1. This issue was discussed by the Revenue Commission of Punjab in several of its meetings. The Commission has examined the previous records of the government notings and has also looked into recent data pertaining to ownership and operational holdings in Punjab available from NSSO (National Sample Survey Organisation) Report No. 571 (2013) Government of India. While discussing this issue the objective of making farming in Punjab viable and profitable was also kept in view.

2. The substantive provisions regarding recovery of dues of various Cooperative Societies and Cooperative Banks including attachment and sale of Immovable Property are part of The Punjab Land Revenue Act, 1887 and The Revenue Recovery Act, 1890. While The Punjab Land Revenue Act, 1887 pertains essentially to the recovery of land revenue and cesses, etc. The Revenue Recovery Act, 1890 relates to the recovery of other dues, which under their respective statutes are liable to be recovered as arrear of land revenue. These are generally Government taxes, cesses and statutory fees etc. which are liable to be recovered as arrear of land revenue under respective statutes. These are taxes including GST, Income Tax, Central Excise, State Excise, Cesses and fees like Rural Development Fee, Infrastructure Cess, Marketing Fee, etc. These are liable to be recovered as arrear of land revenue. In most of cases, the cesses, fees and taxes etc. are collected by the intermediary agencies and a farmer does not directly come in the picture. In the State, the agricultural income is not subject to income tax. At present land revenue is also not collected by the State from agricultural land.

3. Over a period of time there has developed a complexity in the land ownership and operation of land under cultivation. There are a large number of land owners who have moved out of cultivation and are engaged in occupations other than farming. The persons in non-agricultural occupations have also
purchased agricultural land. Such persons who have shifted from farming to other occupations are engaged in a variety of economic activities such as commission agents, real estate dealers, owners/dealers of companies, employees of the State Government and private enterprises or wage workers in industry and business. A large number of them continue to own agricultural land inherited or purchased by them. This has led to interlocking of agricultural activities and non-agricultural activities. The non-agriculturalists owning land can borrow from Cooperative Societies and Cooperative Bank and use the loan for non-agricultural purposes such as money lending, real estate business, grocery shop or host of other purposes. The number of non-agriculturists owning land in Punjab was 18,22,600 (70.81%) out of the total owners of 25,73,700 in 2012-13 (National Sample Survey Organization (2013) Report No. 571 Household and Operational Holdings in India, Government of India, New Delhi). The relevant data is appended as Appendix-A. Many non-agriculturists take advantage of agricultural land to claim income tax benefits. By showing huge income from agriculture, they also convert their unaccounted income into earned income. There are many individuals who have borrowed from Cooperative Societies and Cooperative Bank and have tendency to be wilful defaulters. The omission of Sections 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76 and 77 of The Punjab Land Revenue Act, 1887 will in fact be beneficial to the non-agriculturists than it would benefit the farming community which constitutes 29.19 percent of the total land owners in the State.

4. The omission of the above mentioned provisions from the Land Revenue Act, 1887 would make it difficult for the Governments to collect Taxes, Cesses and Fees. This will render the routine administration ineffective and delivery of welfare schemes to the society will be less efficient and developmental intervention impossible. Besides, the provisions facilitate the Government and many Public Sector Organisations to make recoveries of its dues from the defaulters. General experience has shown that coercive measures and methods to effect due recoveries are seldom invoked and are more in the nature of a deterrent. In case the provisions relating to recoveries of dues as arrears of land revenue are omitted, it would encourage the wilful defaulters not to pay. Moreover, in case the said provisions are omitted there would be
no other method to effect recoveries of due amounts by the financial institutions. It also needs to be mentioned that other dues amounts like maintenance, motor accident claims where a vehicle involved in an accident is not insured, recoveries in pursuance of decree of a Court, fines imposed by a Court in criminal proceedings, customs duty and other similar dues are also effected in accordance with the procedure provided for recovery as arrears of land revenue.

5. (a) The omission of Sections 65-77 of the Punjab Revenue Act, 1887 will go against the farmers' interests. The lack of recovery of dues by Cooperative Societies and Cooperative Bank will lead to liquidity crunch with the lending institutions. Due to liquidity crunch the Cooperative Societies and Cooperative Bank will not provide crop loans to the farmers. The farmers will not be able to access institutional loans and will fall prey to the money lenders charging very high interest rate. Already those farmers who do not pay their dues on time become ineligible for crop loans.

(b) The non-recovery of loans will make financial institutions weak leading to loss of investment in agriculture which is essential to promote diversification and increase in productivity in agriculture.

(c) Agricultural finance is critical for normal operations of modern and commercial agriculture which Punjab has achieved after efforts of several decades. The agriculture of the State has reached a plateau and needs a big push in the investment activities to make Punjab farmers viable and agriculture a profitable activity. For achievement of this objective, agricultural finance has to be provided in adequate quantity and at an appropriate time. This can be provided by a healthy and vibrant financial system. The omission of Sections 65-77 of The Punjab Land Revenue Act, 1887 would lead to collapse of the system of agricultural finance and will dash to ground the hopes of making farmers viable, and agriculture profitable.

(d) In order to promote investments for economic development and ensure inclusive growth, the Government of India has been trying to improve the health of the commercial Banks which are facing Non Performing Assets (NPAs) at a very high rate. As a measure to check the growing NPAs, the Banks in the country have been empowered to recover their dues through Loan Recovery Tribunals. In this respect Sections 65-77 provide a
mechanism for recovery of all kinds of dues whether they belong to Tax, Cess, Fee etc. recovery or loan recovery and various others as mentioned above. These provisions are needed to avoid the growing phenomenon of wilful defaulters of loans of financial institutions.

6. In view of the prevailing agrarian distress especially amongst small and marginal farmers (cultivating up to 5 acres of land), it needs to be ensured that these provisions are not applied mechanically and in a harsh manner to such categories of the farming community.

(a) As a welfare measure administrative instructions need to be issued to the concerned officials that under normal conditions small and marginal farmers be exempted from the recovery of dues under the provision of sections 65-77 of The Punjab Land Revenue Act, 1887.

(b) To encourage the distressed farmers to repay their loans and improve their banking habit, these farmers be advanced fresh loans at zero interest rate in case they pay their dues on time. The difference between the prevailing interest rate charged by Banks/ Cooperative Societies and zero interest rate charged from the small and marginal farmers be paid by the state during transitional phase till the farming of such farmers become viable. This can be treated as a welfare measure for distressed category of farmers till farming become viable and agriculture profitable.

The Commission, therefore, recommends that the provisions relating the recovery of arrears of Land Revenue as contained in The Punjab Land Revenue Act, 1887 be not omitted.

Member Secretary, Revenue Commission