

Permanent Settlement

The **Permanent Settlement**, also known as the **Permanent Settlement of Bengal**, was an agreement between the East India Company and Bengali landlords to fix revenues to be raised from land, with far-reaching consequences for both agricultural methods and productivity in the entire British Empire and the political realities of the Indian countryside. It was concluded in 1793 by the Company administration headed by Charles, Earl Cornwallis, also known as Lord Cornwallis.^[1] It formed one part of a larger body of legislation enacted, known as the Cornwallis Code. The Cornwallis Code of 1793 divided the East India Company's service personnel into three branches: revenue, judicial, and commercial. Revenues were collected by zamindars, native Indians who were treated as the landowners. This division created an Indian landed class that supported British authority.^[4]

The Permanent Settlement was introduced first in Bengal and Bihar, and then in the south district of Madras and Varanasi. The system eventually spread all over northern India by a series of regulations dated 1 May 1793. These regulations remained in place until the Charter Act of 1833^[1] The other two systems prevalent in India were The Ryotwari System and The Mahalwari System

Contents

Background

Overview

Influence

References

Further reading

Background

Earlier *zamindars* in Bengal, Bihar and Odisha had been functionaries who held the right to collect revenue on behalf of the Mughal emperor and his representative, the *diwan*, in Bengal. The diwan supervised the zamindars to ensure they were neither lax nor overly stringent. When the East India Company was awarded the diwani or overlordship of Bengal by the empire following the Battle of Buxar in 1764, it found itself short of trained administrators, especially those familiar with local custom and law. As a result, landholders were unsupervised or reported to corrupt and indolent officials. The result was that revenues were extracted without regard for future income or local welfare.

Following the devastating famine of 1770, which was partially caused by this shortsightedness, Company officials in Calcutta better understood the importance of oversight of revenue officials. They failed to consider the question of incentivisation; hence Warren Hastings, then governor-general, introduced a system of five-yearly inspections and temporary tax farmers.

Many appointed as tax farmers absconded with as much revenue as they could during the time period between inspections. The British Parliament took note of the disastrous consequences of the system, and in 1784, British Prime Minister William Pitt the Younger directed the Calcutta administration to alter it immediately. In 1786 Charles Cornwallis was sent out to India to reform the company's practices.

In 1786, the East India Company Court of Directors first proposed a permanent settlement for Bengal, changing the policy then being followed by Calcutta, which was attempting to increase taxation of *zamindars*. Between 1786 and 1790, the new Governor-General Lord Cornwallis and Sir John Shore (later Governor-General) entered a heated debate over whether or not to introduce a permanent settlement with the *zamindars*. Shore argued that the native *zamindars* would not trust the permanent settlement to be permanent and that it would take time before they realised it was genuine.

Cornwallis believed that they would immediately accept it and so begin investing in improving their land. In 1790, the Court of Directors issued a ten-year (decennial) settlement to the *zamindars*, which was made permanent in 1793.

By the Permanent Settlement Act of 1793, their power of keeping the armed forces were taken back. They remained just the tax collectors of the land. They were considerably weakened as they were now banned from holding any court, as it was brought under the supervision of collector appointed by the company. British officials believed that investing in the land would improve the economy.

They did not want to take direct control of local administration in villages for several reasons. They did not want to annoy those people who had traditionally enjoyed power and prestige in the village. To keep powerful people happy and collect better revenue, Cornwallis introduced the Permanent Settlement. As per permanent system, *rajas* and *taluqdars* were recognised as *zamindars*, who were supposed to collect the land revenue from the peasants.

The rate of revenue was never to be increased. The company officials believed that would give some motivation for land to be invested in, as *zamindars* would be assured of long-term returns of continuous flow of revenue.

Also was created a new social class of land owning *gentry* in Bengal and Bihar loyal to the British.

Overview

The question of incentivisation now being understood to be central, the security of tenure of landlords was guaranteed. In short, the former landholders and revenue intermediaries were granted proprietary rights (effective ownership) to the land they held. In addition, the land tax was fixed in perpetuity to minimise the tendency by British administrators to amass a small fortune in sluiced-away revenue. Smallholders were no longer permitted to sell their land, but they could not be expropriated by their new landlords.

Incentivization of zamindars was intended to encourage improvements of the land, such as drainage, irrigation and the construction of roads and bridges; such infrastructure had been insufficient through much of Bengal. With a fixed land tax, zamindars could securely invest in increasing their income without any fear of having the increase taxed away by the Company. Cornwallis made the motivation quite clear by declaring that "when the demand of government is fixed, an opportunity is afforded to the landholder of increasing his profits, by the improvement of his lands". The British had in mind "improving landlords" in their own country, such as *Coke of Norfolk*

The Court of Directors also hoped to guarantee the company's income, which was constantly plagued by defaulting zamindars who fell into arrears, making it impossible for them to budget their spending accurately

The immediate consequence of the Permanent Settlement was both very sudden and dramatic, one that nobody had apparently foreseen. By ensuring that zamindars' lands were held in perpetuity and with a fixed tax burden, they became desirable commodities. In addition, the government tax demand was inflexible, and the British East India Company's collectors refused to make allowances for times of drought, flood or other natural disaster. The tax demand was higher than that in England at the time. As a result, many zamindars immediately fell into arrears.

The Company's policy of auction of any zamindari lands deemed to be in arrears created a market for land that previously did not exist. Many of the new purchasers of this land were Indian officials within the East India Company's government. The bureaucrats were ideally placed to purchase lands which they knew to be underassessed and therefore profitable. In addition, their position as officials gave them opportunity to acquire the wealth necessary to purchase land quickly through bribery and corruption. They could also manipulate the system to bring to sale land that they specifically wanted.

Historian Bernard S. Cohn and others have argued that the Permanent Settlement led to a commercialisation of land, which previously did not exist in Bengal and, as a consequence, it led to a change in the social background of the ruling class from "lineages and local chiefs" to "under civil servants and their descendants, and to merchants and bankers".

The new landlords were different in their outlook; "often they were absentee landlords who managed their land through managers and who had little attachment to their land"^[2]

Influence

The Company hoped that the Zamindar class would not only be a revenue-generating instrument but also serve as intermediaries for the more political aspects of their rule, preserving local custom and protecting rural life from the possibly rapacious influences of its own representatives. However, it worked both ways, as zamindars became a naturally conservative interest group. Once British policy in the mid-19th century changed to one of reform and intervention in custom, the zamindars were vocal in their opposition. The zamindars were adamant for it. The Permanent Settlement had the features that state demand was fixed at 89% of the rent and 11% was to be retained by the zamindar. The state demand could not be increased but payment should be made on the due date, before sunset, so it was also known as the 'Sunset Law'. Failure to pay led to the sale of land to the highest bidder

While the worst of the tax-farming excesses were countered by the introduction of the Settlement, the use of land was not part of the agreement. There was a tendency of Company officials and Indian landlords to force their tenants into plantation-style farming of cash crops like indigo and cotton rather than rice and wheat. That was a cause of many of the worst famines of the nineteenth century. In addition, zamindars eventually became absentee landlords, with all that that implied for neglect of investment on the land.

Once the salient features of the Settlement were reproduced all over India, and indeed elsewhere in the Empire, including Kenya, the political structure was altered forever. The landlord class held much greater power than they had under the Mughals, who subjected them to oversight by a trained bureaucracy with the power to attenuate their tenure. The power of the landlord caste/class over smallholders was not diluted in India until the first efforts towards land reform in the 1950s, still incomplete everywhere except West Bengal.

In Pakistan, where land reform was never carried out, elections in rural areas still suffer from a tendency towards oligarchy reflecting the concentration of influence in the hands of zamindar families. This is because once Pakistan became separated from India, and the two began to fight over Kashmir, the goal of the government was revenue extraction instead of devotion to agriculture and infrastructure. As a result, the central leadership skewed the relationship between the elected and non-elected institutions of the state.^[3]

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