent reduction was offset by a reduction of income to landlords. Effects of this income redistribution on input levels would depend upon the relative propensities of tenants and landlords to produce.

Although some changes in resources allocation might result from the exemption of land used for sugarcane, flowers, and fruits from most of the critical provisions of the Act, the impact of these features of the Tenancy Act on the total production will be small.

One of the intentions of size limitation, such as the limit on the holding that may be repossessed by a landlord for personal cultivation, is greater intensification, often requiring investment such as irrigation. If ceilings on size of holding are a function of the productivity of the land, improvements could have the effect of lowering the total amount of land that the landowner is permitted to hold. A landowner who anticipates that he will be limited in his acreage according to the earning capacity of such land will be reluctant to improve the quality of his land--for example, with perennial irrigation. A swift and final ceiling on holdings would not have induced expectations of size reduction stemming from land improvement.

One of the hoped-for incentives to increase production is greater effort from cultivators who become owners of the land, and from landowners who are compelled to till the land they own. Even if additional incentive were forthcoming, however, it is doubtful whether more labor could be forthcoming.

The Indian cultivator is not idle. Large increments of man-hours under traditional organization are simply not available. Important changes in production will stem from new ways of cultivating, not from increased usage of the old ways. Unless land reform stimulates the landowner and cultivator to desire new things and new ways, its impact on production will be small. Land reform is yeast for change; its most important effects probably are changes in attitudes toward innovation.

Before a cultivator will substantially increase his investment in improvements and adopt improved production practices, he needs (1) an estimate of his stake in the future and (2) a belief that he can make a decision, and that his decision will have some consequence. Without these, it is unlikely that he will either invest or innovate. Without increments in investment and changes in production methods, it is unlikely that any economic improvement will occur.

The effect of land reform on these two positive factors of investment and innovation is probably indirect but nonetheless important (2, 50). Land reform, accompanied by a destruction of conventional orientations, may provide a framework for hope and responsibility. This framework is psychological, but it is translated into economic terms when it bears upon expectations of returns to capital inputs or expectations about the outcome of a new farming practice. Delay in implementation of reforms would seem to impinge against these two needed changes.

Positive effects on either land improvements or production practices were probably reduced because the Act was implemented over a protracted period of time. Where reforms were swiftly and effectively implemented, for example in Jaska Village, some changes in investment and production attitudes seem to have resulted but only a detailed study might determine how these results are associated with the land reform.

#### D. The Tempo of Land Reform

. . . some kind of compromise has to be struck to avoid the extremes of chaos through hasty reform and stagnation because of no reform at all. (17)

Land reforms of any consequence generally cannot transform an agrarian structure immediately. Reform is a process and, as with many processes, its time dimension is a measure of its success. Policymakers may have in mind to move the tenure structure from an undesirable state to a desirable state, but the transformation means little without an answer to the question: "How soon?" It is important, then, that when a land reform policy is determined, its program of implementation includes time as one of its costs. The longer one must await the accomplishment of an objective, the less is the objective's value and, alternatively, the higher its cost.

When Revenue Minister B. S. Hiray introduced the Tiller's Day Amendment Act in 1955 he stated that, in terms of a land reform program, "We have reached today . . . an advanced stage in the progress towards the goal when

the actual tiller of the soil would enter into direct relationship to the State " (3, 29(2), p. 171). He, therefore, strongly implied that land to the tiller had long been the objective of land policy in Bombay. 30/

Institutions viewed as control systems undergo transformations which may be slow and evolutionary--thus retaining the basic features of the institution over time--or rapid and revolutionary--thus creating in fact a new institution. Much democratic involvement--feedback between government and citizenry--may be politically desirable but slow. Rapid reforms will almost always involve a certain amount of force. An interesting frame of reference for the analysis of land reform problems might be derived from the models developed by others interested in this area (4) (76) (82) (86).

If land to the tiller had been a long-term policy and not simply a new objective developed shortly before 1955, why was the program not implemented in 1948 rather than in 1957? Aside from purely political considerations, what economic factors should be considered in the pace of land reform, particularly the Tiller's Day tenancy reforms? Some of the following factors may be considered when deciding on a "go-slow" or a "go-fast" program.

Perhaps one of the main advantages to government of a "go-slow" program is that, faced with a clear objective and procedure, individuals may undertake desired actions themselves. If the individuals do respond in the direction desired by government, then the public program can develop tremendous leverage. Small programs will bring large results. Apparently, however, this condition was not satisfied by the purchase privileges afforded tenants under pre-1955 tenancy laws. Up to the time the Tiller's Day Amendment was introduced, only about 2 percent of the tenants had sought to purchase the land they tilled (3, p. 173). This number is even smaller than one would expect in the absence of any reform legislation.

Time may be required for individual decisions to be made and borne out. Resources committed to certain uses cannot always be reallocated rapidly. The counterargument, of course, is that if there are large amounts of labor or capital with excess capacity, delay in reallocation increases inefficiency.

A successful land reform program may require changes in ancillary institutions such as credit, extension, and markets. Institutions may require a certain "balanced growth." Progress in land reform can be made only if supporting institutions and general economic growth accompany it.

Another advantage of going slow is the saving by government of constructing and then dismantling a large, specialized administrative structure. Such costs may be weighed against retaining a smaller staff for a longer period. The Tiller's Day Act required both a larger staff and a longer period of time than was originally anticipated.

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30/ In contrast to the First 5-Year Plan which clearly included tenancy as an acceptable form of tenure, subject to some limitations (27, pp. 184-198).

The extra administrative burden was made clear by the Minister of Revenue and Agriculture when the Bill was first introduced:

I have to inform the House that we need the following additional staff to prepare the proper background for the Act and its implementation: 2,749 talathis, 302 circle inspectors, 253 mahalkaris, 50 Aval Karkuns, 352 attendants, 252 peons, and 3 to 5 Prant Officers. This staff will involve monthly expenditures of Rs. 358,260 which would mean an annual expenditure of nearly Rs. 43 lakhs. (3, p. 1309).

The Revenue Minister's estimate of costs appears to have been very modest in the light of subsequent experience. Comparisons with actual experience are difficult, however, because many classes of staff--that is, Deputy Collector and Special Deputies--were not mentioned but were subsequently employed. However, "senior staff" as of December 1962 in Maharashtra alone numbered 689 as compared to Hiray's estimate of Circle Inspectors, Mahalkaris, and Aval Karkuns, numbering 605 for the whole of the then Bombay State. The ratio of junior to senior staff is about 3 or 4 to 1.

If only the rate of progress were taken into account, the cost would be double that estimated by the Revenue Minister. Under present conditions, even assuming the low Rs. 43 lakhs annual cost, justice under the Tiller's Day Act comes at a rate of at least Rs. 30 per case or Rs. 82 per effective purchase. Probably the actual rate is much higher. As of December 1962, only about half of the cases of Section 32 on tenant purchases had been settled. According to the original plan, this phase of the work was to have been completed, at the latest, in March 1961.

Whether in terms of persons and land affected or costs incurred, the extent of the Tiller's Day reform is substantial. Judging from the rate of progress, the undertaking was even greater than the Government had anticipated.

Appraisal of the land reform program in Western India, therefore, should be in light of its immense size. Because of its large cost, on the other hand, land reform may be reasonably expected to yield a high return.

The factors calling for a "go-fast" program are perhaps more convincing. Of all the disadvantages to delay, the disinvestment of land improvements due to uncertainty of tenure is one of the most important. Failure of tenants to invest in the land they cultivate, and failure of landowners to invest in land in which tenants have acquired tenure rights, can result from conditions of tenure uncertainty. Government can create such uncertainty by dragging out reforms over many years.

A "go-fast" program may preclude some evasions of the intention and letter of the law. The opportunity to shift tenants, to redistribute the land among members of a joint family, or to qualify for exemptions is increased as the time for implementation is increased. Costs of litigation may increase if the reform loses its momentum and successful challenges are made.

A "go-fast" program may be able to bypass intermediate steps, which are necessary for a slow program. The reduction of rent, for example, from a half to a third and a fourth, and then to a sixth, and finally to a commutation under the Bombay Tenancy Act might well have been bypassed, if the Tiller's Day reform had been implemented in 1948.

Despite difficulties in evaluating either direction or extent of the social shock created by land reform, some effects are almost certain to take place. A change in the traditional roles of landlord and tenant can change not only their outlook on one another but their outlook on investment, production practices, and making decisions. One of the outstanding differences between the villages of Jaska and Madbhavi in 1953 was the severe social shock land reform had made on the former, and the complete indifference to the reform of the latter. One of the outstanding differences between these two villages in 1963 is the substantially improved economic condition of Jaska, and the static condition of Madbhavi. Social shock, with associated changes of roles and functions of participants in land reform, may well be the most important effect of the reform.

On balance, there seems to be more economic reason to go fast than to go slow. As there may be individual injustices in moving too quickly, there may be social injustices in moving too slowly. If implementing so vast a program more rapidly is unreasonable, in terms of cost, then perhaps the scope of the program might have been reduced. Some land reforms have been extended to economically trivial cases at the expense of more urgently needed programs. Dandekar, in his evaluation of reform, for example, criticized complete village by village implementation and suggested that "what is necessary is to graduate or phase implementation in such a manner that the materially more urgent cases receive a higher priority . . . tenancy legislation may be enforced, in the first instance, only in the landowners with holdings above a certain limit . . ." (6).

If the 15-year process from the Bombay Tenancy and Agricultural Lands Act of 1948 was a deliberate policy of feeling the way and avoiding serious error, it should be measured against the cost of not getting the job done. Errors of doing the wrong thing may be costly. But errors of doing the right thing too slowly can be even more costly, because delays are more likely to be lamented than corrected.

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## APPENDIX 1

### Basic Land Laws of Western India

The following is a list of the basic land laws which form the foundations of tenure law in 1963, summarized by state and area:

#### Maharashtra

- A. Former Bombay Area: Bombay Land Revenue Code of 1879; Bombay Prevention of Fragmentation and Consolidation of Holdings Act of 1947; Bombay Tenancy and Agricultural Lands Act of 1948 (Amended); Maharashtra Agricultural Lands (Ceiling on Holdings) Act of 1961. In addition, there were a number of tenure abolition acts. The Amendment to the Ninth Schedule of the Indian Constitution as listed in Bill No. 26 of 1963, and introduced in Lok Sabha, May 6, 1963, contained 69 land reform enactments bearing upon the region termed in this report as "Western India." Twenty-one intermediary tenure forms were abolished in Bombay area alone.
- B. Marathwada Area: Hyderabad (Abolition of Jagirs) Regulation Act of 1949; Hyderabad Tenancy and Agricultural Lands Act of 1950; Hyderabad Prevention of Fragmentation and Consolidation of Holdings Act of 1956.
- C. Vidarbha Area: Madhya Pradesh Abolition of Proprietary Rights (Estates, Mahals, and Alienated Lands) Act of 1950; Madhya Pradesh Agricultural Raiyats and Tenants (Acquisition of Privileges) Act of 1950; Madhya Pradesh Revenue Code of 1954.

#### Gujarat

- A. Former Bombay Area: Gujarat Agricultural Lands Ceiling Act, 1961; other laws same as Maharashtra Bombay area.
- B. Saurashtra: Saurashtra Land Reforms Act of 1951; Saurashtra Barkhali Abolition Act of 1951; Saurashtra Estates Acquisition Act of 1952; Saurashtra Prohibition of Leases of Agricultural Lands Act of 1953; Saurashtra Prevention of Fragmentation and Regulation of Land Holdings Act of 1954.
- C. Kutch: The Bombay Tenancy and Agricultural Lands Act of 1948.

## Mysore

- A. Former Mysore Area: Mysore Land Revenue Code of 1888; Mysore Tenancy Act of 1952; Mysore (Religion and Charitable) Inams Abolition Act of 1955; Mysore (Personal and Miscellaneous) Inams Abolition Act of 1955. Mysore Land Reform Act of 1962 extends throughout State.
- B. Former Bombay Area (4 districts): Bombay Land Revenue Code of 1879; Bombay Prevention of Fragmentation and Consolidation of Holdings Act of 1947; Bombay Tenancy and Agricultural Lands Act of 1948 (Amended).
- C. South Kanara: Madras Cultivating Tenants Protection Act of 1955; Madras Cultivating Tenants (Payment of Fair Rent) Act of 1955.
- D. Coorg: Coorg Land and Revenue Regulation of 1899; Coorg Tenants Act of 1957.
- E. Hyderabad: Hyderabad (Abolition of Jagirs) Regulation Act of 1949; Hyderabad Tenancy and Agricultural Lands Act of 1950; Hyderabad Prevention of Fragmentation and Consolidation of Holdings Act of 1956.

APPENDIX 2

Tenure of cultivators and others, Bombay State, 1951-52

Tenure	: Holders	: Area held	: Working population 1951
	: <u>Number</u> <u>Pct.</u>	: <u>Acres</u> <u>Pct.</u>	: <u>Number</u>
Owner cultivators. . . . .	: 3,069,123    55	: 25,985,610    65	
Permanent tenants. . . . .	: 312,783      6	: 8,507,379     21	
Protected tenants. . . . .	: 1,668,340    30	: 2,243,257     5	
Ordinary tenants. . . . .	: 498,234      9	: 3,512,048     9	
Total cultivators. . . . .	: <sup>1/</sup> 5,548,480    100	: <sup>1/</sup> 40,248,294    100	: <sup>2/</sup> 8,280,477
Landlords not cultivating personally . . . . .	: <sup>3/</sup> 767,807	: <sup>4/</sup> 11,000,000	
Agricultural laborers. . . . .	: ---	: ---	: <sup>2/</sup> 5,751,970

<sup>1/</sup> Patel, G. D. The Land Problem of Reorganized Bombay State. Bombay: N. M. Tripathi, Ltd. 1957, p. 296. These data correspond, although not exactly, to those supplied by the Revenue Department in 1954 and contained in Wunderlich, Gene, The Bombay Tenancy and Agricultural Lands Act. Ph. D. dissertation, Iowa State University. 1955. pp. 238-240.

<sup>2/</sup> Census of India. Final Population Totals, Paper No. 1 of 1962, p. 402. Gujarat and Maharashtra only (1951). Male working population only: Cultivators, 5,612,102; agricultural laborers, 2,441,263. By subtracting from Gujarat-Maharashtra a number of male cultivators to equal the same proportion held in 1961, then adding the number in the Mysore Area of Bombay, a total of 4,950,000 male agricultural workers classed as cultivators for the former Bombay State was obtained. Such refinements are admittedly questionable in light of the noncomparability of the 1951 and 1961 censuses.

<sup>3/</sup> Bombay Legislative Assembly Debates 31(1): 35, February 18, 1956.

<sup>4/</sup> Derived from percentage area of households "leasing out land fully" National Sample Survey, 8th Round, Report on Land Holdings. Delhi: Manager of Publications, 1961, pp. 26-27.