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THE EFFECTS
OF
PERIODICAL REVISIONS
OF THE
LAND-TAX IN INDIA.

BY
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London, 19th August 1881.

Sir,

The land tax contributes so largely to the revenues of India, that the conditions under which it is levied deserve particular attention in connection with any inquiry into the finances of the country.

In view, therefore, of the debate in Parliament to which the Indian Budget may shortly give rise, I take the liberty of soliciting your perusal of the accompanying paper in which I have endeavoured to show the results of various systems adopted for the assessment of the land tax in different parts of the Empire.

The opinions which are entertained by the public regarding the land revenue settlements of India, are known to vary considerably, their divergence arising, not from the effect of contending interests, but probably from an imperfect knowledge of facts; since the desire to promote the prosperity of our Indian Empire must be general on a question in which few in this country are personally interested.

Under these circumstances, public discussion would appear to offer the best means of eliciting the truth. It is to be hoped, therefore, seeing the grave interests involved, that all who have an opportunity of raising a fair discussion on the subject, will consider it their duty to avail themselves of it.

In judging of the Revenue settlements of India, some persons have arrived at conclusions through analogies which they believed to exist between the conditions of those settlements and the bearings of the land question at home. It would be well, therefore, to remember that, while the contentions here have referred exclusively to the rights and relative positions of the owners of land and their tenants, the Revenue settlements of India are operations purely fiscal, which leave the relative rights of landowners and cultivators to be protected by the Courts of Justice, under laws which apply with equal force, whether the assessment of the land tax be effected under one or under another of the systems in use.

I have the honour to be,

Sir,

Your most obedient servant,

J. DACOSTA.

To

THE EFFECTS OF PERIODICAL REVISIONS

OF

THE LAND-TAX IN INDIA.

THE following pages have been written with the object of drawing attention to certain conditions under which the land revenue of India is assessed over a great part of the Empire, and which, while they afford no advantage whatever to the State, exercise a most baneful influence over the prosperity of the country. In some parts the Government demand upon land is liable to annual revisions ; in others, it is fixed for a number of years not exceeding thirty, while in others again it is permanently fixed under covenants entered into with the proprietors.

Permanent fixity in the Government demand has, by enabling owners and cultivators to ascertain the extent of their liabilities, encouraged the application of capital to agriculture, and resulted in a great development of the resources of those provinces where such fixity has been introduced. Periodical revisions of the tax, on

the other hand, by exposing owners and cultivators to uncertain and arbitrary claims, and rendering the fruit of capital, expended in clearances and improvements, liable to absorption in the enhanced demands of the Government, have discouraged the application of capital, and effectually checked amelioration and development in agriculture. The evil is intensified in the case of annual settlements.

These different results are plainly discernible in the prosperity of Bengal, where the land tax is permanently fixed; in the poverty and indebtedness of the cultivators in Bombay and the North-Western Provinces, where the tax is liable to periodical enhancements; and in the destitute condition of the agricultural population of Madras, where the settlements are annual. A careful observation of these results led the highest authorities on Indian administration to advocate the permanent limitation of the Government demand upon land, as the best means of developing the resources of India, and of enabling her large agricultural population to lay by in prosperous years wherewith to tide over seasons of scarcity. Lord Canning suggested the redemption of the land-tax, while Lord Lawrence, Sir George Edmonstone, Sir William Muir, and other eminent Indian statesmen were in favour of its permanent fixity, the intention in both cases being the permanent limitation of the Government demand.

Subordinate officers, however, represented that such limitation would entail a serious prospective loss of revenue, as the productive value of the land, a portion of which the Government, under existing rules, claimed

as revenue, was increasing very rapidly. Those officers overlooked the fact that capital, the free employment of which was essential to such increase, could not safely be used in agriculture, while the Government retained the right of arbitrarily enhancing its demand on the land; and, speaking from their special sphere as land revenue officers, they omitted to take into account the increased revenue which would be obtainable through other channels, from the wealth which prosperity in agriculture would, under permanent settlements, be certain to produce.

The Secretary of State, having carefully reviewed the considerations urged on both sides, decided in 1862 that *“the advantages which might reasonably be expected to accrue from permanent settlements, not only to those immediately connected with the land, but to the community generally, were sufficiently great to justify the Government in incurring the risk of some prospective loss of land revenue, in order to attain them; and that a settlement in perpetuity in districts where the conditions required were fulfilled was a measure dictated by sound policy and calculated to accelerate the development of the resources of India, and to insure in the highest degree the welfare and contentment of all classes of Her Majesty’s subjects in that country.”*

Meanwhile, Lord Canning’s departure from India, and his death, which occurred soon afterwards, encouraged the Indian officials who had opposed permanent settlements, to delay and obstruct—through references on minor points—the execution of the order of 1862; and such obstruction was greatly facilitated by the several changes which took place, during the following years,

in the appointment of the Secretary of State for India. Ultimately, the policy of 1862, which had been inaugurated after so careful an investigation, and proclaimed as being *calculated to insure in the highest degree the welfare of all classes of Her Majesty's subjects in India*, was quietly abandoned, after six years of delay, without even any explanation being offered in justification of the step.

The subsequent course of events, however, has fully vindicated that policy, and exposed the groundlessness of the fears as to a prospective loss of land revenue, which had been urged against it. The Parliamentary paper just published (261 of 1881) states that the land revenue in 1869-70 amounted net to £18,222,925. Had the tax then been permanently fixed, the revenue in subsequent years would have been maintained at that figure, while it actually yielded, during the ten years following, only £18,105,288 on an average, as shown

Net Land Revenue.	
1870-71	£17,804,816.
1871-72	17,716,584.
1872-73	18,460,566.
1873-74	18,141,578.
1874-75	18,419,198.
1875-76	18,499,516.
1876-77	16,937,273.
1877-78	16,896,870.
1878-79	19,311,932.
1879-80	18,869,550.

£181,052,883.

by the figures in the margin, taken from the same Parliamentary paper. It will thus be seen that the result of the system of periodical settlements, so blindly persisted in by the Indian Government, on the plea of its securing increased land revenue, has, during the last ten years, been a loss of £1,176,370, although every advantage was taken, under that system, for increasing the assessments to the utmost.

This loss, however, while it shows the hollowness of the arguments on which the opponents of permanent

settlements rested their case, represents but a small fraction of the injury which has been inflicted on both the Government and the country, by persistence in the suicidal system of periodical settlements. The agricultural classes in India, who form the bulk of the population, and who, as official reports attest, were in a most prosperous and progressive condition in 1864-66, when the earlier revised settlements were introduced in Bombay and the North-West Provinces, are now so impoverished, that every subsequent season of scarcity has been marked by thousands or millions of deaths from starvation, while land has rapidly fallen out of cultivation, and several millions of acres now lie untilled in Madras, Bombay, and the North-West Provinces. These circumstances have led to increasing difficulty in the collection of the land revenue, and to coercive measures of great severity in connection with it. Thousands of estates and holdings have annually been attached for arrears ; defaulting landowners have been imprisoned, and their movable property seized ; crime has increased to an alarming degree, and rebellion, incited by the action of fiscal officers, broken out in several parts of the country. The following extracts from authentic documents will show that this statement is not exaggerated, and that the depressed condition of the agricultural populations in India is distinctly traceable to the increased pressure of the Government demand upon land.

Beginning with Madras, the last administration reports from that Presidency show that the arrears of revenue, annually recovered by the sale of land, steadily

increased from Rs. 31,880 in 1865, to Rs. 665,091 in 1879. This rapid rise, showing the growing difficulty of collecting the land revenue, indicates the impoverishment of the cultivating classes. The Revenue Board, in revising this state of things, called for detailed statements setting forth the extent and value of the property sold, the number of the proprietors, the number of the suits brought by them to obtain the cancelment of the sales, and the number in which the sales had been quashed. These statements, when they are furnished, will probably show with more clearness, the extent and cause of the evil, and, perhaps, also, suggest remedies ; but reform must be looked upon as hopeless, as long as the higher authorities ignore the main source of the evil, which is the arbitrary assessment of the land tax, and suggest irrelevant causes for the depression reported from the districts. The following are among the explanations offered by the Local Government regarding the state of things reviewed by the Board :—

“ High prices have caused an increase in cultivation and much risky speculation in land. Any person can obtain land by applying for it, and a desire of becoming a landowner is strong and general. If needy men could be prevented from taking up land, there would be a reduction in the extent of coercive processes ; but the evils of such a measure would be great. The ambition to rise higher in the social scale, though it ruins the few, benefits the many.”

When an explanation is wanted regarding a serious decline in the condition of the people, and processes of unusual severity are adopted in the collection of the

revenue, surely we are entitled to something better than the above platitudes from the highly paid officials who form the Government of Madras? Are we to accept the suggestion that the high price of produce and the ambition to rise in the social scale are the causes of the long and continuous decline in the condition of the cultivators?

Amidst the numerous pleas adduced in the despatch of the Government of Madras, a glimpse of the real cause of the evil may, however, be obtained in the following passage: "Another cause is the reduction in the remissions granted annually, and the gradually increasing charge on the waste"; in other words, *the increased Government demand upon land*. That this is the chief, if not the only cause, will at once appear from the fact that the evil, *i.e.* the necessity of additional coercive processes, has not extended to the permanently settled tracts in Madras, which annually yield about £500,000 of revenue, and where no remissions whatever have been needed.

If we next turn to Bombay we find that, in consequence of unsatisfactory reports regarding the collection of the land revenue in that presidency, the Secretary of State has quite recently sent out orders authorising a reduction of twenty per cent. in assessments in the Sholapore district. That the assessments there have long been excessively oppressive, may be seen from a minute of the Government of Bombay indited about seven years ago, in which it is recorded that "the Government had read with much concern the opinion expressed by the Collector of Sholapore as to the undue

pressure of the revised rates, in consequence of which a large quantity of land had been put up for sale in default of revenue, much of which found no purchasers." The remissions now made, therefore, come much too late to prevent serious injury to the country. Large tracts have remained uncultivated for years, and much agricultural capital has thus been destroyed, causing losses which the present measure can nowise retrieve. Besides, casual remissions will not reach the main cause of the evil, which is the uncertainty hanging over the cultivators, as to the future demands of the Government; an uncertainty which must prevent the free application of capital to agriculture, and without the removal of which it is vain to look for any general or permanent improvement in the condition of things.

A reference to the Bombay Revenue Commissioners' reports will show, moreover, that 10,880 acres of cultivated land in Surat and 25,035 acres in the fertile province of Guzerat were abandoned in 1872 and 1873, when the revised assessments were enforced; and that, while the unfavourable year 1871-72 was followed by two exceptionally propitious seasons, the depression of the people, as manifested by the relinquishment of their fields, had continued. From the same causes the revenue collected in the Northern Division in 1874 decreased, although the rates had been enhanced; and official reports of the same period from Poonah state that "the amount of land revenue unrecovered was very considerable, and that, in order to realise the amount actually recovered, it was found necessary to sell up many occupancies." Further, a memorial was

addressed to the Viceroy in 1875 by some 3,000 landholders in the Bombay Presidency, complaining that the demand made upon them for land revenue was out of proportion with the productive value of the land; and that, owing to their inability to satisfy it, many had been deprived of their estates, cattle and other moveable property, while their tenants and cultivators were on the verge of starvation. These reports materially help to account for the appalling severity of the famine which shortly afterwards devastated the Bombay Presidency, showing, as they do, that the very life-blood of the people had been sucked in the process of raising the land revenue.

In the North-Western Provinces, the effect of the revised settlements has been much the same as in Bombay, as the extracts from authentic documents given hereafter will show.

The active demand for cotton and other articles of Indian production, which sprung up in consequence of the Crimean war and the civil war in America, and the facilities to trade simultaneously afforded by the opening of the Indian railways, caused an extraordinary rise in the price of Indian agricultural produce, bringing to the cultivating classes in India an unprecedented degree of prosperity. The periodical revision of the land settlements had meanwhile commenced; and, in view of the general prosperity, great pressure was exercised by the Government for increasing the rates under the new settlements. Excessive assessments were urged and persisted in, although warning came from revenue officers themselves of the danger involved in such a

course ; and the depressed condition of the country, which is now at last forcing itself on the attention of the public, originated in the excessive burden which was then imposed on land.

The progress of the settlement operations and their complicated results will be found described with much clearness and fulness of detail in Mr. Auckland Colvin's admirable *Memorandum on the Revisions of the Settlements in the North-West Provinces in 1860-1872*. The following extract from that valuable work will show the mischievous and demoralising effects of the revision operations themselves, irrespective of the injury arising from arbitrary and excessive settlements when enforced :
“ Settlement operations have now, in one district or another, extended over nineteen years. By the time the settlement of Banda falls in and is disposed of, twenty-six years will have elapsed from the date on which the two first districts were placed in the hands of a settlement officer. Others were begun twelve years ago and are not yet sanctioned ; one of these is not even yet completed. These facts are significant to those who know what the settlement of a district means ; the value of property depreciated, until the exact amount of the new assessment is declared ; credit affected ; heart-burning and irritation between landlord and tenant ; suspicions of the intentions of the Government ; a host of official underlings scattered broadcast over the vexed villages . . . Nothing can equal the injury inflicted by a slow, uncertain settlement, dragging its length along, obstructed by conflicting orders, harassed by successive administrations, and finally threatened with annihilation at the moment when it seemed to have nearly finished its

course. *Little wonder that we hear of the land needing rest.*"

The Collector of Cawnpore, referring to the revised settlements, stated: "The margin left for the cultivator's subsistence is less than the value of the labour he has expended on the land. . . . This district has the benefit of water communication by both the Ganges and the Jumna; it is intersected by the East Indian railway, and is partly traversed by the Ganges canal; yet the land is only worth five years' purchase, and the state of the average cultivator is one of hopeless insolvency and misery."

The Lieutenant-Governor, in his Administration Report published in 1873, said that, while travelling, he was forcibly struck with the wretched condition of the Lullutpore district in which "many estates were so depopulated and so much land had fallen out of cultivation, that the assessments had become very severe"; and, referring to the increased rents which landlords were compelled to exact of their tenants, in order to satisfy the enhanced demand of the Government, His Honour observed: "The antagonism of classes whose interests lie so closely together, and who have hitherto been connected by so kindly a bond, is one of the greatest political dangers of the day."

The Commissioner of Allahabad, advertng about the same time to the depressed condition of the Futtehpore district, stated that "the imposition of a 10 per cent. cess, in addition to the ordinary land-tax, fell heaviest on the villages which were least able to bear it; that many villages broke down, and many more were threatened with ruin."

From the District Collector's Report it appeared, moreover, that many landlords, who had failed to pay up the revenue, were imprisoned; their personal property was sold, and their estates were attached for arrears of revenue.

Numerous other extracts might be given here, certifying a similar state of things; but the foregoing will probably suffice substantially to prove the accuracy of the description given in the early part of this paper, as to the depressed condition of the cultivating classes in the provinces where the land is subject to periodical revisions of the Government demand.

Let us now turn to Bengal and see what has been, during the same period, the condition of that province, where permanent settlements were introduced about eighty years ago. The country was then in a very backward state of cultivation, the people having been impoverished under the corrupt and oppressive governments which preceded the introduction of British rule; and as the permanent settlement of 1793 was based on the excessive assessments which had previously obtained, but were never realised, the condition it imposed, of punctual payment on pain of forfeiture, had a most disastrous effect on the landowners, a great many of whom were, within ten years, dispossessed of their lands. The free application of capital in clearances and extended cultivation, however, ultimately increased the produce of the land sufficiently to cover the heavy demands made on it, and this increase has since continued, improving the condition of both landowners and cultivators, and annually adding to the permanent wealth of the country.

These beneficial results are attested in the following passage of a speech delivered by the present Lieutenant-Governor of Bengal, on his return from a tour in the eastern districts: "Great as was the progress which I knew had been made in the position of the cultivating classes, I was quite unprepared to find them occupying a position so different from that which I remembered them to occupy when I first came to the country. They were then poor and oppressed, with little incentive to increase the productive powers of the soil. I find them now as prosperous, as independent, and as comfortable as the peasantry, I believe, of any country in the world; well-fed, well-clothed, free to enjoy the full benefit of their labours, and able to hold their own and obtain prompt redress for any wrong."

Previous Lieutenant-Governors likewise certified the benefits which resulted from the Permanent Settlement of Bengal, especially with regard to the punctuality it secured in the realisation of the land revenue.

Sir George Campbell, in his Administration Report for 1872-73, said: "The revenue of the permanently settled estates in Bengal has for years been realised with great punctuality. Losses sometimes occur through famine, epidemics, the devastation of cyclones and other calamities of seasons; but under the conditions of the settlement, no such pleas can be urged as excuses for non-payment; and, as a rule, the large present excess of the annual rental over the Government demand, enables the present holders to meet that demand even in the most disastrous years."

Sir R. Temple's report on this question will be found

in the Blue Book on the *Moral and Material Condition of India for 1873-74*; it says: "The deficiency of the collections consequent on the famine was very small, and such suspensions of revenue as were granted, were given as a reward for exceptional exertions in relieving distress. The result is creditable to the working of the Permanent Settlement."

Endeavours have been made, and not without a certain degree of success, to create the impression that permanent settlements would involve an interference with the rights of the *ryot* or tenant-farmer, such as would be prejudicial to his interests; in short, that they would give rise to *landlordism* in its most objectionable form. This impression, which would appear to have been received without scrupulous examination, will be found, on the following considerations, to be entirely erroneous.

A permanent settlement would involve nothing more than the continuance of the existing settlement at its previously regulated rates. Such continuance has frequently taken place at the revision of the assessments, when these have been found sufficiently onerous, without creating any new rights or infringing those already existent. Nor can any reason be shown why immunity from additional demands from the State should incite a landowner to demand higher rents from his tenants than he would without such immunity or under the pressure of an increased land tax. Indeed, both reason and experience point in the opposite direction. Moderation on the part of the landowner is essential to his safety, inasmuch as immoderate demands

would lead his tenants either to throw up their farms, or to resist the payment of unduly enhanced rents, under pleas on which the decision of the Indian law courts might be considerably delayed; and the landowner would, in either case, be left without the means of satisfying the Government demand at the appointed time, and have his estate attached for arrears. That permanent fixity in the Government demand in Bengal has induced moderation on the part of the landowners is testified by the prosperity of the cultivators, so vividly described in Sir Ashley Eden's speech from which an extract has been given above; while enhanced demands made by the Government in the North-West Provinces compelled the landowners, for the very safety of their estates, to raise rents to such an extent that litigation between landlords and tenants increased in an alarming degree, and led the Lieutenant-Governor to make the observation, quoted in a preceding page, as to "the dangerous antagonism such litigation engendered between classes whose interests lie so closely together, and who had previously been united by so kindly a bond."

As regards the statement made in a preceding page, to the effect that the impoverishment of the people had led to an alarming increase of crime, its accuracy will be seen by a reference to the last Blue Books on the *Moral and Material Condition of India*. The report for 1877-78 states at pages 10, 12, and 13: "Returns of punishments inflicted throughout British India in 1877 show that 688 persons were sentenced to death, 2,540 to transportation, &c., 232,333 to imprisonment. . . .

“An explanation of these apparently high figures may be found in the increase of crime consequent on the prevailing scarcity. . . . An outbreak of lawlessness in the N.W. Provinces was the natural sequence of the scarcity. . . . In Madras, criminal returns show an amount of crime more than double that of 1875. . . . Dacoity increased more than sevenfold. . . . There was a large increase of murder cases, and child-murder by starving mothers was not infrequent. . . . In Bombay a serious increase of crime was the inevitable result of the prevailing scarcity. . . . The convict population rose from 29,059 in 1876 to 50,154 in 1877.” The report for 1878-79 shows a further increase of crime and contains the following statements:—“In the Madras Presidency, owing to high prices, crime was very prevalent throughout the country . . . the criminal returns give the number of offences reported as 181,518 in 1877 and 214,559 in 1878. In March 1879 a disturbance broke out in Rumpa.* . . . In Bombay crime continued much more prevalent than in 1876. . . . The Central Division was the scene of several daring raids by organised gangs of the predatory class. . . . In the N.W. Provinces the number of offences reported increased from 186,254 in 1877 to 218,161 in 1878. . . . Riots were less numerous. . . . murders increased, many of them were cases of women who, driven to despair by distress, jumped down wells with their children in arms . . . the total daily average of prisoners increased from 28,740 to 39,784.”

* The Rumpa rebellion disturbed the adjacent country for eighteen months, and threatens to break out again.

A review of the circumstances mentioned in the foregoing pages will show that the agricultural populations of Bombay and the North-West Provinces were in a most prosperous condition in 1865, when the land settlements in those parts had remained unaltered for thirty years; that a revision and enhancement of those settlements were then made for the purpose of increasing the revenue, but failed in attaining their object, while they brought ruin upon the landholders and cultivators, and checked the development of agriculture; that the land revenue has declined under the operation of the new settlements and may be expected to decline further, seeing the extent of land thrown out of cultivation and the growing difficulty experienced in the collections, larger portions of which have, year after year, been effected by the sale of estates and holdings, and the consequent ruin of the proprietors. In this review, the financial results alone have been considered; and even these, let us remember, have been further aggravated by the millions laid out in famine relief expenditure necessitated by the impoverishment of the people.

The political aspect of the question is equally serious. Popular discontent caused by oppressive taxation, reigns throughout the three Presidencies mentioned; and it would be a great error to believe that the docility and loyalty evinced by the different populations in India, as the introduction of British rule brought them peace and order, and the means of improving their condition, may be relied upon under circumstances materially different. Their condition was then improving; it is now on the decline. Their ignorance and the difficulties of inter-

communication between the provinces, proved safeguards in the past; but the value of those safeguards is diminishing rapidly with the spread of education and the extension of railways and telegraphs. Political wisdom, therefore, as well as justice and humanity, prompts a more considerate policy than has hitherto been pursued towards the millions whom Providence has placed under British rule.

J. DACOSTA.

London, 18th August 1881.

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