

CHAPTER I

THE BACKGROUND OF LAND REVENUE

(1) The Main Systems

Almost all over the world, the State arranges to secure for itself by some form of a levy a portion of the income derived by those who utilise the land for various purposes. In India, from time immemorial, is has been customary for the rulers to collect land revenue from those who cultivate land, although it is difficult to say when precisely this levy originated and in what form it was charged. Since very early times, kings and rajas (and even the lesser chiefs) were accustomed to take from the owners of land in their dominions, a certain share of the produce grown by them, unless it was remitted as a special favour or in lieu of services rendered. According to Manu, this share was generally one-sixth of the gross produce, *i.e.*, of the grain-heap made up at the threshing floor. This share could, however, be raised to one-fourth in times of war or during other emergencies. The share of produce due to the ruler was assessed upon a village as a whole and its payment was the joint responsibility of the whole village community. The village headman who represented the community allocated this share among the individual owners with due regard to the condition and quality of land cultivated by them. This simple method of assessment admirably suited the conditions prevailing in those days. Being a share of gross produce, its determination did not require any complicated calculations of the relative fertility of the lands, cost of production or the owners' profits. Whatever was produced was heaped on the floor and the division was made in the presence of the king's officers. In a bad year when the crops failed and there was no produce, relief was automatic.

2. Difficulties, however, came to be experienced with the growth of population and the extension of cultivation. The division of the share of the produce could not be properly supervised and the peasantry often practised concealment. The king's officers also began to cheat both the peasantry and their master. This led to a change in the method of assessment and the king's share of the produce was determined in accordance with the estimates framed of the standing crops. Later, even this method was found unsuitable, and the king's share came to be assessed in monetary terms. The system of payment of land revenue in cash thus came into vogue. Attempts at reforming the system were first made by Sher Shah, but a major change was brought about only during the reign of Akbar, who, with the assistance of his minister, Raja Todar Mal, laid the foundation of a system which furnished the basis for land revenue policy for generations thereafter. Under this system, all the land was measured by a uniform standard and the average produce of a *bigha* of land was ascertained. Land was classified into four categories according to soil and fertility and the gross produce was calculated on the basis of the produce grown during the preceding ten years. The average gross produce thus

obtained for any particular piece of land was then commuted into cash on the basis of prices prevailing in the previous nineteen years, and one-third of this was fixed as the king's share. The assessment so made was intended to be continued unchanged for a period of ten years, but actually continued indefinitely, as there were no regular revisions.

3. With the expansion of the Mogul Empire, the administrative machinery became less efficient. The provincial officers became powerful and exploited the landholders. Some of these imposed additional levies on the land in the form of *abwabs* or cesses. With the decline of the Empire and during the anarchy that followed, these officers openly flouted the central authority and assumed full control over the territory which they administered. Similarly, the middlemen who were employed by Government to collect land revenue became stronger and exploited the peasantry ruthlessly. They paid lump amounts to the government or the provincial governor and appropriated the excess receipts for themselves. In course of time, these middlemen became zamindars or owners of the lands. They recovered large amounts in the form of rent and cesses; and paid only the fixed land revenue to government. The rulers and the chieftains, who did not much care what happened to the peasants, also found this method suitable as they were saved the trouble of maintaining a large number of tax-collectors and also were assured of regular receipts. The East India Company, after the acquisition of the 'Diwani' of Bengal, Bihar and Orissa in 1765, continued for some time the prevailing land revenue system and tried to collect its revenue through supervisors or collectors. These were shortly replaced by a Committee of Circuit who were instructed to tour the province, conduct auctions and make land revenue settlements with the highest bidders, the period of settlement being fixed at five years. The new system, however, proved unworkable. The old zamindars and farmers who wished to retain possession of their lands had to bid higher and pay much more revenue than their estates could yield. Arrears accumulated and the income from land revenue went down. The disastrous famine of 1770 further worsened the condition of the peasantry.

4. It was about this time that the East India Company waged wars of conquest in different parts of India. A regular inflow of revenue was absolutely necessary to enable the Company to consolidate its position and to expand its activities. The collection of land revenue direct from a large number of cultivators raised several problems at that time when means of communication were poor and there was paucity of trained staff and lack of reliable records. It was also necessary for the Company, which wanted to consolidate its position in India, to create a class of vested interests upon whose loyalty and devotion it could rely in times of difficulty. The Company was also interested in the extension of cultivation in order to increase its receipts and it hoped that settling the land revenue on a permanent basis would encourage such extension of cultivation and improvement of land. All these considerations led the East India Company to decide in favour of a permanent settlement of land revenue in the areas now covered by Bengal and parts of Bihar and Orissa. Under the 'permanent settlement' it was guaranteed that the land revenue then fixed would continue in perpetuity and the zamindars were thus assured of the benefits of any future increments in the

Permanent settlements

value of and income from lands. Actually, however, the permanent assessments were determined at about ten-elevenths of the rents received by the zamindars. Similarly, though the zamindars were given proprietary rights over the lands and were armed with powers over the person and property of the ryot, their estates were liable to be sold for arrears of revenue if it was not paid within the prescribed date. Therefore, in the period immediately following the permanent settlement, the zamindars suffered heavily through excessive burden of land revenue assessment. The Bengal Land Revenue Commission, 1938, describes this period in the following words:

“The period immediately after the Permanent Settlement, and indeed for three or four decades, was one during which the zamindars were struggling for their existence against the sale law. At that time, one-third of the total area of Bengal according to Lord Cornwallis, two-thirds according to Colebrooke and four-fifths according to Grant, was uncultivated; and the only way in which the zamindars could improve their assets was by bringing waste land under cultivation. The competition was not for land, but for tenants to cultivate it. Consequently, if the ryots withheld their rent, or abandoned their holdings, the zamindar was hard put to it to pay a revenue amounting to ten-elevenths of his assets. The records of that period and the Fifth Report show that more than half the estates in Bengal were sold for arrears of revenue; many of the large zamindars were dismembered; and most of the original zamindars reduced to poverty.”

As time went on, however, cultivation was extended, prices rose and the rents increased. The burden of assessment on the zamindars became lighter. Many of the zamindars sublet their zamindari or portions thereof to others and avoided even this trouble of directly collecting rents from their tenants.

5. There is little doubt that after a lapse of time permanent settlement led to expansion of cultivation. From the point of view of Government, there was the advantage that it ensured a regular inflow of land revenue. For that reason, it was extended to other parts of the country, *viz.*, Banaras and parts of Madras and Assam. Later, when the Company's rule was more securely established, the view gained ground that the State would benefit more from periodical settlements. Further, in certain parts of the Company's territories, *viz.*, the U.P. (now Uttar Pradesh) and the Punjab, there were well organised village communities and, barring a portion of the U.P., there were no local chieftains or large farmers of land in this area. These areas thus presented a different problem, and settlement was concluded with village communities and the villagers were held jointly and severally responsible for the payment of revenue. This came to be known as the Mahalwari system of land revenue, as the land revenue was assessed on the 'mahal'. In some parts of Madras, the land revenue was directly settled with individual ryots in view of the difficulty of making settlements with the whole villages. This initiated the ryotwari system which was later introduced in Bombay

Mahalwari and ryotwari settlements

and other neighbouring provinces. Both these systems—mahalwari and ryotwari——involved detailed surveys of fields and classification of lands according to soil. The assessments were fixed not in perpetuity but for a definite period.

6. The different systems of settlements that have thus evolved in India can be broadly classified as: (i) permanent or those in which assessment was fixed in perpetuity and (ii) temporary or those in which assessment was fixed for a definite period. They can also be classified as: (i) zamindari, in which assessment was fixed on an estate held only by a landlord, (ii) mahalwari, in which assessment was fixed on a village or mahal jointly and severally on the whole village community and (iii) ryotwari, in which assessment was fixed on the holding of a ryot. The main features of the systems of revenue settlement prevailing in different States in India are briefly set out in Appendix A.

7. The main distinction between settlements with landlords in possession of single estates and settlement with proprietary bodies for group of estates on the one hand and the ryotwari system on the other hand is that in the former there is an intermediary between the actual cultivator and the Government, whereas in the latter there is none. Unlike in the mahalwari tenure, in the ryotwari tenure no joint responsibility is placed on all holders in a village and one landholder cannot be called upon to make good the default in payment of land revenue of any other landholder in the village. The ryot cannot be evicted from his land so long as he continues to pay the assessment and he can transfer his rights in the land to others by sale, gift, partition, etc. He is also free to relinquish his holding or any part of it on giving due notice to Government.

8. Though the general pattern of land revenue settlement and assessment in India broadly follows the description given above, the development of the different systems has not been on the same lines in all States. This disparity has been further widened with the integration of the former princely States where, except in a few States administered by retired or deputed officers from (British) India, there were no regular settlements or systems of land revenue. The result is that, at one end we find States like Punjab, Bombay (before the merger in it of certain princely States), Madras, Assam and Mysore in which practically all the land has been surveyed, measured and settled on some definite principles. At the other, there are States like Rajasthan, Saurashtra and Madhya Bharat where there are still large portions of unsurveyed and unsettled land and where settlements made in the past followed no scientific principles and have been more or less the result of political conditions prevailing in the States at the time. In between, there are States like Uttar Pradesh and Madhya Pradesh where there have been settlements on regular lines, but owing to the prevalent zamindari system, several intermediaries had crept in. Recently, these intermediaries have been eliminated and the former tenants have become occupants of land directly responsible to the State Governments for payment of revenue. But the revenue realised from these former tenants is the same as the rent paid by them previously to the intermediaries and has not been revised on the abolition of the intermediaries. The lands have

not been resettled on the hitherto accepted principles of revenue assessment, viz., productivity of the land, cost of cultivation, economic facilities, etc. It appears that in these States, considerations such as past history, political expediency and the administrative difficulties mostly influenced the rates of land revenue recently fixed and these are likely to continue for a time. Conditions in the States of West Bengal, Bihar and Orissa are more or less similar, and in quite a large part of these States, there was no organised land revenue administration at the lower level because of the permanent settlement. The records of lands were therefore in most cases not complete and accurate.

9. The system of assessment through settlements for a definite period and revision of assessment after that period prevails generally in all parts of India except in the permanently settled areas or in certain insecure riverain tracts in some States, where a system of fluctuating land revenue is in force. Under the periodical settlement system, an area for which a settlement is undertaken is cadastrally surveyed and classified according to fertility. The rate of revenue is then worked out by taking into consideration the yield of the principal crops, the price of agricultural produce, the rental and sale value of the land and the ordinary expenses of cultivation. Other considerations like physical configuration, climate and rainfall, proximity to markets, means of communication and standard of husbandry also figure in the determination of the assessment at the time of the settlement. The assessment so determined is fixed for a term of years, varying from 15 to 40 years; the usual period is 30 years. When the revision of a settlement becomes due, the various changes that have occurred since the last settlement, in the conditions and circumstances relevant to the assessment of land revenue, are taken into consideration. The necessity for periodical revision of assessment arises mainly because of changes in—

- (a) the area of the land and holdings; and
- (b) the prices and yields of agricultural produce.

10. In calculating the land revenue payable to Government, different States adopt different methods. On the basis of the principles adopted, these methods can be classified as follows:—

Different Bases of land revenue

- (i) net assets or economic rents,
- (ii) net produce or annual value,
- (iii) empirical,
- (iv) rental value,
- (v) capital value, and
- (vi) gross produce.

(i) *Net assets or economic rents.*—Net assets form the basis of assessment in Punjab, Uttar Pradesh, Madhya Pradesh and certain Part B and C States like PEPSU, Himachal Pradesh, Ajmer and Delhi. Similar principles are followed in the temporarily settled areas of Bihar, Orissa and West Bengal. Net assets have been defined as the “estimated average annual surplus of an estate or group of estates remaining after deduction of the ordinary expenses of cultivation as ascertained or estimated.” In other words, it is rent less all

costs incurred in earning the rent. This is calculated by estimating the gross produce and deducting from it the cost incurred by the landlord. The gross produce is valued in terms of money at the commutation rate which is usually the average price of a particular crop for the preceding twenty years or more.

(ii) *Net produce or annual value.*—Madras is the only State which has accepted net produce as the basis of land revenue assessment. The average outturn per acre of the staple crops, for different kinds of soil, is at first determined on the basis of crop experiments and enquiries in the field. The gross value is then worked out on the basis of commutation price, i.e. the average price of the preceding twenty non-famine years. The net produce or annual value is then derived by deducting from the gross value the cultivation expenses and also by making certain allowances for bad seasons. Cultivation expenses include expenses on—

- (1) ploughing cattle,
- (2) agricultural implements,
- (3) seed,
- (4) manure,
- (5) wages of labour required for sowing, transplanting, reaping, threshing, etc.

(iii) *Empirical.*—The basis of assessment in Bombay, Hyderabad, Mysore and several Part C States like Bhopal, Manipur and Tripura is empirical. It is so called because several factors are taken into consideration by the Settlement Officer at the time of settlement or revision, and the assessment is ultimately based on the subjective impressions of the settlement officer. He is required to examine the economic background of the tract, and to find out whether the area under cultivation and occupation has expanded or decreased and whether the material condition of the people has improved or not. He has also to take into consideration the proximity of markets, the facilities of communications, the fluctuations in the prices of main staples and in the land values of the tract under settlement. The aggregate amount of assessment is first fixed for the whole of a tract and then distributed over the villages and individual survey numbers by means of maximum rates for the various classes of lands.

(iv) *Rental value.*—The main emphasis in all the above States except Madras is on rental value. Though the basis of assessment in these States is net assets or is empirical, the general method adopted is to determine by enquiry the actual rents received by the landholders and then to fix the assessment after allowing for certain deductions. The recent trend in tenancy legislation is to fix the maximum rents payable by the tenants, and it seems clear that rental value cannot, in future, be relied upon for determining the land revenue.

(v) *Capital value.*—Capital value has not been adopted as a basis of assessment in any State in this country, though in practically all the States, the sale and mortgage values of the land form one of the factors taken into consideration at the time of settlement.

(vi) *Gross produce.*—Before the more scientific methods of assessment were evolved, gross produce formed the basis of assessment in almost all States in India. In Assam, this basis still continues and the limit of assessment for any tract has been fixed at ten per cent. of the value of the gross produce of that tract

11. The administrative machinery for the collection of land revenue is more or less of a uniform pattern in all States, except in areas under permanent settlement. Each State has a Chief Revenue Authority which is usually known as Board of Revenue. In the Punjab this function is discharged by the Financial Commissioner. In Bombay, however, there is neither a Financial Commissioner nor a Board of Revenue; appeals, revisions, and other references, arising from the orders and decisions of the Revenue Officers are decided by the Revenue Tribunal in that State, while purely administrative questions are decided by Government. The usual practice is for States to be divided into divisions and districts, with Commissioners in charge of the divisions and Collectors or Deputy Commissioners in charge of the districts. In a few States like Bombay and Madhya Pradesh there are no posts of Divisional Commissioners. The districts are again divided into tehsils or talukas, each in charge of a Tehsildar with one or two Naib-Tehsildars to assist him. Below these there is a well-organised system of village officers who actually collect the land revenue, prepare accounts and keep records. Hitherto most of these village officers held their posts on a hereditary basis. The recent trend, however, is to replace them by paid officials. The village officers are "lambardars" or "patils" who collect the land revenue and patwaris or village accountants. The functions of the lambardar or patil are—

- (1) to collect and pay into the treasury the land revenue and all sums recoverable as land revenue; and
- (2) to aid in carrying out harvest inspections, surveys, and in maintaining the record of mutations.

In some States, *e.g.*, Bombay, the patil is sometimes also assigned certain quasi-magisterial duties. The duties of a patwari or a village accountant are—

- (1) to make surveys for field inspection, record of crops, revision of maps, and to furnish reports relating to mutations, partitions, takavi advances, etc.;
- (2) to report calamities affecting crops, including crop positions, to assist the Revenue and other officers visiting his taluka in the performance of their duty; and to assist generally in collection of land revenue.

In the permanently settled areas, there has hitherto been no elaborate administrative machinery at the village level for the collection of land revenue as it was paid direct into the State treasury by the estateholder or the zamindar. In the initial stages of the introduction of permanent settlement, Kanungos and Patwaris were appointed to supervise the accounts and to help the zamindars' gumastas or agents for making local collections. But later, when Government ceased to look into the details of local collections and concerned themselves only with the lump sums payable by the zamindars, the posts of Kanungos were abolished, while the Patwari became a servant of the zamindar. The introduction of the recent agrarian reforms abolishing the zamindari tenures in these areas has, however, necessitated a change in the revenue administration. The State Governments concerned with

these areas have in most cases already reorganised their administrative machinery to suit the changed conditions.

12. In practically all the States, concessions in the payment of land revenue are granted when crops fail. **Suspensions and remissions** These concessions are in the nature of suspension or remission of land revenue. There were no specific rules for suspensions and remissions during the pre-British period. As a result of the report made by the Famine Commission appointed in 1901, general orders regarding suspension and remission of land revenue were issued in 1905 by the Government of India for the guidance of all State Governments. These orders were to the following effect:—

- (1) Relief should ordinarily be in the form of suspension and should be extended in a fairly uniform manner to whole villages or tracts or groups of villages.
- (2) It should not ordinarily be given except in the case of failure of more than half the crop, and the degree of relief given should be based on a simple scale of ratios so graduated that the degree of relief may rise more rapidly than the degree of crop-failure.
- (3) The amount of relief granted should be known to the people before collections begin, and the Collector should, where possible, be given the power to determine and announce the suspension of revenue.
- (4) The amount of revenue suspended should be remitted as soon as it becomes apparent that it will not be collected, and this may ordinarily be assumed when it has been in suspension for three years, and in certain classes of tracts remission should be given when the amount suspended exceeds an year's revenue.
- (5) Remission or suspension of revenue should entail a corresponding remission or suspension of rent and *vice versa*.

Statutory provision for suspension and remission of land revenue has accordingly been made in certain States, e.g., Bombay, Saurashtra, Kutch, Punjab, PEPSU, Madhya Pradesh, Uttar Pradesh, Hyderabad, Bihar and Assam. In certain others e.g., Mysore, Madras, Madhya Bharat and Rajasthan, suspensions and remissions are provided by means of executive instructions. Normally, remissions are given when there is a widespread failure of crop due to famine, floods, etc. There have, however, been occasions in the past, as during the nineteen-thirties, when remissions were given in a few States to mitigate the hardships caused to the ryots by the steep and continuous fall in prices. The rules for the grant of remission of land revenue do not usually make any distinction between the well-to-do ryots and the poorer ones. The Government of Madras have, however, recently decided that there is no justification for allowing remission to persons who are well-to-do and who can afford to adjust the losses in one year against profits of another. Orders have, therefore, been passed by the Madras Government restricting the grant of remission only to the poorer ryots.