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## UNIT 10 RURAL ECONOMY

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### 10.0 OBJECTIVES

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After going through this unit you will be able to

- state the main features of a rural economy
- discuss the nature of Indian rural economy from a historical perspective which would briefly cover traditional and colonial periods
- describe the rural economic situation after Independence.

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### 10.1 INTRODUCTION

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In the previous two Blocks of this course we looked at some important facets of rural and urban social structures as well as the variations found in social institutions like family, marriage and kinship. In this Block we are going to focus on the economic and political aspects of Indian social structure.

In units 10,11 and 12 of this Block we will look at the rural and urban economy and the problem of poverty in rural and urban India. In unit 10 on rural economy we will discuss the nature of India's rural economy in a historical perspective.

The section 10.2 gives an outline of the main features of a rural economy. Section 10.3 discusses the nature of rural economy in ancient and medieval periods of Indian history. Rural economy during the colonial rule is described in section 10.4. We then look at some important changes in rural economy since Independence in section 10.5.

## 10.2 FEATURES OF A RURAL ECONOMY

Generally speaking the concept of economy deals with production, distribution and consumption of material goods and services. Material goods are produced with certain means, raw materials, technology and labour. Moreover, people enter into social relations for organisation of production. Produced goods are distributed among the various sections of society. Society also fulfils the need of different kind of services. Further, we find that historical experiences of human society show changes in economic life over a period of time, which is accompanied by changes in society as a whole. We have therefore taken a historical perspective to describe rural economy in India. Let us first define the term ‘rural’.

Such criteria as demographic, economic, ecological and socio-cultural are used to identify what is rural. The popular definition is that it is an area pertaining to the country as distinguished from a city or a town. Agriculture is its main economic activity.

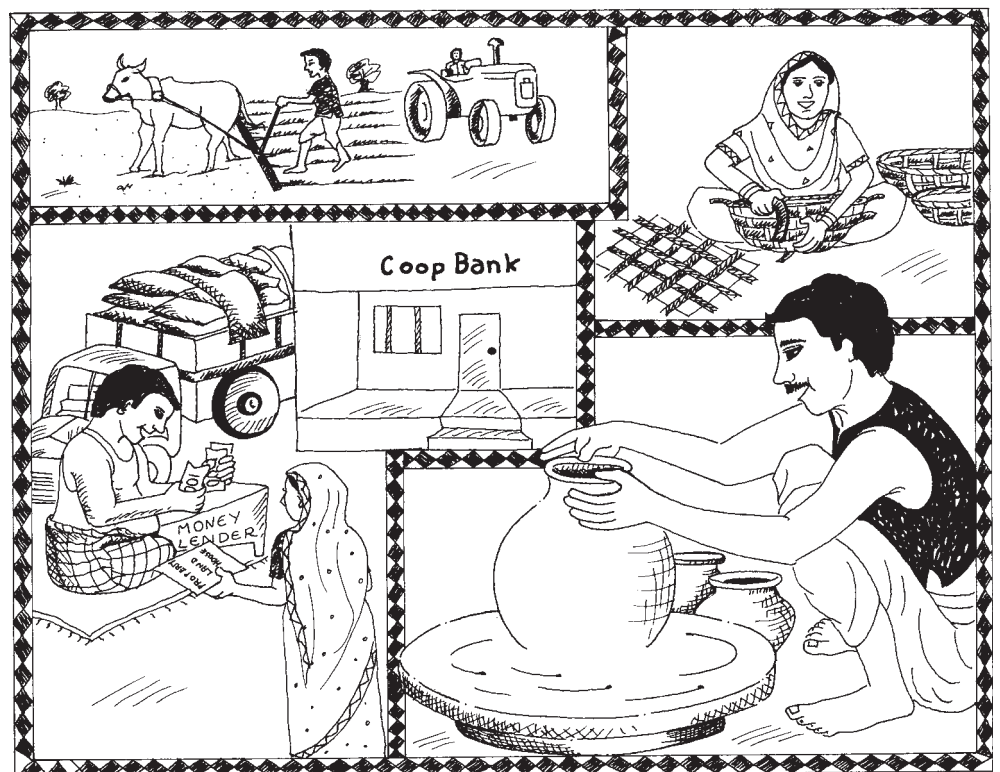


Fig. 10.1: Rural economy

In the case of rural economy land is the primary means of production. Land is made fertile by human labour. The rural people live in villages and produce a variety of crops by means of technique and their labour power. Moreover,

village and cottage industries also have been traditionally an important part of rural economy. A cottage industry is a home-based industry, which generally produces finished goods. A graphical representation of various constituents of rural economy is shown in figure 10.1.

The level of material prosperity of society is determined by the level of production and the mode of distribution of products among the different strata of society. Our discussion of India's rural economy would therefore deal with the issues of ownership and control of land and other assets, and technique of production. It includes a description of the organisation of production and accompanying social relations. It will also include a discussion of inter linkage between agriculture and village industries. For the sake of simplicity of presentation, we have discussed these issues in a historical perspective.

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### **10.3 TRADITIONAL RURAL ECONOMY**

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Rural economy has been dominant in India since ages. Agriculture is its base, which provides food for the whole population and raw materials for rural and urban industries. In 1981, seventy-six per cent people of the total population lived in villages, sixty-three per cent of India's population were dependent on agriculture as their source of livelihood and sixty per cent of the working population was engaged in agriculture. Later figures show that 74.3 per cent in 1991 and seventy-two per cent of the total population in 2001 lived in villages. Agriculture was the means of livelihood for 60.5 per cent and 58 per cent of the total workforce in the years 1991 and 2001, respectively. The census figures since 1981 clearly show that there is a decline in the per centage of the people engaged in agricultural sector over the years. The Economic Survey 1999-2000 acknowledged that the overall employment growth in agricultural sector declined from 2.75 per cent in 1972-78 to 2.37 per cent in 1988-94, even while the survey reiterated that the higher growth of the economy could be sustained only if agriculture and the allied activities grow at an average annual rate of four per cent (Economic Survey 1999-2000). Agriculture constituted forty per cent of the national income. In 1991, agriculture and the allied activities constituted the single largest (almost thirty-three per cent) contributor to the GDP. Though in the year 2001 the income from agriculture and allied activities has declined to 24.9 per cent, it still makes a significant contribution to our export.

Let us now look at the nature of the rural economy in ancient and medieval periods of time.

#### **10.3.1 Ancient Period**

Rural economy in India goes back to the Indus Valley Civilisation (c. 2600-1500 B.C.). This was an urban civilisation having a wide agricultural base. Plough cultivation was known to the rural people. Its evidence was found in archaeological excavations at Kalibangan in Ganganagar, Rajasthan. Crops like wheat, rice, peas, sesamum and cotton were grown in the flood plains of the Indus river and its tributaries. Foodgrains from the rural areas were stored for the townsmen. This is testified by the existence of granaries at various Indus towns. Potters made earthen wares and metal workers manufactured articles of copper and bronze. Ram Sharan Sharma (1983: 198) observes that

the chief basis of Indus urbanisation could be the taxes and tributes collected from the peasants living in the vicinity of the towns. This form of economy however changed to pastoral and semi-nomadic way of life.

### i) **Pastoral Economy**

In the beginning of the Rigvedic period (c. 1500-1000 BC) there occurred a complete rupture with the earlier economy. The life of the Rigvedic people was pastoral and semi-nomadic. Their main occupation was cattle rearing. Cows, goats, sheep and horses were domesticated. Pasture ground was under common control. Towards the end of the period people started settling in villages. They also took to cultivation by means of the plough drawn by oxen. Arts and crafts such as leatherwork and wool weaving were practised. The society was largely egalitarian and unhierarchical.

### ii) **Agricultural Economy**

During the later Vedic Phase (c. 1000-600 BC) agricultural economy became predominant. Cattle remained the chief movable property of the people. The wooden plough with the *khadira* ploughshare was used for cultivation. Crops such as barley, wheat, rice and lentils were grown. Various arts and crafts were practised like that of carpenter, weaver, leather-worker, metal-worker, potter etc. Functional specialisation of labour took place and the society was organised on caste and *varna* lines. The Brahman performed prayers and rituals. The Kshatriya earned their livelihood by means of war and government. The Vaisya were engaged in agriculture and Shudra formed a small serving order. Land was possessed by families. Cultivation and allied activities were conducted with family labour. There were no *karmakara* or hired labourers. Taxes and tributes were collected in kind from the peasants by the king and his officers. The priests and warriors had hardly any connection with the primary aspect of production (Sharma 1983: 116). The beginnings of the *jajmani* system could be traced to this period.

### iii) **Introduction of Iron**

Iron-based production in agriculture and crafts became central in the age of the Buddha (c. 600-322 BC). Now, iron ploughshare, socketed axes, knives, razors, sickles and other tools were used for productive purposes. Rice, wheat, barley, millets, pulses, sugarcane and cotton were grown extensively. A considerable portion of land was possessed by the two upper *varna*, that is, the Brahman and the Kshatriya. But a greater part of the land was in the hands of *gahapati* (peasant proprietors) belonging to the Vaisya *varna*. Peasants paid taxes directly to the king. Villages supplied food for the king, nobles, merchants, soldiers and artisans who lived in towns, with the growth of urbanisation.

### iv) **State and Agriculture**

State control of agriculture became an important feature of the Mauryan period (c. 322-200 BC). Big farms were established and managed by the state. Slaves and hired labourers belonging to the Shudra *varna* were employed in them. Moreover, the state provided tax concessions and support in the form of cattle, seed and money to the Vaisya and Shudra to settle in new settlements for extension of agriculture. Royal tax on agriculture was one-sixth of the produce,

which could be raised in the time of emergency. State provided some irrigation facilities and levied cess for the same. But in the post-Mauryan period (c. 200BC-AD 300) no state farm was maintained. Land was mainly in the possession of individual cultivators.

#### v) **Feudal Relationships**

A feudal type of society started emerging during the Gupta period (AD 300-600) which gradually got stabilised. Land grants were made by the Gupta emperors, their feudatories and private individuals which created a class of powerful intermediaries between the king and the masses. Grants of land and villages were made to the Brahmans and temples. They got the land cultivated by permanent as well as temporary tenants belonging to Vaisya and Shudra *varna*. They collected land rent from the peasants without any obligation to give a share of it to the king. The feudatories were also assigned administrative powers in their areas. But free peasants cultivating land with their family labour and paying taxes to the king in areas not gifted to anyone probably still possessed a major portion of the land. At the same time their position depreciated due to imposition of various taxes. Further, land grant became more common during the post-Gupta period. Grants of land to officials in lieu of cash salaries got intensified in this phase. The grantees could deprive peasants of their means of production and curtail their rights to the use of land and pastures.

Village economy assumed a somewhat self-sufficient character with the decline of trade and urban centres. Local needs were met through local production. The *jajmani* system got reinforced by the royal charters instructing the peasants and artisans to stick to their villages. Artisans were paid in kind for their services to the peasants at harvest time.

Thus through the increase in landlords we find the development of a feudal type of society. These landlords had control over the instrument of production operated by the peasants. Society was divided into two basic classes, one of landlords and the other of peasant producers (Sharma 1985: 18).

### **10.3.2 Medieval Period**

A judicious combination of agriculture and village cotton industries based on agricultural products characterises the medieval rural economy. Production was mainly for local consumption. But a part of the rural produce entered local trade. Villagers bought only a limited number of things from outside like salt, iron and a few consumer goods. Money hardly entered into transaction in the villages. The *jajmani* system continued with the mode of payment of kind. Now let us take a brief look at the state of farming, arts and crafts, trade and the nature of classes in rural areas during this period.

#### i) **Farming**

It was a period of abundance of cultivable land. Agriculture provided food for people and fodder for cattle. A large number of crops were grown such as wheat, barley, millet, peas, rice, sesame, gram, oilseeds, cotton etc. Land was irrigated by wells, dams and canals. Some water-lifting devices were also used. But generally use of the traditional implements in agriculture and crafts continued. The vast area of land depended mainly on nature (rainfall) for sustenance, as is largely the case even now.



ii) **Arts and Crafts**

A variety of arts and crafts based on agricultural produce were practised in rural areas. Villagers manufactured ropes and baskets, sugar and jaggery (*gur*), bows and arrows, drums, leather buckets, etc. Various categories of craftsmen specialised in their hereditary caste occupations such as weaver, carpenter, leather-worker, blacksmith, potter, cobbler, washerman, barber, water-carrier, scavenger and oil-presser. These manufacturers and craftsmen fulfilled most of the needs of the rural people. Irfan Habib (1963: 60) observes that there would have been little left that a village would need from outside.

iii) **Trade**

Both long distance inter-region trade and local trade were carried during the medieval period. Long distance caravan trade dealt in high value goods. Banjara (nomadic groups) monopolised trade in goods of bulk like foodgrains, sugar, butter and salt. Local trade largely meant the trade between towns and villages. Townsmen received from the rural areas foodstuffs to eat and raw materials for manufacturing various goods.

**Activity 1**

Visit your local grocery/textiles/general stores where you buy your household requirement like food items, pots, pans, vessels, toothpowder, table, chair, cloth etc. Request the shop owner/manager to show you the various items that are produced by the local cottage industry. After you have done this, (a) locate craftspersons who make some of these items and observe how they actually work and (b) discuss with them the cost they incur while making the goods, the training they have had to make them, how they market them and what profits they get. Then on the basis of what you have observed and heard, write a brief report of about two pages on a “cottage industry”. Compare, if possible, your report with those of other students at your Study Centre.

iv) **Classes in Rural Areas**

During the medieval period the entire rural population was divided into two broad classes, i.e. the big land-holders who collected land revenue from peasants in addition to owning tax-free land and the masses comprising peasants, artisans and landless labourers. The big land-holders constituted the rural segment of the ruling class headed by emperor and his nobles. They were known as *khirt*, *mugaddam* and *chaudhuri* during the Sultanate period and *deskhmukh*, *patil*, *nayak* and usually *malik* during the Mughal period. They had a good life without directly participating in the process of production. They collected land tax from the peasants and owned their own land free from taxes. They were generally prosperous enough to ride horses, wear fine clothes, own good houses, gold, and silver ornaments and thus maintain a high standard of life.

The peasants constituted the majority of the rural population. They cultivated their land with family labour and earned their livelihood. They had to pay land tax, which was usually, one-third but sometimes reached one-half of the produce. Land revenue was generally paid in cash. In addition, the peasants

had to pay other taxes e.g. *shari* (house tax) and *charai* (grazing tax) under certain rulers like Allauddin Khilji. Having been subjected to various taxes they had a very hard life to live.

Landless labourers formed another significant portion of the rural population. They worked on the land of wealthy landholders. They were in agricultural bondage of the large landowners. Some were slaves of the plough and others in domestic slavery of wealthy land-holders. They constituted a service class of hereditary serfs (Moreland 1983: 112).

In general, it has been observed that the life of the peasants, landless labourers and artisans was hard. Contemporary writings show that the masses sold their children during droughts and famines simply for the sake of their survival.

**Check Your Progress 1**

i) Tick the right answer.

The first evidence of plough cultivation during the ancient period was discovered at

- a) Pataliputra
- b) Hastinapur
- c) Kalibangan.

ii) Tick the right answer.

During which period did the first state farm start?

- a) The Gupta period
- b) The Mauryan period
- c) The Mughal period

iii) Match the following sets.

- |                              |                |
|------------------------------|----------------|
| a) Indus Valley Civilisation | a) Pastoral    |
| b) Later Vedic Society       | b) Landlordism |
| c) Rigvedic Society          | c) Agrarian    |
| d) Medieval Period           | d) Urban       |

iv) What were the two important classes that comprised the rural population during the medieval period? Use two lines for your answer.

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**10.4 COLONIAL RURAL ECONOMY**

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The rural economy underwent some important changes during the colonial rule in India. De-industrialisation, new land revenue settlements, like the *zamindari*, *ryotwari* and *mahalwari* systems and commercialisation of agriculture were some of the important features of the rural economy during

this period. The measures introduced by the British also caused a considerable strain to the *jajmani* system. Let us look at each of these points one by one.

### 10.4.1 De-industrialisation

The British colonial rule in India shattered the traditional rural economy. It broke up the sustainable pattern of growth of rural economy. The healthy union between agriculture and village industries was destroyed. Indian economy was subordinated to the interests British trade and industry.

Rural artisan industries were hard hit under the British rule. Domestic goods were made with primitive techniques on a small scale. They could not compete with mass-produced machine made cheaper goods imported from Britain. The cotton spinning and weaving industries suffered the most. Silk and woollen textiles also were badly affected. Similarly, tanning, dyeing, oil-pressing and iron industries suffered due to introduction of machines for these purposes. Moreover, introduction of railways hastened the process of decline of the rural industries. Now, the British goods could reach the remotest corner of the rural areas. Increased export of agricultural raw materials from India for British industries injured Indian handicrafts.

The ruin of village arts and crafts led to de-industrialisation of rural economy. There was a rapid decline in the per centage of population dependent on industries from 18 per cent to 8 per cent (Sarkar 1983: 30). Cotton spinners and weavers in the villages were almost wiped out as a result of mill-made cloth from England. The other village artisans too were affected by imports from England. As a result, the dependence of people on agriculture increased. This strained the traditional *jajmani* system (see sub-section 10.4.4).

### 10.4.2 New Land Revenue Policy

In different parts of the country the British introduced three types of land revenue settlements i.e., the *zamindari*, the *ryotwari* and the *mahalwari* systems. But they had similar consequences everywhere. A very oppressive class of landlords emerged and the peasantry got impoverished. Let us examine each of these systems one by one.

#### i) Permanent Settlement

Under the permanent settlement (also known as the *Zamindari* settlement) the *zamindars* (landlords) were given hereditary ownership, over very large tracts of land known as *zamindaris*. They had to pay a certain portion of the land revenue they derived from the peasantry to the colonial government keeping the rest for themselves. The share of the government was fixed in perpetuity. However, the landlords could raise the rate of land revenue collected from the peasants at their will for their own advantage. This they normally did in order to meet the growing desire for an extravagant life style. The result was disastrous for the tenants, as they grew impoverished. Moreover, the peasants were made mere tenants being deprived of their long-standing rights to the soil and other customary rights. Further, the peasants had to pay land rent in time irrespective of good or bad harvest failing which they were dispossessed of their land by the landlords. This forced them to take loans from the money-lenders or from the *zamindars* (landlords) themselves. The peasants were even compelled to sell part of their land for paying the rent. Their indebtedness kept on mounting and added to their poverty.



## ii) *Ryotwari Settlement*

In the *Ryotwari* areas the cultivator was recognised as the owner of his land, subject to the payment of land revenue directly collected by the state, which acted in practice as a *zamindar*. The rate of land revenue was periodically revised and raised compelling the peasants to get trapped in indebtedness to the money-lenders or lose land in case of inability to pay the dues.

## iii) *Mahalwari Settlement*

The *Mahalwari* settlement of land revenue was made by the government with landlords or heads of families who collectively claimed to be the landlords of the village or the estate (*mahal*). In this case also the peasants suffered in the same manner. Therefore, Bipin Chandra (1977:187) rightly commented that the peasantry was crushed under the triple burden of the government, the *zamindar* or landlord, and the money-lender. Thus the peasants life under this system was characterised by poverty and famine.

## iv) **Consequences of the New Policy**

Other important consequences of the new land revenue policies were the ruin of most of the old *zamindars* and rise of new landlordism. The government was very rigid in collecting land revenue from the *zamindars*. The old *zamindars* had lived in villages. They were lenient in collection of revenue from the peasants especially in bad times. Therefore, failure in payment of revenue on their part to the government resulted in the dispossession of the *zamindari*. The government then auctioned off the *zamindari*. In most areas these came into the possession of merchants and money-lenders. These new *zamindars* generally lived in towns and were very ruthless in the collection of land revenue even in case of failure of crops. In addition, the process of subinfeudation grew up. Subinfeudation means that the landlords sublet their right to collect land revenue to other persons on profitable terms. They in turn also sublet their rights to the other. Thus developed a chain of rent-receiving intermediaries between the state and the actual cultivator. The burden of cultivators increased. In sum, Bipin Chandra (1977: 189) observed that as a result of overcrowding of agriculture, excessive land revenue demand, growth of landlordism, increasing indebtedness and growing impoverishment of the cultivators, Indian agriculture began to stagnate and even deteriorate, resulting in extremely low yields per acre.

### **10.4.3 Commercialisation of Agriculture**

Another impact of the British rule was commercialisation of agriculture. The rate of land revenue was high. It had to be paid in cash. Moreover, the manner of collection of revenue was also very rigid. Hence, the cultivators were forced to sell a significant portion of their produce in market after harvest, at low prices. The cultivator was to remain half-fed or go empty-stomach. There was no improvement in the technique of agricultural production, which could enable cultivators to produce surplus grains for sale in the market. In fact it was a forced entry of cultivators in the market economy.

Further, foreign capital was invested in plantation of indigo, tea and coffee in India. The produce was meant to be sold in the European market. Cotton was also exported from India to feed the British textile mills. This increased the

penetration of money economy in rural areas and interlinked the Indian economy with the international market for serving the British interests. The Indian peasant was made to bear the burden of wildly fluctuating market prices, which accentuated their misery. Growing of commercial crops and high-priced foodgrains like wheat instead of poor person's food-crops such as jowar, bajra or pulses often caused havoc in famine years. Production of commercial crops required higher inputs, which increased the dependence of the peasantry on money-lenders for more loans. Thus they remain trapped in indebtedness. Sumit Sarkar (1983: 32) aptly remarks that for the vast majority of poorer peasants, commercialisation was often a forced process.

Due to abject poverty of peasants and landless labourers the *zamindars* and money-lenders could exact forced labour and *begar* from them and impose on them illegal exactions. The practice of serfdom and debt slavery prevailed widely. Social tyranny over the masses was perpetuated (Sarkar, 1983).

#### 10.4.4 The *Jajmani* System

In an earlier part of the unit (10.4,1) we observed that the British colonial rule shattered the traditional rural economy and caused a strain on the *jajmani* system. We have discussed about the *jajmani* system in one of our earlier Blocks of this course (Block 1 unit 2 on rural social structure). We shall look at this system here in the context of our discussion on rural economy.

The *jajmani* system was a very important rural social institution in traditional India. It grew up during the ancient phase of Indian history when occupational differentiation and specialisation of various arts, crafts and menial services developed and owners and non-owners of land emerged in villages. It maintained its vitality in the medieval period. But it started declining during the colonial period and now it is very weak in villages. It is known as *baluta*, *aya*, and *miland* in different regions of India.

The *jajmani* is a system of economic, social and ritual bond between different castes in villages. Landowning upper and intermediate castes are patrons and others belonging to poor lower castes serve the patrons. The patrons are known as *jajman* and the service castes are called *Kam Karnewale* or *Kamin* or *Purjan*. The service castes like carpenter, blacksmith, potter, barber, leather-worker and water-carrier offer their services to the landowning upper and intermediate castes, e.g. Rajput, Bhumihar and Jat etc. in the North and Kamma, Reddi and Lingayat etc. in the South. The service castes are usually paid in kind. They are also entitled to other considerations like free house site in addition to free food, clothing etc. on certain occasions e.g. festivals, birth, death and marriage.

The *jajmani* relations also extend to neighbouring villages. The service castes have their *jajmans* (clients) outside the village where they live. Wherever problems regarding rights and obligations or other matters related to the *jajmani* system develop, they are settled by the caste panchayats and village panchayats.

However, the *jajmani* relations primarily operate at family level. Each family in the village maintain an enduring (hereditary), exclusive (family to family) and multiple (economic, social and ritual) bond with other families belonging to different castes and occupations and thus continue with the patron-client relationship.

In his study of the *jajmani* system, Wiser (1969: xxiii) emphasised the element of reciprocity and defined the system as, "... the various castes of a Hindu village in north India are interrelated in a service capacity. Each serves the others. Each in turn is master. Each in turn is servant. Each has his own clientele comprising members of different castes, which is his *jajmani or birt*".

But the elements of domination and exploitation also are very much there in the *jajmani* system which have been studied by Beidelman (1959), Oscar Lewis (1956) and others. The landowning powerful patron castes dominate and exploit the poor artisans and menial castes who serve them.

Still a significant number of families are found in villages continuing with the *jajmani* relations. But the system has become very weak over the years in the modern period. This has happened due to various changes taking place in the rural areas, such as, increasing commercialisation of agriculture and growth of capitalist farming, increasing circulation of money, wage labour, urban migration, education and dissociation of caste and occupation.

### Check Your Progress 2

i) Tick the right answer to the following question.

Which of the following caused de-industrialisation of the rural economy during the colonial period?

- a) Preference of craftsmen for urban life
- b) Import of goods from England
- c) Preference of craftsmen for agriculture.

ii) Match the following sets.

- a) Ryotwari System    a) Land revenue settlement with landlords
- b) Zamindari System    b) Land revenue settlement with family heads and landlords collectively
- c) Mahalwari System    c) Land revenue settlement with landlords who are the cultivators

iii) Tick the right answer to the following question.

Which of the following characterised the traditional *jajmani* system?

- a) Reciprocity and dominance
- b) Only reciprocity
- c) Exchange of gifts

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## 10.5 RURAL ECONOMY AFTER INDEPENDENCE

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Since Independence a lot of changes have taken place in the rural economic scene. In this section we shall focus on land reforms, the green revolution and rural development programmes and impact of new economic policy on rural economy.

### 10.5.1 Land Reforms

After Independence of India from the British rule various land reform measures were introduced to change the agrarian structure for establishment of a prosperous and egalitarian society. Here we will first look at the changes and then discuss their impact on rural economy.

#### A) Changes in the Agrarian Structure

- i) First step was the abolition of the *Zamindari* system. Its objective was to bring the cultivators into direct relationship with the state through eliminating the intermediary interests of the *zamindars* and the chain of subinfeudation. The intermediaries were allowed to retain their *khudkasht* i.e. land for personal cultivation. The rest of their land had to be with the tenants for which the *zamindars* were compensated by the revenue. This measure led to eviction of tenants on a large scale by the *zamindars* who claimed major portion of their land as *khudkasht*.
- ii) Secondly, the tenancy reform measure taken by the state aimed at providing security of tenure, reduction of rent and facilitating acquisition of ownership rights by tenant cultivators. Usually when tenants were found to be cultivating the land for a continuous period of five years they were declared permanent or 'protected' tenants who could not be easily evicted by the landowner. Land rent was reduced. It was one-fourth or one-sixth of the value of the gross produce. The tenants got the right to acquire ownership of land they cultivated by paying rent for a limited number of years, say, eight years or ten years. A substantial number of tenants acquired security of tenure and ownership of land. But this measure also led to the eviction of tenants. Subtle and concealed tenancy arrangements were made. The phenomenon of share-cropping became more common. Landlords continued to exploit tenants.
- iii) Thirdly, ceilings were imposed on present family landholdings as well as on future acquisitions. The state had to acquire surplus land from the big landowners with due compensation and distribute the same among the marginal peasants, small peasants and landless agricultural labourers. However, delay in enactment and implementation of the law enabled the landlords either to sell off their surplus land or to partition the land and transfer the same in the name of relatives and friends and thereby evading the law to a great extent.
- iv) Another land legislation concerned consolidation of fragmented landholdings of landholders. Once implemented this measure would promote adequate investment of capital and inputs in land and boost efficiency and economy in agriculture.

#### B) Impact of Land Reforms

The overall impact of land reforms was far from satisfactory. Smaller tenants were evicted from land in large number and forced into highly exploitative system of share-cropping. They received much less protection and suffered

more than the bigger ones. Continued dominance of landlords was maintained. It was found that in spite of the land reforms the land concentration did not change much. For example Chattopadhyay (1989: 123-124) showed that in 1954-55, about 47 per cent of households in the size-class of 0.00 to 0.99 acres owned 1.38 per cent of land. Even in 1971-72, this size-class consisting of about 45 per cent of households owned only 2.07 per cent of land. But in 1954-55, about 1.5 per cent of households in the size-class of 40 acres and above, owned about 20 per cent of land. Further in 1971-72 about 2 per cent of households in size-class 25 acres and above owned about 23 per cent of land.

However, the intermediate classes of peasants have benefited replacing the older *zamindars* in politico-economic matters to some extent in the country side. The power of the feudal families is on the wane throughout the country.

Since Independence the National government amended the constitution thirteen times to incorporate 277 land laws in the Ninth Schedule in favour of the land reforms. The latest was in 1995, the Seventy-eighth amendment of the Constitution to incorporate 27 land laws in the Ninth Schedule. According to the Government reports, since the inception of the ceiling laws, the total quantum of land declared surplus in the entire country till 2001 is 73.66 lakh acres. Out of this about 64.95 lakh acres have been taken possession of and a total area of 53.79 lakh acres have been distributed to 55.84 lakh beneficiaries, of whom about 36 per cent belong to scheduled castes and around 15 per cent belong to scheduled tribes.

### 10.5.2 The Green Revolution

A process of very important biological and mechanical innovations in agriculture begun since the mid-sixties is known as the Green Revolution. In the beginning, it covered the states of Punjab, Haryana and western Uttar Pradesh. Gradually, it has penetrated into certain areas of some other states. In these areas, cultivators use high yielding variety of seeds, high doses of chemical fertilisers, abundant supply of water for irrigation, and modern agricultural implements like tractors, powered threshers, tubewells, pumpsets, etc. The total area under the high-yielding-varieties programme was a negligible 1.9 million hectares in the financial year of 1960. Since then the growth has been spectacular, increasing the same to nearly 15.4 million hectares by the financial year of 1970, 43.1 million hectares by the financial year of 1980, and 63.9 million hectares by financial year 1990. The rate of growth decreased significantly in the late 1980s, as additional suitable land was not available.

This important change in agriculture has increased the cropping intensity, total output and productivity of agriculture. Demand of agricultural labourers has increased. Employment of hired labourers in agriculture has become more prevalent. Gap in supply of labour in states like Punjab has been filled by migrant labourers from other states, e.g., Bihar and eastern Uttar Pradesh. Further, the progressive farmers cultivate their land under personal supervision rather than leasing out to tenants. In addition, they lease-in land from poor peasants who cannot afford costly inputs required for cultivation. According to Andre Beteille (1986: 89) the most striking features of these farms is that they are organised in a manner which resembles more a business enterprise than a feudal estate.



The major benefits of the Green Revolution in India were experienced mainly in northern and north western India between 1965 and early 1980s; the programme resulted in a substantial increase in the production of food grains, mainly wheat and rice. Food-grain yields continued to increase throughout 1980s, but the dramatic changes in the years between 1965 and 1980 were not duplicated. In the 1980s, the area under high yielding varieties continued to increase, but the rate of growth overall was slower. The Eighth Five Year Plan aimed at making high-yielding varieties available to the whole country and more productive strains of other crops.

Let us now look at some other aspects of the impact of Green Revolution on rural society.

**i) Causes of Disparity in Agricultural Production**

The Indian Green Revolution created wide regional and interstate disparities. The plan was implemented only in areas with assured supplies of water and the means to control it, large inputs of fertilizers, and adequate farm credit. These inputs were easily available in some parts of the states of Punjab, Haryana, and western Uttar Pradesh; thus, yields increased most in these states. In other states, such as Andhra Pradesh and Tamil Nadu, in areas where these inputs were not assured, the results were limited or negligible, leading to considerable variation in crop yields within these states. As discussed by Bhalla (1974: 109) the Green Revolution has led to accentuation of inter-region and inter-district disparities in agricultural productivity and income. However, gains of this progress have been unevenly distributed among various agrarian classes. The benefits have largely gone to large landowners. Marginal and small cultivators are unable to obtain higher output because of their small landholdings. In addition it has been pointed out that marginal and small cultivators are highly indebted to cooperative and other financial institutions for financing the high cost-inputs for agriculture (Johar and Khanna 1983: 424). Bhalla (1974: 109) found that the gap between the non-progressive and progressive cultivators had also widened.

**ii) Class Differentiation**

The Green Revolution has also resulted in differentiation within the peasant class, which is a sign of capitalist growth in agriculture. In her study of Haryana agricultural holdings operating 15 acres or less, Utsa Patnaik (1987: 199-208) found two peasant classes. The first one were the rural well-to-do and the labour hiring classes of the rich and middle peasants. The second one were the rural poor, the remaining classes of the peasantry, e.g. small and poor peasants. The former possessed large household assets, virtually monopolised modern agricultural equipments and sold nearly three-fifth and over two-fifths of their output in the market. But the latter owned meagre household assets, traditional livestock and implements and sold merely one-third of output in market. The new technology therefore, favoured the large landholders and small landholders did not derive much benefit out of the new technology.

The benefits of the Green Revolution and rural development programmes have been mainly cornered by the big landowners and rich peasants. The small peasants and agricultural labourer are steeped in poverty, unemployment and underemployment even at the beginning of twenty-first century. The gap between the rural rich and the rural poor has in fact widened.



Growth of a capitalist trend in agriculture has been noted in a study done on the Punjab economy with regard to land relations, capital accumulation and existence and increase of wage labour. Regarding land relations Utsa Patnaik’s study noted that 10 per cent of farmers owning more than 20 acres of land, own more than 37 per cent of land. Capital accumulation was observed in that the top 10 per cent of the farmers accounted for 68.75 per cent of tractors, 24.72 per cent of the tube wells/pumping sets, 20.40 per cent of the threshers and 42.86 per cent of the land purchased in Punjab. Further, the proportion of pure tenants had fallen and the proportion of agricultural labourer to the total agricultural workforce had increased from 17.3 per cent to 32.1 per cent between 1961 and 1971. In the year 1991 a majority of 66.8 per cent of the main workers were employed in agricultural and allied industrial sectors. Out of the total agricultural workforce 40 per cent were agricultural labourers. As per 2001 census 26.7 per cent of the total workforce are agricultural labourers and about 70 per cent of the population depend on agriculture for their livelihood. Cash wages of agricultural labourers have increased but a more than proportionate increase in prices has eroded their real wages. The relative share of the labourers in agricultural income has declined in comparison with other classes (Johar and Khanna1983).

**Check Your Progress 3**

i) What were the four major steps taken since Independence to strengthen the agrarian economy? Use five lines for your answer.

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ii) What is “Green Revolution”? Use five lines for your answer.

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iii) What has been the impact of Green Revolution? Use 6 lines for your answer.

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### 10.5.3 Rural Development Programmes

When India achieved Independence its rural economy was plagued with extreme backwardness in agriculture and village industries, poverty, unemployment and underemployment. The government launched a series of development programmes for rural areas to meet these challenges. First, the Community Development Project (CDP) was started in 1952. Its main emphasis was on economic growth and minimum all-round development of the whole community with the help of local participation. It covered programmes like improvements in agriculture, animal husbandry, village and small industries, health and sanitation, social education etc. However, its experiences showed that the benefit of development was cornered by the already rich and powerful rural upper classes who are rich and powerful.

Therefore, the strategy of development was changed in the early 1970s. Then, growth with social justice became the motto, programmes were designed to benefit special target groups, e.g., small and marginal peasants and agricultural labourers with special emphasis on the scheduled castes, scheduled tribes, and women. Since early 1970s a number of programmes were launched like the Small Farmers Development Agency (SFDA) and agency for Marginal Farmer and Agricultural Labourer (MFAL), Integrated Rural Development Programme (IRDP), National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Training Rural Youth for Self-Employment (TRYSEM) and Jawahar Rozgar Yojana (JRY). Further Khadi and Village Industries Commission (KVIC) was set to promote rural village industries.

Though in per centage terms, rural poverty reduced from 56.44 per cent of the country's population in 1973-74 to 37.27 per cent in 1993-94, the estimated number of rural poor was about 193 million and this led the government to review and restructure the anti-poverty and rural development programmes. The *Swarnajayanti Gram Swarozgar Yojana* (SGSY), a holistic self-employment programme, is the result of such latest review and restructuring programmes. It was launched in 1999 replacing the earlier self-employment and allied programmes such as IRDP, TRYSEM, DWCRA etc. In September 2001, the *Sampoorn Grameen Rozgar Yojana* was launched with the objective of attaining gainful employment, food security and strengthening of infrastructure in rural areas. The *Pradhan Mantri Gram Sadak Yojana* was launched in December 2000 with the objective of providing connectivity, by way of an all-weather road to the unconnected habitations of the rural areas. The *Pradhan Mantri Gramodaya Yojana* was launched in April 2000 for helping the rural poor in the construction of dwelling units. For the infrastructure creation and wage employment generation, a new scheme namely, *Jawahar Gram Samridhi Yojana*, which was a streamlined and comprehensive version of *Jawahar Rozgar Yojana*, was launched in April 1999. The National Social Assistance Programme came into force from August 1995. It aimed at providing social assistance to the poor households in the rural areas.

Though it is too early to assess the working of these new programmes, the mere fact that most of these new programmes are improved versions of old ones points to the truth that despite this plethora of programmes the problem of rural poverty, unemployment, underemployment and backwardness of agriculture in majority of the states are still with us after many years of Independence.

**Activity 2**

Visit the nearest Block Development Officer of your village or any other village and find out from her/him about all the rural development projects launched for the village. Talk to a few villagers and find out

- a) for whom the programmes were launched
- b) who has benefited most by them
- c) what visible changes have the projects brought for the socio-economic development of the village.

Then write a report in about three pages on the basis of the information you have gathered. Compare, if possible, your report with those written by other students at your Study Centre.

### **10.5.4 Impact of New Economic Policy on the Rural Economy**

Since 1991 Indian economy has been exposed to economic liberalisation and globalisation in line with structural adjustment and stabilisation policies initiated by International Monetary Fund (IMF) and the World Bank. Structural adjustment policy advocated privatisation, import liberalisation and export-led growth and while stabilisation policy emphasises reduction in fiscal deficit through withdrawal of subsidies given to industry, trade and agriculture. There has been a shift in the Indian economic policy from State-oriented development strategy to market oriented development, leaving the decisions of production and distribution to the market signals (Parthasarathy 2003). The impact of the economic reforms on the rural economy has been in varied forms.

The reform measures such as the reduction in fiscal deficit, reduction of subsidies, devaluation of rupee, export orientation and reduction of agricultural credit adversely affected the rural poor especially in terms of food security, which relates with production, distribution and pricing of the food-grains. The agricultural sector was worst affected by the fiscal contraction, which invariably resulted in a disproportionate cut in capital expenditure (Teltumbde 1996). Agricultural sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations resolve and any change in its structure is likely to have a corresponding impact on the existing pattern of the social equity. The shrinkage of the flow of resources to the rural sector, a misconceived interest rate policy which discriminated against agriculture, a sickening rural delivery credit system, the emergence of a new banking culture nurtured by reforms, which is far from friendly to agriculture and rural development, all go against the interests of rural economy (Majumdar 2002).

The bank credit to the agriculture as a per centage of net bank credit fell consistently to 12.4 per cent in March 1995 from 17.4 per cent in March 1990. The flow of financial resources to agriculture, both in terms of long-term capital and working capital declined sizeably. It has had an adverse impact on agricultural industries and in turn on rural employment (Mundle 1993). There has been a cut in the bank credits to the non-agricultural industries as well. In 1992, the rural workers in secondary and tertiary sectors showed a decline of 6.3 per cent and 1.3 per cent respectively from the pre-Reform

level in 1989-90. Curiously, the primary sector showed a hefty increase of 10.1 per cent in the same period. In rural area nearly 50 per cent farming households have less than 1 acre land. For meeting the two ends they need supplementary work in non-agricultural sector. In absence of this work however, they end up engaging themselves with the sundry work related to their tiny farms and declare themselves as the agriculture workers. This increase in the primary sector jobs thus indicates partial unemployment of workforce. The decline in non-agricultural jobs and the overall employment are attributed to the cut in the government expenditure on various poverty alleviation programmes, during the reform period (Joshi and Little 1996: 238-239).

After one full decade since the inception of the economic reforms, the grim performance of the agricultural sector made the Union government to rethink its approaches to the rural development. This is clear from the statement of the finance minister made in the parliament, “it is my firm belief that sustained and broad-based growth of agriculture is essential for alleviating poverty, generating incomes and employment, assuring food security and sustaining a buoyant domestic market for industry and services” (Union Budget 1999-2000).

**Check Your Progress 4**

- i) What do you understand by Community Development Programme? Use five lines for your answer.

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- ii) Tick mark the correct answer.  
Which of the following governmental programme is meant for the generation of gainful employment for the rural poor?
  - a) *Swarnajayanti Gram Swarozgar Yojana*
  - b) *Sampoorn Grameen Rozgar Yojana*
  - c) *Jawahar Gram Samridhi Yojana*
  - d) All of the above

- iii) Write in seven lines the impact of the economic reforms on the agricultural sector.

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## 10.6 LET US SUM UP

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In this unit we have discussed the rural economy of India as obtained at different periods of time. We began our discussion with an outline of the main features of a rural economy. We then proceeded to describe the nature of the rural economy during the traditional period. In this period (comprising the ancient and medieval periods) we observed that there was a healthy inter-linkage between agriculture and the village cottage industries. During the colonial period we noted that the balance between agriculture and cottage industries was upset by the British economic policy. De-industrialisation, new land revenue settlements and commercialisation of agriculture were some of the features of the colonial economic policy. We also observed that the reciprocal system of exchange that existed between different castes in a village (the *jajmani* system) was affected by the economic measures introduced by the British in India. In our discussion of the rural economy since Independence we focused on land reforms, green revolution and rural development programmes. In the last sub section (10.5.4) we discussed the impact of economic reforms on the rural economy.

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## 10.7 KEYWORDS

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**Green Revolution** The Green Revolution signifies very important biological and mechanical innovations made in agriculture which is reflected in the use of high yielding variety of seeds, chemical fertilisers, tractors, pump sets etc. It first occurred in Punjab, Haryana and western Uttar Pradesh and gradually spread to specific pockets in some other states. It has led to significant increase in agricultural production and cropping intensity.

**Jajmani System** Traditionally, the *jajmani* system was an important social institution in rural India. This system bound together the landowning upper castes and the service castes and menial workers belonging to the lower castes in an enduring bond of economic, social and ritual relationship. This contained both the elements of reciprocity and dominance. The system has significantly declined in modern period.

**Land Grants** The origin of land grants goes back to the Satavahanas (235 B.C.-A.D. 225). But it became common during the Gupta period and onwards. Grants of land and villages were made by the King and their feudatories both to the Brahmins and government officials. The donees collected land rent from the peasants without any obligation of sharing it with the ruler. They were

also granted administrative rights in their areas. Thus, they were economically, socially and politically dominant in their domains without any effective control by the ruler. This reflects the feudal character of Indian society.

**Subinfeudation**

The phenomenon of subinfeudation was an important consequence of the colonial system of land revenue settlement in India. Under the system the *zamindar* had the right to collect land revenue from the peasants and pay a fixed share to the British rulers retaining the rest for themselves. However, *zamindar* sublet their right of revenue collection to other people who also entered into similar agreement with others each having a share in the land revenue. Thus, there developed a chain of intermediaries between the estate and the actual cultivators. This is known as subinfeudation.

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## 10.8 FURTHER READING

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Srinivas, M.N., 1978. *India's Villages*. Media Promoters and Publishers: Bombay

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## 10.9 SPECIMEN ANSWERS TO CHECK YOUR PROGRESS

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**Check Your Progress 1**

- i) c
- ii) b
- iii) a) \_\_\_ d)  
b) \_\_\_ c)  
c) \_\_\_ a)  
d) \_\_\_ b)



- iv) The two broad classes which comprised the rural population during the medieval period were i) the big landholders and ii) masses comprising peasants, artisans and landless labourers.

### Check Your Progress 2

- i) b  
 ii) a) = c)  
     b) = a)  
     c) = b)  
 iii) a

### Check Your Progress 3

- i) The four major steps have been  
 a) abolition of the *Zamindari* system,  
 b) tenancy reforms which aimed at providing security of tenure, reduction of rent and facilitating the tenant cultivators to acquire ownership rights,  
 c) ceilings on family landholdings, and  
 d) consolidation of fragmented landholding of landholders.
- ii) The Green Revolution is a process of change involving important biological and mechanical innovations in agriculture. Cultivation uses high yielding variety seeds, high doses of chemical fertilisers, abundant supply of water for irrigation and modern implements like tractors, threshers, tubewells, pumpsets etc. to cultivate the land.
- iii) The impact of Green Revolution has been  
 a) increased crop intensity, output and productivity of agriculture,  
 b) increased demand for agricultural labourers,  
 c) increase in disparities in agricultural production between regions, and  
 e) differentiation within the peasant class.

### Check Your Progress 4

- i) In the early 1950s the government started some programmes for the development of the rural areas with a special emphasis on economic growth and minimum all round development of the whole of the rural community with the help of the rural participation.
- ii) d
- iii) The policy decisions such as the reduction in the fiscal deficit, reduction of subsidies, devaluation of rupee, export oriented production and reduction of agricultural credit adversely affected the agricultural sector and the rural poor. The decline in the flow of the financial resources to agriculture both in terms of long-term capital and working capital had accentuated the problems of the agricultural industries and in turn rural employment.