
CHAPTER - THREE

Chapter 3

DIRECT TAXES ON AGRICULTURE-LAND REVENUE

3.1 DIRECT TAXES

Direct taxes on agriculture include land revenue, agricultural income taxation, cesses and surcharges on agricultural crops, development levies, etc. However, the first two have been of greater significance and hence have been selected for detailed studies. This chapter would cover land revenue, leaving income tax for the succeeding chapter. Reference period is 1951-52 to 1985-86.

3.2 RECEIPTS OF LAND REVENUE

Time series data regarding the receipts of land revenue by all states collectively since 1951-52 to 1985-86 are shown in Table 3.1. It reveals an increasing trend which should dispel the common belief that land revenue is altogether stagnant. There were year-to-year variations in the volume of the revenue for various reasons. But with reference to the two end years, land revenue increased from Rs.48 crores in 1951-52 to Rs.353.33 crores in 1985-86 registering an overall increase of 636.10 percent. Using plan aggregates, the volume of revenue shot up from Rs.326.72 crores of the First Plan to Rs.1,006.86 crores of the Sixth Plan. The rise in the yield since 1951 may be due to the addition or merger of territories, abolition of intermediaries and the gradual increase in the total cropped area. Notwithstanding the revenue enhancement, the undercurrent of the tax indicates a tendency of diminishing returns owing to remissions granted to the cultivators

following crop failures and drought conditions and exemption from land revenue to farmers below a certain size holding in many states. Because of the rate rigidity of land revenue and settlement operation which are being conducted in different states, the tax has, however, not proved itself to be a good revenue raiser.

3.3 LAND REVENUE IN THE TOTAL REVENUE OF THE STATE GOVERNMENTS

If land revenue is related to total revenue of the governments, the percentage ratio measures the revenue significance of land revenue. Briefly

$$\text{Revenue significance of land revenue} = \frac{\text{Land revenue}}{\text{Total revenue}} \times 100$$

Column 4 of Table 3.1 gives data regarding total revenue significance of land revenue of the State Governments. This reveals that land revenue does not occupy a significant position in relation to the total revenue of the States of Indian Union. Excepting an increase in the percentage share of land revenue during the first six year period, 1951-52 to 1956-57, the proportion of land revenue showed a falling tendency so much so that the percentage contribution of land revenue in relation to total revenue fell by more than half in 1965-66. These percentages continued to fall rapidly in the later years slumping to 2.03 percentage by 1976-77 and to below 1 percent since 1980-81. It was 1.13 percent in 1985-86. This fast decline in the significance of land revenue

Table 3.1

Land revenue vis-a-vis state revenue

Year	(Rs. in Crores)					
	1	2	3	4	5	6
	Land Revenue	Total Revenue of states	Percentage of 2 to 3	Total tax revenue of states	Percentage of 2 to 5	
1978-79	188.27	11,646.69	1.62	6,923.14	4.72	
Fifth Plan	927.67	44,983.95	2.06	28,045.80	3.31	
Rolling Plan 1979-80	151.90	13,629.31	1.22	9,076.95	1.67	
1980-81	145.53	16,293.30	0.89	10,405.09	1.40	
1981-82	170.37	12,361.14	1.38	18,319.30	0.93	
1982-83	189.41	14,118.75	1.34	21,125.54	0.90	
1983-84 (R E)	236.89	16,039.68	1.48	24,493.86	0.97	
1984-85 (B E)	264.66	17,596.46	1.50	26,748.86	0.99	
Sixth Plan	1,006.86	76,409.33	1.32	84,605.28	1.19	
1985-86 (B E)	353.33	20,339.49	1.74	31,356.00	1.13	

Note : (1) Though the Fifth Plan was terminated in 1978, figures for 1978-79 have been included under Fifth Plan.

(2) The year 1979-80 was a part of rolling plan mechanism of old Sixth Plan.

was due to the reason that the growth rate of aggregate state revenue was much faster than that of the land revenue receipts.

Examining the place of land revenue planwise it is noticed that the collection of land revenue during the First Five Year Plan period formed 14.04 percent of the total revenue of the states. In the second Five Year Plan period it declined to 11.23 percent. During the Third, Fourth, Fifth and Sixth Five Year Plan period, the fiscal significance of land revenue in the total revenue of the states declined rapidly to 7.78 percent, 2.70 percent, 2.06 percent and to 0.94 percent respectively. Land revenue, thus has been reduced to an insignificant position in the state budget.

3.4 LAND REVENUE IN THE TOTAL TAX REVENUE OF THE STATE GOVERNMENTS

If land revenue is related to total tax revenue, the percentage ratio measures total tax revenue significance of land revenue. Briefly -

$$\text{Tax revenue significance of land revenue} = \frac{\text{Land revenue}}{\text{Tax revenue}} \times 100$$

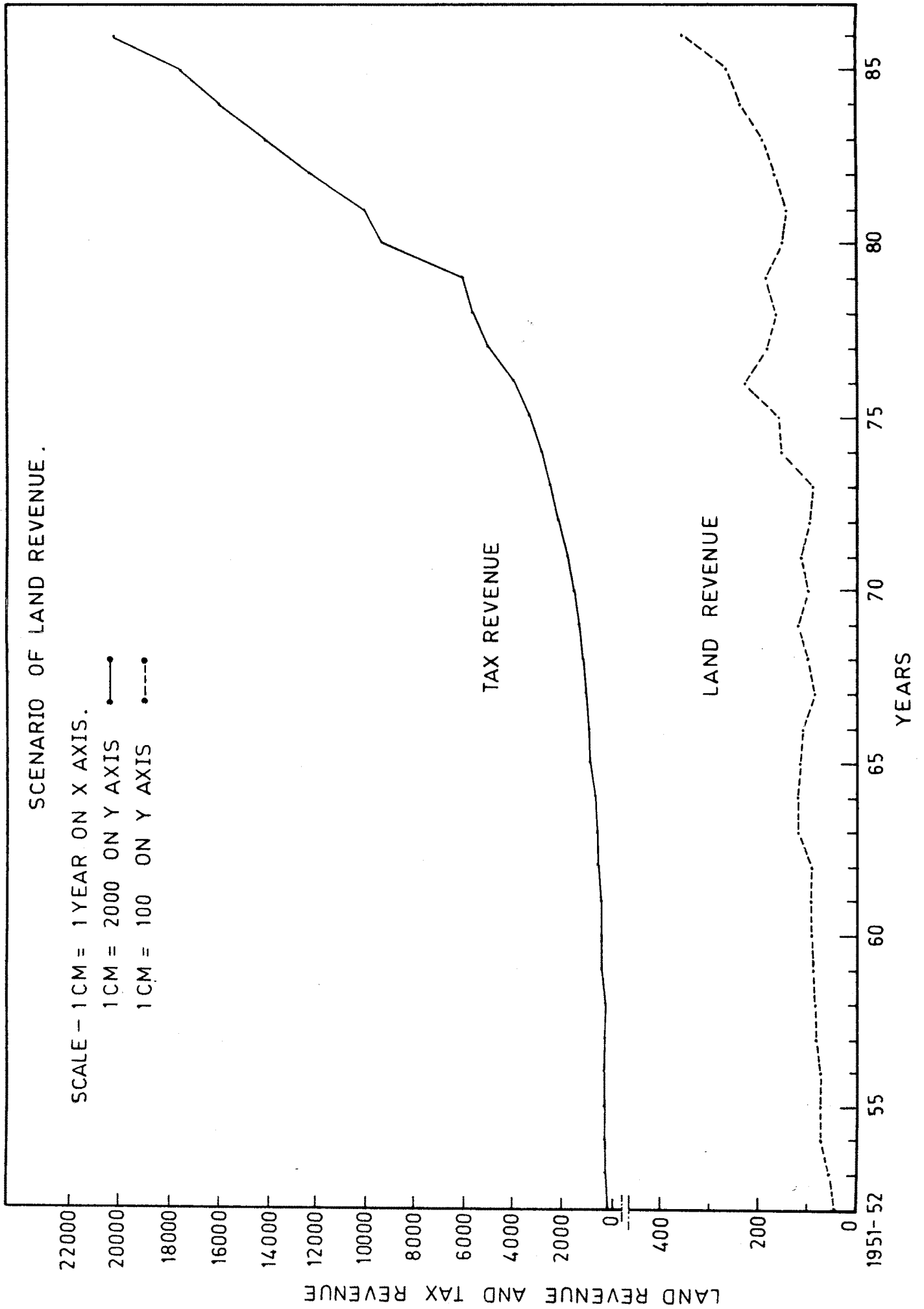
Column 6 of Table 3.1 gives figures of total tax revenue significance of land revenue of the State Governments. This also reveals that land revenue does not occupy a significant position in relation to the total tax revenue of the states of Indian Union, Excepting an increase in the percentage share of land revenue during the first six year period 1951-52 to 1956-57, the proportion of

SCENARIO OF LAND REVENUE.

SCALE -- 1 CM = 1 YEAR ON X AXIS.

1 CM = 2000 ON Y AXIS

1 CM = 100 ON Y AXIS



land revenue to total tax revenue showed a falling tendency. These percentages slumped to single digits since 1966-67 and continued their downward movement thereafter taking the figure finally to 1.74 percent in 1985-86. Thus, hardly 2 percent of the tax proceeds of the state governments are now received through land revenue. Planwise averages smoothen the erratic changes from year to year but pinpoint the sorry position quite glaringly. The percentage ratio for the First Plan period was 20.38 percent which in the second plan period declined to 18.19 percent. The percentage fell faster since Third Plan period. It declined to 12.98 percent in the Third Plan period. 4.24 percent in the Fourth Plan period, 3.31 percent in the Fifth Plan period and 1.43 percent in the sixth plan period.

Till early sixties land revenue was an important source of tax revenue to the states but especially since mid-sixties it was fast relegated to a very minor position.

3.5 LAND REVENUE PER HECTARE

Light can be thrown on the actual burden of the land revenue on cultivated land by juxtaposing the year to year volume of land revenue and net area sown in all the states. Details are given in Table 3.2. Net area grown has increased by only 19.77 percent from 11.94 crore hectares in 1951-52 to 14.30 crore hectares in 1983-84. But land revenue hiked by 393.52 percent over the corresponding period. It was but natural that per hectare land revenue showed a substantial increase from Rs.4.02 in 1951-52

Table 3.2

Land revenue per hectare and per capita

Year	Land Revenue (Rs. in Crores)	Net area sown (Hectare in Crores)	Per hectare land revenue 2+3 (Rs.)	Rural Population (in Crores)	Per capita Land revenue 2+5 (Rs.)
1977-78	166.11	14.26	11.65	48.07	3.46
1978-79	188.27	14.40	13.07	48.79	3.86
Fifth Plan	927.67	70.74	13.11	236.88	3.92
Rolling Plan 1979-80	151.90	14.10	10.77	49.71	3.06
1980-81	145.53	14.20	10.25	50.76	2.87
1981-82	170.37	14.20	12.00	52.54	3.24
1982-83	189.41	14.25	13.29	53.70	3.53
1983-84 (R E)	236.89	14.30	16.57	54.68	4.33
1984-85 (B E)	264.66	NA	-	55.51	4.77
Sixth Plan	1,006.86	56.95	17.68	267.19	3.77
1985-86 (B E)	353.33	NA	-	56.9	6.21

Note: 1 NA - Not available. Source: Reserve Bank of India Statistical Abstract, 1985-86.
 2 As per Table 3.1 2 Basic Statistics Relating to Indian Econ. 1985-86.
 3 As per Table 3.1 3 Statistical outline of India, 1986-87.

to Rs.16.57 in 1983-84. The increase was marked since 1974-75. Plan periodwise average land revenue per hectare was as follows : First Plan Rs.5.35, Second Plan Rs.6.99, Third Plan Rs.8.33, Annual Plans Rs.7.60, Fourth Plan Rs.8.09, Fifth Plan Rs.13.11 and Sixth Plan (Four Years) Rs.13.03. The revenue burden in the Fifth Plan was up by 145 percent compared to that in the First Plan.

3.6 PER CAPITAL LAND REVENUE

For estimating the per capita burden of land revenue rural population is taken into account by assuming that all rural population pay land revenue. True that entire rural population does not own land. But in the absence of yearwise time series data of landowning population, this was found to be more convenient since majority of rural households own land.

Last column of Table 3.2 brings out figures of land revenue per capita on the basis of yearwise rural population. India's rural population has swollen from 29.36 crores in 1951-52 to 56.90 crores in 1985-86, that is by 93-80 percent as against an increase of 636.10 percent in land revenue. consequently, per capita land revenue showed an increasing trend. It rose from Rs.1.63 in 1951-52 to Rs.6.21 in 1985-86, that is, by 280.98 percent. The rise was conspicuously visible during 1962-63 to 1964-65, 1973-74 to 1978-79 and 1983-84 to 1985-86.

Taking the periods of Five Year Plans per capita land revenue which was Rs.2.15 during the First Plan increased marginally to Rs.2.72 during the Second Plan. It moved upto Rs.3.04 during the Third Plan but again declined to Rs.2.57 during Annual Plan and Rs.2.58 during the Fourth Plan. Fifth Plan period pushed it upto an unprecedented height of Rs.3.92 while the Sixth Plan brought it down marginally to Rs.3.75.

Eventhough the burden per capita of land revenue has increased over the plan period, the extent of increase has been certainly moderate so that the landowing households do not feel the pinch of the levy.

3.7 RATIO OF LAND REVENUE TO INCOME FROM AGRICULTURE

If an increase in land revenue is considered in relation to income from agricultural sectore it throws light on the states, capacity of resource mobilisation out of their income from the agricultural sector. Columns 3 and 4 of Table 3.3 bring out the facts.

Land revenue was 0.98 percent of agricultural income in 1951-52, It increased to 1.41 percent by 1961-62 but significantly declined to 0.60 percent in 1971-72, 0.41 percent in 1981-82 and finally slightly improved to 0.46 percent in 1984-85 (B.E.) Between 1952-53 and 1965-66, the ratio was above 1 percent, but fell below that in 1966-67 and thereafter continued with a declining trend for the rest of the period indicating thereby that the rate

Table 3.3

Level of land revenue

Year	(Rs. in Crores)		
	Land Revenue	Sectenal level Agricultural 2 as % of 3 income	Aggregate level Gross Nation- 2 as % of 5 al Product (At current price)
1977-78	166.11	33,333	80,946
1978-79	188.27	33,419	86,754
Fifth Plan	927.67	1,47,982	3,68,362
Rolling Plan 1979-80	151.90	34,088	94,052
1980-81	145.53	38,629	1,12,156
1981-82	170.37	41,840	1,42,435
1982-83	189.41	43,189 P	1,45,141 P
1983-84 (R E)	236.89	56,066 P	1,71,201 P
1984-85 (B E)	264.66	57,066 P	1,88,459 P
Sixth Plan	1,006.86	2,36,790	7,59,392
1985-86 (B E)	353.33	NA	2,07,305 P

Note : 1 P - Provisional
2 NA - Not available
3 As per Table 3.1

Source : 1 Reserve Bank of India Bulletin
2 Statistical outline of India, 1986-87
3 Government of India, Economic Survey, 1982-83

the rate of increase in agricultural income was higher than the rate of increase in land revenue. The plan period estimates also revealed similar trend of tax agricultural income ratio. In the First Plan period the tax-income ratio was 1.39, which increased to 1.55 in the Second Plan period but declined again to the level of the First Plan in the Third Plan period, i.e. 1.39. Further it declined to 0.80 percent in the Annual Plan period and to 0.60 percent in the Fourth Plan improved negligibly to 0.63 percent in Fifth Plan and again slashed to 0.42 percent in the Sixth Plan period.

Taking the plan period as a whole, it can be generally remarked that land revenue has remained more or less static at a level around 1 percent of the income originating in agriculture. Thus, the land revenue mops up almost a negligible proportion of agricultural incomes in India obviously because the level of the tax is very low.

3.8 RATIO OF LAND REVENUE TO THE GROSS NATIONAL PRODUCT

National income is the ultimate base of all the taxes. Hence, attempt has been made to relate land revenue to Gross National Product (GNP) of Indian union. The percentage ratio of land revenue to the GNP is described here as the 'level of land revenue'. This ratio in a simple manner shows the part of national income collected by the government in the form of land revenue.

Referring to columns 5 and 6 of Table 3.3 the overall picture is that the level of land revenue all the while was below 1 percent. Between 1951-52 and 1965-66, it remained above 0.51 percent showing an uptrend but since 1966-67, there was substantial fall to 0.35 percent which converted the uptrend in the earlier phase into a downtrend. In 1985-86, the ratio touched the level of 0.17 percent.

Similar movements could be noticed with reference to plan periods. The percentage ratio of land revenue to GNP was 0.69 percent in First Plan period. In Second Plan period it increased to 0.78 percent but declined to 0.62 percent in Third Plan period and crashed to 0.28 percent in Fourth Plan period, to 0.25 percent in Fifth Plan period and to 0.14 percent in Sixth Plan period. All these facts pinpoint at the income inelastic nature of land revenue. Moreover, when it is generally argued that additional taxation of agriculture is necessary for financing developmental expenditure, the trend in the level of land revenue as observed is a revelation of contrary behaviour.

3.9 REVENUE ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF LAND REVENUE

It is generally not considered appropriate to relate revenue from a particular tax to a particular type of public expenditure unless the revenue from the said tax is earmarked for the particular purpose. However, to understand to what extent revenue from a particular tax, if earmarked, finances a particular type of public expenditure, such a relationship may be used as an

indication in that respect. Hence, revenue account developmental expenditure significance of land revenue of all State Governments has been calculated. Briefly -

Table 3.4

$$\text{Revenue account developmental significance of land revenue} = \frac{\text{Revenue account developmental expenditure}}{\text{Land Revenue}} \times 100$$

Columns 3 and 4 reveals revenue account developed expenditure significance of land revenue of all state governments. To begin with, the percentage ratio stood at 24.46 in 1951-52. But barring an initial increase for three years next, the ratio maintained diminishing tendency through the period since 1955-56. The decline was at moderate rate till 1965-66 but faster later on. The lowest level of 1.32 percent was reached in 1984-85 with a marginal recovery to 1.64 percent in 1985-86. Movement from 24.46 percent in 1951-52 to 1.64 percent in 1985-86 speaks itself of the losing revenue account developmental significance of land revenue.

Plan periodwise figures just smoothen the erratic variations in year-to-year data, but establish the same inference. Planwise average percentages were as under : First Plan - 25.70 percent, Second Plan - 20.14 percent, Third Plan - 13.62 percent, Annual Plans - 9.15 percent, Fourth Plan - 4.45 percent, Fifth Plan - 3.35 percent and Sixth Plan - 1.38 percent. In short, land revenue has lost its importance as a contributor to the developmental efforts in the country.

3.10 REVENUE ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF LAND
REVENUE VIS-A-VIS AGRICULTURAL EXPENDITURE

Collection of land revenue can be related to the expenditure on agricultural sector to know revenue account developmental significance of land revenue related to agricultural expenditure. Briefly -

$$\text{Significance of land revenue against agril. expenditure} = \frac{\text{Agril. expenditure}}{\text{Land revenue}} \times 100$$

Perusal of columns 5 and 6 of Table 3.4 indicates that the developmental expenditure on agriculture hiked phenomenally from a paltry sum of 25.90 crores in 1951-52 to 5,371.2 crores in 1985-86. Consequently, the significance ratio dipped from 125.33 percent in 1951-52 to a meagre proportion of 6.58 in 1985-86. In fact, the proportion remained above 125.33 percent during 1951-52 to 1963-64. Indicating thereby that land revenue receipts could meet the entire developmental expenditure on agriculture and still leave some surplus. Thereafter it dwindled down from 98.52 in 1964-65 to 11.25 in 1978-79 and beyond that it moved within the range of 5 to 7 percent.

Fast diminishing significance would be more vivid in the context of plan periods. The plan averages were First Plan - 203.44 percent, Second Plan - 166.76 percent, Third Plan - 106.15 percent, Annual Plans - 73.76 percent, Fifth Plan - 15.52 percent and Sixth Plan - 5.87 percent.

Table 3.4

Revenue account developmental significance of land revenue

Year	Land Revenue	(Rs. in Crores)		
		Revenue Account Developmental Expenditure	2 as % of 3	Revenue Account Developmental expenditure on agricultural 2 as % of 5
1976-77	183.04	5,369.28	3.41	1,142.94
1977-78	166.11	6,126.55	2.71	1,317.34
1978-79	188.27	7,377.77	2.55	1,673.05
Fifth Plan	927.67	27,685.39	3.35	5,975.66
Rolling Plan 1979-80	151.90	8,601.20	1.77	1,964.61
1980-81	145.53	10,514.74	1.38	2,368.66
1981-82	170.37	11,986.17	1.42	2,786.16
1982-83	189.41	14,361.03	1.40	3,225.94
1983-84	236.89	16,941.24	1.40	4,050.82
1984-85 (B E)	264.66	20,067.58	1.32	4,925.54
Sixth Plan	1,006.86	73,870.76	1.36	17,357.12
1985-86 (B E)	353.33	21,495.07	1.64	5,371.32

Source : Compiled on the basis of data collected

These details further strengthen the same conclusion that land revenue failed miserably in financing adequately the rapidly increasing developmental expenditure on agriculture.

3.11 CAPITAL ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF LAND REVENUE

Table 3.5 columns 3 and 4 gives information regarding the percentage ratio of land revenue to capital account developmental expenditure of all states governments. This ratio in a way measures the possible extent of contribution of land revenue to capital account developmental expenditure of the state. Briefly -

$$\text{Capital account developmental significance of land revenue} = \frac{\text{Capital account developmental expenditure}}{\text{Land revenue}} \times 100$$

It shows a gradually declining trend throughout the period. In 1951-52 it was 47.86 percent. It declined to 30.22 percent in 1961-62 to 14.28 percent in 1971-72, to 4.70 percent in 1981-82 but improved to 7.19 percent in 1985-86.

Averages for the First, Second, Third, Annual, Fourth, Fifth and Sixth Plans were 44.44 percent, 33.44 percent, 31.68 percent, 22.95 percent, 16.35 percent, 11.38 percent and 5.06 percent respectively. The decline was marked from the beginning of the Fourth Plan.

3.12 CAPITAL ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF LAND REVENUE WITH REFERENCE TO AGRICULTURAL EXPENDITURE

Table 3.5 column 6 gives information regarding the percentage ratio of land revenue to developmental expenditure

Table 3.5

Capital account developmental significance of land revenue

Year	Land Revenue	(Rs. in Crores)	
		Capital Account Developmental Expenditure	2 as % of 3
1976-77	103.04	1,022.00	11.80
1977-78	166.11	1,818.17	9.30
1978-79	188.27	2,243.79	8.39

Fifth Plan	927.67	8,153.62	11.38

Rolling Plan 1979-80	151.90	2,825.85	5.78

1980-81	145.53	3,200.18	4.65
1981-82	170.37	3,624.27	4.70
1982-83	189.41	3,616.35	5.24
1983-84	236.89	4,140.08	5.72
1984-85 (R E)	264.66	4,739.64	5.58

Sixth Plan	1,006.86	19,320.62	5.21

1985-86 (B E)	353.33	4,913.52	7.19
=====			

Note : 1 NA-Not available.
 2 As per Table 3.1.

on agriculture on capital account.

Formula for the computation of this ratio is -

$$\text{Significance of land revenue against capital expenditure on agriculture} = \frac{\text{Capital expenditure on agriculture}}{\text{Land revenue}} \times 100$$

It is seen that, capital account developmental significance of land revenue was quite high in the first two decade under study. The ratio of land revenue to developmental expenditure on agriculture on capital account was 40,000 percent in 1951-52. It declined to 2,017.58 percent in 1961-62 but again increased to 8,466.39 percent in 1971-72. It significantly declined to 41.45 percent in 1981-82 and slightly increased to 65.34 percent in 1985-86.

Planwise average slumped from 3,638.31 percent of the First plan to 49.64 percent of the Sixth Plan. All these figures point out that land revenue compensated the agricultural expenditure on capital account and left a substantial surplus upto the end of the Fourth Plan. Beyond that, barring a couple of years, it only partially met the capital expenditure. The last year in the time series, 1985-86, met two-thirds of such expenditure, presuming that the entire proceeds are utilised primarily for capital expenditure.

3.13 STATEWISE SCENARIO OF LAND REVENUE

A close study of land revenue in different states of Indian union also supports the growing minor position of this tax in the revenue budgets of the states. Table No.3.6 gives data regarding total revenue, total tax revenue, land revenue and total revenue and total tax revenue significance of land revenue of each state.

For inter-state comparison, it is better to consider the percentage of land revenue in the total tax revenue of the states if in an indication of the tax efforts of each state government. Here, attention will be concentrated on 1975-76 and 1985-86 positions for two reasons, one the states existing in 1985-86 were in existence in 1975-76 too and two, a change over a decade can be noticed on the background of emergence of governments in some states belonging to the parties other than the congress party.

On the basis of percentage of tax revenue in the total tax revenue of the states, hierarchy of states in descending order is shown in Table 3.7.

Perusal of Table 3.7 reveals that in 1975-76, Tripura with 11.40 percent was top ranking while Punjab ranked the lowest with just 0.63 percent tax significance of land revenue. As against this, in 1985-86 West Bengal with 6.42 percent was at the top and Nagaland with 0.08 percent at the bottom.

Table 3.6

Statewise percentage of land revenue in relation to total revenue and tax revenue.

State	Particulars	(Rs. in Crores)		
		1951-52	1965-66	1975-76
Andhra Pradesh	1 Total Revenue	29.58	146.32	652.19
	2 Tax Revenue	20.90	91.26	453.59
	3 Land Revenue	4.82	14.12	48.47
	2 Tax Revenue	6.36	60.63	323.38
	3 Land Revenue	1.31	5.57	7.09
Karnataka	4 3 as % of 1	9.42	5.37	1.38
	5 3 as % of 2	20.60	9.19	2.19
				1,384.10
Kerala	1 Total Revenue	17.24	80.40	351.55
	2 Tax Revenue	8.70	50.16	221.40
	3 Land Revenue	0.71	2.65	3.50
	4 3 as % of 1	4.12	3.30	1.00
	5 3 as % of 2	8.16	5.28	1.58
Madhya Pradesh	1 Total Revenue	33.49	117.60	546.78
	2 Tax Revenue	22.18	68.23	352.96
	3 Land Revenue	6.92	7.00	25.01
	4 3 as % of 1	20.66	5.95	4.57
	5 3 as % of 2	31.20	10.26	7.09
				1,156.30
				873.10
				6.19
				0.54
				0.71
				2,357.07
				1,356.80
				18.19
				0.77
				1.34

(Table Contd.)

State	Particulars	1951-52	1965-66	1975-76	1985-86
Maharashtra	1 Total Revenue	61.52	221.47	1,049.38	3,817.14
	2 Tax Revenue	44.58	153.01	747.49	2,586.62
	3 Land Revenue	6.14	5.58	15.64	25.50
	4 3 as % of 1	9.98	2.52	1.49	0.61
	5 3 as % of 2	13.77	3.65	2.09	0.99
<hr/>					
	1 Total Revenue		36.49	153.79	
	5 3 as % of 2		3.17	0.25	
<hr/>					
Tamil-Nadu	1 Total Revenue	58.09	162.64	563.36	2,368.47
	2 Tax Revenue	44.89	103.87	441.47	1,890.34
	3 Land Revenue	5.64	6.76	11.53	21.26
	4 3 as % of 1	9.71	4.16	2.05	0.90
	5 3 as % of 2	12.56	6.51	2.61	1.12
<hr/>					
Tripura	1 Total Revenue			35.63	230.61
	2 Tax Revenue			6.23	69.54
	3 Land Revenue			0.71	0.19
	4 3 as % of 1			1.99	0.08
	5 3 as % of 2			11.40	0.27

(Table Contd.)

State	Particulars	1951-52	1965-66	1975-76	1985-86
Uttar Pradesh	1 Total Revenue	51.39	224.23	951.06	3,429.24
	2 Tax Revenue	36.74	132.55	650.21	2,289.61
	3 Land Revenue	7.58	24.10	40.37	35.24
	4 3 as % of 1	14.75	10.75	4.24	1.03
	5 3 as % of 2	20.63	18.18	6.21	1.54
West Bengal	1 Total Revenue	38.05	167.00	562.35	2,197.23
	2 Tax Revenue	30.35	118.53	415.11	1,608.22
	3 Land Revenue	2.10	7.02	10.96	103.29
	4 3 as % of 1	5.52	4.20	1.95	4.70
	5 3 as % of 2	6.92	5.92	2.64	6.42
All India Level	1 Total Revenue	396.40	1,850.20	7,938.16	31,356.00
	2 Tax Revenue	281.05	1,117.75	5,145.29	20,339.49
	3 Land Revenue	48.00	111.93	229.74	353.33
	4 3 as % of 1	12.11	6.05	2.89	1.74
	5 3 as % of 2	17.08	10.01	4.46	1.13

Note : Figures for the year 1951-52 relate to Part A and Part B States and proper adjustments have been made while retaining the present names of the states in the Table.

Source: Compiled from various issue of Reserve Bank of India Bulletin.



Table 3.7

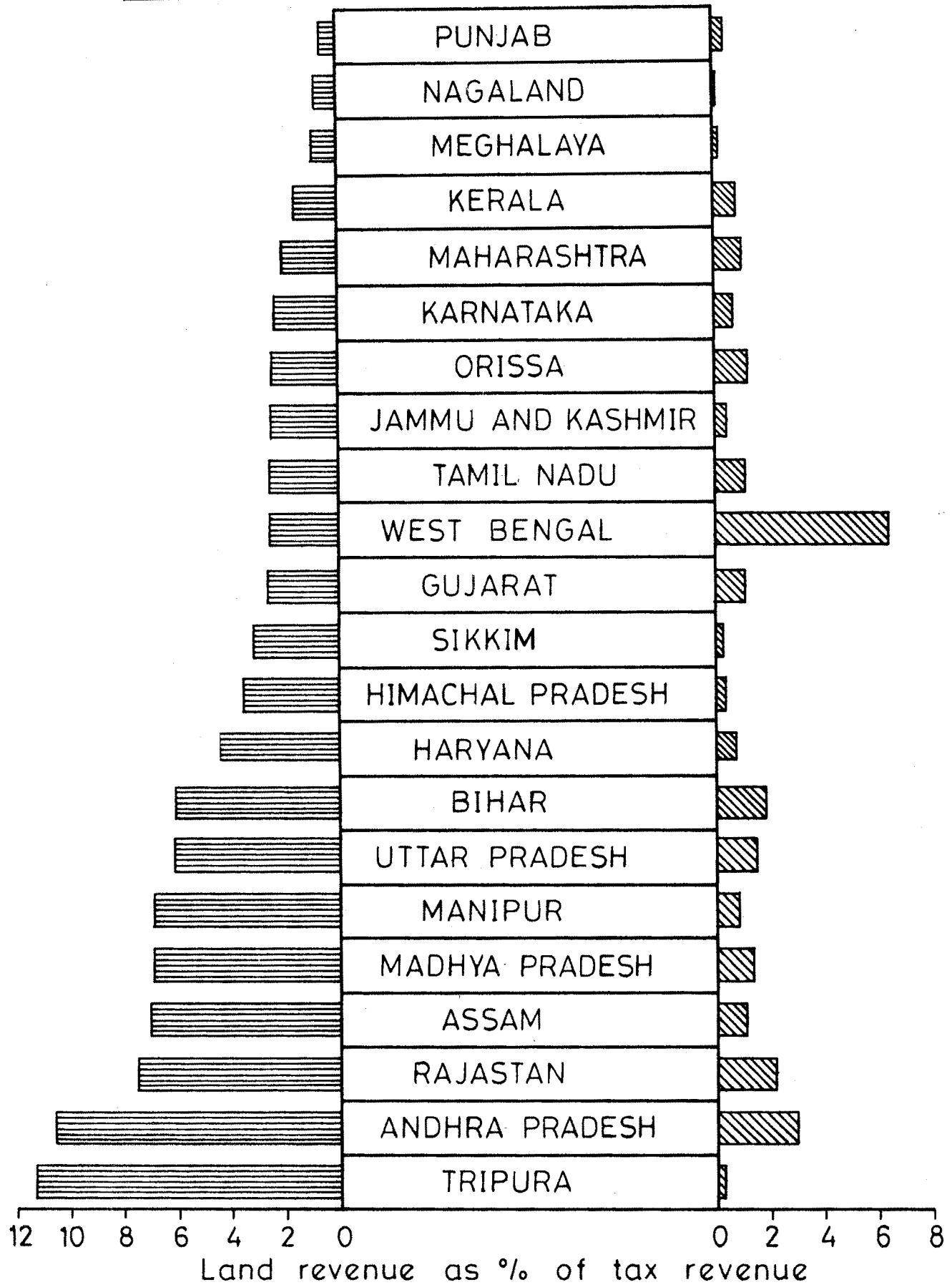
Hierarchy of states relative to tax effort on land revenue

State	1975-76		1985-86	
	Land Rev. as % of tax rev.	Rank	Land Rev. as % of tax rev.	Rank
1. Tripura	11.40	1	0.27	19
2. Andhra Pradesh	10.69	2	2.95	2
3. Rajasthan	7.61	3	2.24	3
4. Assam	7.11	4	1.07	9
5. Madhya Pradesh	7.09	5	1.34	6
6. Manipur	7.01	6	0.78	12
7. Uttar Pradesh	6.21	7	1.54	5
8. Bihar	6.19	8	1.81	4
9. Haryana	4.53	9	0.73	13
10. Himachal Pradesh	3.56	10	0.32	18
11. Sikkim	3.17	11	0.25	20
12. Gujarat	2.72	12	1.06	10
13. West Bengal	2.64	13	6.42	1
14. Tamil Nadu	2.61	14	1.12	8
15. Jammu and Kashmir	2.57	15	0.40	17
16. Orissa	2.46	16	1.23	7
17. Karnataka	2.19	17	0.65	15
18. Maharashtra	2.09	18	0.99	11
19. Kerala	1.58	19	0.71	14
20. Meghalaya	0.98	20	0.16	21
21. Nagaland	0.80	21	0.08	22
22. Punjab	0.63	22	0.41	16

Source : Compiled from Table 3.6.

1975 - 76

1985 - 86



HIERARCHY OF STATES RELATIVE TO TAX EFFORTS ON LAND REVENUE .

Rankings of the states in 1985-86 was much different from those in 1975-76. Only Andhra Pradesh and Rajasthan could retain their second and third positions respectively. Tripura, occupying the first position earlier, was pushed down to 19th position whereas West Bengal rose to the top place from its thirteenth place earlier.

The states that ranked lower in 1985-86 compared to 1975-76 were : Tripura, Assam, Madhya Pradesh, Manipur, Haryana, Himachal Pradesh, Sikkim, Jammu & Kashmir, Meghalaya and Nagaland. It suggests very broadly that these states laboured relatively less than others in imposing and collecting land revenue to finance their developmental activities. Here, excepting Haryana and Himachal Pradesh, rest of the states were agriculturally less developed. States of the eastern hilly region were less concerned with land revenue enhancement.

On the other hand, the following states improved their ranks in 1985-86 vis-a-vis 1975-76 : Uttar Pradesh, Bihar, Gujarat West Bengal, Tamil Nadu, Orissa, Karnataka, Kerala, Maharashtra and Punjab. These states are, excepting Bihar and Orissa, agriculturally better placed. These states were ruled by various political parties. Here, mere improvement of rank, however, did not imply better tax efforts because, except west Bengal and Orissa, no other state improved its placed significantly. West Bengal jumped from 13th place to the first and Orissa from 16th to 7th. Maharashtra improved from 18th place to 11th. These states alone

have been a little more active than others in exploiting land revenue source. Surprisingly, agriculturally most developed state, Punjab, was almost hand-folded in tapping a part of the affluence of its farmers through raising land revenue. It collected in 1985-86 less than one-half percent of its tax proceeds from land revenue.

3.14 CONCLUSION

Land revenue through the planning period has lost its revenue potential for financing the developmental activities of the states. This has been brought out in the context of proportion of land revenue to the aggregate revenue as well as tax revenue. Here, increasing trend prevailed till the mid-second plan thereafter giving way to downtrend. In case of the ratio of land revenue to the GNP and agricultural income, uptrend was seen till the end of third plan and beyond that downtrend was visible. Revenue account developmental significance was satisfactory only during the First Plan. Capital account developmental significance in general was satisfactory in the First Plan only whereas that relating to agricultural expenditure upto end Fourth Plan. Land revenue per hectare and per capita registered an uptrend over the time series.

Performance of the states severally was not upto the mark except that of West Bengal and Orissa. Successive reduction in the proportion of land revenue in total tax receipts is a clear

indication of the states disinclination to exploit this source much more in spite of improved agricultural incomes and eventhough the states are longing for more and more resources for developmental purposes.