CHAPTER - IV
GOPINATH BORDOLOI AND ECONOMIC ISSUES OF ASSAM
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1) A- BORDOLOI AND FINANCIAL PROBLEMS (PRE INDEPENDENCE):

Gopinath Bordoloi can be called the architect of modern Assam because of his immense contribution towards the socio economic reconstruction of Assam during his tenure as Premier, at a turbulent period of the history of the province. He was acutely aware of the complex social, economic and political problems which kept the people of Assam trapped for centuries in poverty, ignorance and despair. He was aware that though Assam was a land richly endowed with natural resources, the people and the state were poor and suffered greatly. He was a leader who understood that the aspirations of the people for peace, social justice could only be brought about by economic upliftment. For this purpose his Ministry initiated a number of schemes to re-construct Assam's socio-economic life.

Colonial rule in Assam brought about a remarkable change in the economy of Assam leading to the establishment of a modern economy based on capitalist principles because of the development of tea plantation, saw mills, plywood and coal mining which led to the development of modern industrial sector.1 Colonial rule also brought about the development of a modern transport and communication system with the development of river, railway and road transport services besides postal and telegraph services.

"......Introduction of western education, missionary activities and industrialization, all combined to transform the region. But this transformation resulted in the 'development of under development' where enclaves of prosperity were created amidst a generally stagnant economy."2

2. Dr. Priyam Goswami (ed) Changing Patterns of Economy and Society, Guwahati, 2007, Preface
Agriculture, in which about 85 percent of the people were engaged, was more or less unaffected by the activities of the modern sector. A century and two decade of British rule in Assam led to the development of a colonial pattern of dual economy — "a small island like modern sector and huge traditional subsistence sector existing side by side."³

"Though the Government of India Act 1935 envisaged greater, if still limited freedom from British control .............. no radical change was made in the division of sources of revenue and power of taxation between the centre and provinces."⁴

The revenues specially the tax revenues in the provinces remained relatively static. "Between 1921-1922 and 1936-1937 provincial tax revenues actually fell by 8% while Central tax revenues went up by 18%."⁵ The Congress Ministries, which were formed in many provinces after 1937 and remained till 1939, took office during a period of widespread economic distress and public agitation to reduce rates of land revenue.⁶ This was a severe break on their spending powers since land revenue continued to be the main provincial tax till the outbreak of war. Thus Fakhruddin Ali Ahmed, in presenting the Budget Speech of March, 1939, as the Finance Minister remarked:

"With the mentality unchanged, the old habits and the practice of subordinating the interest of the people and of the provinces to those of vested interests and needs of the Empire continuing, it is impossible for the Government of the provinces to function with dignity and self respect under an irresponsible but increasingly active Central Government ................. While the political situation is so disquieting, the economic condition of the province is far from satisfactory."⁷

3. Dr. A.K. Alam, op. cit., p.2
5. ibid
6. ibid
7. ASA, Fakhruddin A. Ahmed, Budget Speech, Assam Gazette 1939, Part I, p. 49
Bordoloi's Ministry resigned in September 1939 and came back to power in February 1946, but the economic condition in the province was no better. While presenting the Budget in 1948 the Finance Minister, B. Medhi, analysed the causes of Assam's under development and economic stagnation:

"Assam had to remain undeveloped not on account of her fault but on account of the financial difficulties which confronted her ever since 1921, due to the iniquitous and unjust financial adjustment which the two installments of Reforms brought in their wake, without allotting to her sufficient extra source of revenue even to meet the additional expenditure necessary to maintain the top-heavy administration. During the last 27 years all social and developmental activities had to be starved in an attempt to balance the budget and as a result the social and economic standards of the Province had to remain where they were and the disparity between these standards and comparable standards in other provinces widened."  

This was the deplorable financial condition of the province when the Congress Ministry of Bordoloi came to power. Expenditure on all development activities had to be restricted in order to maintain a balance in the Budget. In the pre-independence period, instead of growth there was stagnation in the economy of Assam. Bordoloi realized that the British rule had ruined the province economically, politically and culturally.

As Chief Minister he understood the intricate problems of Assam which were retarding its socio economic growth. He believed that Assam's problems could be successfully tackled only by the people of Assam working in an atmosphere of national unity and Center-State and Inter-State co-operation. The infrastructure in Assam that he strove to develop was designed to draw upon the national economy for building Assam and to contribute also to the national wealth which again would create further potential for prosperity and security.

8. ASA, Bishnuram Medhi, Budget Speech, Assam Gazette, 1948, p. 47
Economic Reforms of Bordoloi’s Government

Bordoloi’s Ministry, immediately after assuming office in September 1938 took up measures to improve the socio economic condition of the people.

Positive schemes were taken to eradicate opium eating by enforcing total prohibition of opium in two subdivisions of Dibrugarh and Sibsagar from 15 April, 1939. His Ministry also decided on reduction of all ration of opium elsewhere with the object of stamping out the habit completely within two years. In his Budget Speech (March 1939), F.A. Ahmed the Finance Minister stated:

"The loss in revenue estimated from the opium prohibition experiment is about 5 lakhs. The *modus operandi* of the prohibition schemes for intensive activity in a particular area would involve the maintenance of a treatment or Medical Department by Government on the one hand and a Vigilance Department on the other. To this must be added the creation of an atmosphere conducive to the abolition of the habit among the people by the adoption of a vigorous propaganda within the area concerned. This whole process within the specified area is estimated to involve the province in an expenditure of about one and a quarter lakh rupees ............... We feel we are justified in sacrificing so much revenue if we can endure that what we may lose in revenue we shall more than make up in making the life better, happier and healthier for our people."9

To reduce the burden of the poor farmers who formed more that 85% of the total population, the Government decided on reduction of land revenue, restoration of lands confiscated by the Government for failure to pay revenue due to poverty, restriction of immigration into Assam and safeguarding the interest of the indigenous people.10 But the most important of the measures adopted by the Ministry were

the new taxation measures and the most important of the taxation measures was the Assam Agricultural Income Tax Bill.\textsuperscript{11} The Finance Minister introduced this Bill in the Legislative Assembly and got it passed in due course in a joint session of both the Houses, convened on 4 August 1939, despite vehement opposition from the European and Indian planters.\textsuperscript{12} The Act envisaged a tax on the profits of the tea industry and thus became very unpopular among the European representatives in the Assembly. The Act benefited the exchequer by about Rs. 40 lakhs during the extant financial year.

Under the Government of India Act 1935 the Congress Government formed in September, 1939, explored all possible ways to enhance the deplorable financial condition and introduced five new taxes to balance the budget. The policy inspiring the taxation measures was one of taxing the haves for the benefit of the have-nots. Fakhruddin Ali Ahmed while presenting the Budget Speech gave information about the new taxes:

"\textit{We therefore propose to bring in five taxation measures immediately}:

\begin{enumerate}
\item Tax on Agricultural Income.
\item Tax on Amusement and Betting.
\item Tax on motor Vehicles and Lubricants.
\item Tax on sales of goods.
\item Tax on professions, calling, trades and employment.
\end{enumerate}

The levy of a tax on agricultural produce is estimated to bring a revenue of about Rs. 25 lakhs. The major portion of the tax will fall on the tea industry ..... The spread of education, the progress of trade and commerce, industrialization, rural development all of them depend to a large extent on facilities of communication. We propose therefore, to give consideration to the provision for improvement of rural roads out of this income ...."\textsuperscript{13}

\begin{footnotes}
\item\textsuperscript{11} ibid
\item\textsuperscript{12} PHA, Vol II, p. 360
\item\textsuperscript{13} ASA, Fakhruddin A. Ahmed, Budget Speech, March 1939 Assam Gazette Parti, p. 64
\end{footnotes}
Assam was the first state in India to introduce Agricultural Income Tax. Soon after becoming the Premier, Bordoloi announced that the salary of the Ministers would be reduced to Rs. 500/ per month, setting an example of austere living. The salaries of Ministers fixed by Assam Act-IV of 1937 is too high in our opinion for a poor province like Assam and the Members of the present Council of Ministers are ready to work at a much lower rate at which Ministers of many other provinces are working.

The money saved was to be devoted to relieve distress in flood stricken areas and also for furthering the cause of education in tribal and backward areas.

The land revenue in the areas affected by flood was remitted and reduced. The expenditure on the administration was reduced by making a 10% cut in the travelling allowances of Ministers and Officials. Expenditure on less useful public works was restricted and the Police Budget was curtailed.

The proposals and schemes of Bordoloi Government were based on the principles of mitigating the burden of the peasants, giving relief to the poor classes and promoting such useful and progressive objects as would be conducive in raising the social and material level of the people. The reduction of land revenue to the extent of 50% on smaller holdings and 20 to 30% on larger holdings during 1938-39 was a great relief for the farmers because the province was affected by severe floods during the previous year. This also brought great relief to the poor peasants who were burdened with debts and were often compelled to sell their land to redeem these debts. But the Government would lose 53 lakhs of rupees because of the reduction of land revenue which had to be compensated by imposition of new taxes.

14. ASA, G. Bordoloi, Assam Minister's Salary Bill, 1938, ALAP, Vol IV, p. 950
15. PHA, Vol II, p.359
16. Asomiya, 4 November, 1939
b) Bordoloi and Financial Problems of Assam (post independence)

In the post independence period, the constructive programmes of Bordoloi’s Government could not be pursued to the full extent due to the acute financial crises which the state faced. Infact, even under colonial rule the problem had persisted, as is evident from Medhi’s Budget Speech, 1948:

"Assam’s claim for financial justice was recognized even in the British White Paper which stated that some of the existing provinces, notably Assam, were likely to need assistance for a time and that Assam needed an assured increase in its revenue"\(^{17}\) Sir Otto Niemar in his Financial Report stated that "Assam being a deficit Province must receive assistance".\(^{18}\) But Niemar Award was disappointing as unfortunately Assam’s deficit was reduced to 47 lakhs on the basis of single year’s budget for 1935-36 which made no allowance for the progressive cost of social service and development projects.\(^{19}\)

The economy of Assam after independence could not throw off the shackles of the foreign capital. The revenue collected could not support the financial programmes of the state. Most of the head offices of companies were situated outside Assam, so the Government lost a large amount of revenue. The Government of Assam submitted a memorandum, where the following was pointed out:

"......The Centre raises in the shape of Excise duty (on tea –5.68 crores; petrol -1.44 crores; kerosene - 24 lakhs; tobacco – 7 lakhs and income tax -1.43 crores) about rupees 10 crores a year, while the Provincial Government derives about Rupees 132 lakhs (6.4 lakhs as royalty from mines, 16 lakhs as land revenue from gardens, plus 39 lakhs by agricultural income, plus 68 lakhs as share of central income tax and jute

\(^{17}\) Bishnuram Medhi, Budget Speech, 11 March, 1948, ALA Debates, p. 48, ASA

\(^{18}\) Indian Financial Enquiry Report, 1930, p.17, NAI

\(^{19}\) ASA, Bishnuram Medhi, Budget Speech, op-cit.
export duty) only from the same tax based either as a share of the central pool or independently."20

Assam was given only a sum of Rupees 30 lakhs as a central subvention. As a result of such financial constraints, the Provincial Government, had to proceed in a precarious manner. Another disappointing feature was that in calculating Assam’s share of income tax; the Central Government did not take into account the fact that a large part of income earned in Assam had been assessed for income tax purposes outside the Province and thus reduced the share of Assam.21 In his Address to the Members of Legislative Assembly in November 1948, the Governor remarked on the great effort which the Government was making to obtain for Assam a fairer deal in matters of finance from the Central Government:

"The Government of Assam have, since the transfer of Power, unquestionably the same ideology as that of the National Government of India ....... to improve the standard of life of the common man and women; to give them a healthier and happy life ........... that is the ultimate purpose of all Reconstruction. But it is not possible to achieve these ends without money, and all that we are asking is that a good share of the revenue derived from the expenditure of Assam’s natural assets which are being diminished ........."22

The members of Assam to the Constituent Assembly were very much concerned about the economic backwardness of Assam. The Indian Statutory Commission in its Report admitted that of all the Governor’s provinces "Assam is the least developed."23

During 1948-49, Bordoloi explained the financial position of the province

21. Ibid.
22. ASA, Address by the Governor, 5 November ALA, Proceedings, 1948, p. 1485
of Assam in the Constituent Assembly and pleaded for a high percentage of share of the profits of Assam's natural resources and an adequate recurring financial help. During his discussions with his friends in Jorhat Jail he was of opinion that — "the right of the Centre to such taxation should not extend to income derived from natural and mineral resources, the financial control of which should rest in the province."24 The Draft Article 253 (Article 272 of the final draft) provided that proceeds of Union Duties (other than duties on medical and toilet preparation) might be shared with States if Parliament enacted laws to that effect.25 Bordoloi proposed that seventy-five per cent or similar high percentage of excise duties on petroleum and Kerosene produced in the State should be assigned to the State.26

There were quite a few supporters of Bordoloi on this issue, but the Draft Committee of the Central Council did not accept these proposals. But Bordoloi remained adamant. He argued that sixty-two and half percent of export duty on jute and jute products should be paid back to the states producing them. He also demanded that seventy-five or more percent of export duty on tea should be paid back to the producing states. But Bordoloi's proposals were rejected on the ground of the necessity of maintaining a status quo in the distribution of revenue.27

In spite of being rich in minerals, tea, jute and forest recourses, Assam did not benefit from the Constitution of 1950. The Draft Constitution as prepared by the Constituent Assembly on 21 February 1948, gave residuary powers to the Centre, and the regulation and development of mines, oil fields etc. was also made a Central subject. J. J. M. Nichols Roy termed this unbalanced strengthening of the Centre as "the picture of an unbalanced man with a very big head with bony lean limbs."28

Gopinath Bordoloi hoped that the new financial arrangement would improve

24. Minutes of meetings of Bordoloi with colleagues in Jorhat Jail 29 December 1940, Bordoloi Papers, SI No. 1, NMML
27. FIC, Vol-IV, pp. 272-273
28. ASA, Constitution Assembly Debates, Vol-III, p-328
the condition of Assam by providing larger financial resources. But the partition of
the country created manifold problems for the State, in addition to the need for
reconstruction, to offset the damages caused by the Second World War. Regarding
problems in Assam after independence created by partition Bordoloi had remarked
in the Assembly:

"After partition we are cut-off from India, and though most of the linking
work is done under the provisions of Central Grants, a lot of provincial
expenditure had also to be incurred. All the four hundred miles of border
areas verge on Pakistan, China or Burma and the border with Pakistan
runs through hills. The entire economy of these hill areas was disturbed
and these poor people in the border areas, particularly the hill people have
to depend entirely upon supplies .......... from the province of Assam
instead of Sylhet or Mymensing as it formerly used to be. The necessity
therefore of linking the areas with road communications has been very
imperative and Assam Government had to undertake the work.\textsuperscript{29}

The Finance Minister Bishnuram Medhi in presenting the Budget speech of 1949
laid emphasis on this aspect:

"Assam should get weightage for the special difficulties and problems,
political and economic, created by the partition of India ............... The
division of India has not only affected Assam's economy in more than
one aspect but has also created problems beyond the financial resources
of the province to tackle, and any scientific adjustment of the financial
settlement should give due weight to all the changes, some of which have
affected the Centre primarily and others have exerted their influence on
a province like Assam ................... .\textsuperscript{30}

He thus pointed out the urgent need of finance to tackle the enormous problems
facing Assam after partition. But the Central Government paid little heed to the

\textsuperscript{29} CAD, Vol IX, pp 226-27
\textsuperscript{30} ASA, Bishnuram Medhi, Budget Speech, 10 March 1949, Assam Gazette, Vol-I, p.19
miserable condition of the State. Besides this, Communists from Bengal created a lot of unrest in the state in the name of peasant revolution and the Government had to spend a considerable amount of money to fight against communist aggression. Commenting on this problem Bordoloi observed,

"It is a matter of great regret that we have to spend Rs. One crore and twelve lakhs for law and order, but cannot spend that amount for the development of the country. But it must also be understood that under the existing condition, we have to spend the money because we have to safeguard our existence before everything else."31

Bordoloi, while emphasizing the need for enhancement of financial assistance to Assam, argued:

"If we want to root out the evils of communism it can never be done with the police force alone. We have to take recourse to ameliorative measures to raise the standard of living of the people and give them training in some sort of self-government; that can be done only by having a much more per capita expenditure on the people than the province is able to give today from its finance."32

He again stated "I am no less an appreciator of the overriding needs of the Centre, mine is a frontier province and I should realize it more than any other man. But after all Assam is India also, it is a very important part of India today on account of the frontier, and therefore if you wanted that it should function as a province, it should have a level of administration which should at least be able to stand in such a manner as you could keep the people contended."33

Bordoloi was elated when Article 255 (Article 275 of the final draft) provided for special assistance in the form grants in-aid for the administration and development of

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32. CAD, Vol IX, p. 227
33. ibid. p. 228
the tribal areas of Assam. But he pointed out that since the entire state was relatively backward, the quantum of total grant needed to be increased. He suggested that an Expert Committee be set up to assess the amount of grant to be given for the development of the State. Bordoloi felt that if the new schemes of the Centre were to be implanted, Assam would require at least Rs. 800 lakhs instead of Rs. 630 lakh as shown in the Budget of 1949. The matter was placed in a memorandum to the Draft Constitution Committee.

Since Assam could not get more than Rs. 498 lakhs as revenue from general sources, there would be deficit of Rs. 300 lakhs. But the draft Committee paid no heed to the special condition and structure of the State. Bordoloi suggested that the entire financial situation of the State should be judged by a Financial Commission as soon as the Constitution was framed, but this demand was also rejected. The financial arrangements of the Draft Committee depressed Bordoloi so much that he wrote in his diary,

"Today I studied properly the Draft Constitution Financial Arrangement. It is not at all in favour of us. Feeling very bad. Maybe I should resign on this ground. People accept responsibilities for doing work, but what is the value of a post if one is not allowed to work."

In the matter of allocation of revenue between the Union and States, the Drafting Committee proposed practically the same system as was under the Government of India Act 1935, for a period of five years which meant the perpetuation of injustice to an undeveloped province like Assam during that period.

34. FIC, IV, pp. 273-74
36. Bordoloi’s Diary, 25 February, 1948, Nehru Memorial Museum and Library (NMML)
2) Land Revenue Administration of Bordoloi Ministry since February 1946:

The Land Revenue Administration of the Province was in a chaotic condition when the Congress assumed office in February 1946. There was a large and steady increase in population since the war due to the influx of persons from other parts of the country, which led to growth of towns and villages and increase in crime.\(^{37}\) The Grazing Reserves, mostly in char areas were found encroached and occupied by the East Bengal immigrants to the detriment of the graziers and the indigenous people. The Congress Government after assuming office set itself to the task of clearing the grazing reserves of all encroachments and succeeded in removing these and restoring a sense of security and peace in the minds of the graziers and the indigenous people.

But the problem was no less in the tribal inhabited areas. The immigrants trespassed the lands of the tribal people and harassed them in many ways that they were forced to sell their land at a nominal price and move away further towards sub-montane areas. The Government appointed a Special Officer for the tribal areas to enquire into the matter. A legislation was enacted providing for constitution of belts and blocs for the protection of the backward classes. Under this legislation, tribal belts and blocks were constituted in all the plains districts of Assam.

As the food situation in India gradually began to deteriorate, the Government tried to bring the waste land under cultivation. The figures of settlement of waste lands were as follows:\(^{38}\)

(i) De-reservation of Forests: In 1948 an area of 39,240 bighas of land in the Kaki Forest Reserve in Nowgong district was de-reserved and settled with 1707 indigenous landless and flood affected people.

(ii) De-reservation of village Grazing Grounds: An area of 7,617 bighas was thrown open in 1949 and 1950 in different districts and settled with landless and flood-affected people.

\(^{37}\) Assam Secretariat, The Report on Police Administration in Assam for the year 1949, Government of Assam, No HPL 438/50/6, 18 June 1951

\(^{38}\) *ibid* Revenue, Tenancy Branch, Report of the Achievement of the Congress Ministry since it assumed power, File No-RT54/50, p. 2
(iii) Professional Grazing Reserves: 1,08,425 bighas were de-reserved from the year 1946 to 1950 and settled with landless and flood-affected people.

(iv) Co-operative Farming: 1,626 bighas were settled with 3 co-operative farms for cultivation of food crops.

(v) Settlement of land with Military. (Selatung Farm): An area of 1656 bighas in Jowai sub-division had been allotted to the Military authorities for cultivation of food crops.

(vi) Jute cultivation: To encourage jute cultivation an area of 14,000 bighas had been settled for the purpose of jute cultivation.

In addition to above, an area of around 1,90,000 bighas during 1946-48 and an area of 90,000 bighas during 1950 had been settled with landless and flood-affected people.39

Refugees began to pour into Assam after the communal disturbance in East Bengal. These refugees were accommodated either by requisitioning surplus tea grant lands or by making Government waste lands available.

**Land Reforms**

Bordoloi's Government passed a number of legislations to bring necessary institutional changes in the agricultural sector.

1) In 1948 the Assam Adhias Protection and Regulations Act, 1948 was passed with a view towards providing relief to the tenants from exorbitant crop rents levied by the landlords and also to protect them from unlawful ejections. The Act endowed the right of occupation and cultivation of land to any adhia for subsequent years, if during the preceding agricultural years he had cultivated the land under Adhia Rural Programme.40

2) The Government had not disputed the proprietary rights of Zamindars of the permanent settled estates, but the system was not beneficial either to the ryots.

39. ibid
40. ibid
or to the Government. On the other hand, it had resulted in a stagnancy in the land revenue for about a century and a half which had deprived the government of the benefit of higher prices of crops, increase in the value of land, extension of cultivation or growth of towns. So various organizations and representatives of the public had repeatedly appealed to the Government for abolishing the Zamindari system in Goalpara and Cachar districts. The Government also committed itself to the abolition of the system in reply to numerous questions on the subject both on the floor of the Assembly and elsewhere. In order to abolish this inequitable system as a measure of tenancy reform, the Assam State Acquisition of Zamindari Bill was introduced in the Assam Legislative Assembly in 1948, and was subsequently passed in 1949 and sent to the Government of India after which it became an Act in 1951. The Preamble of this important Bill stated:

"Whereas it is expedient to provide for the acquisition by the Crown of the interests of the proprietors and tenure holders and certain other interests in the permanently settled areas and certain other estates in the districts of Goalpara, Garo Hills and Cachar in the province of Assam including their interests in forests, fisheries, hats, bazaars and ferries and minerals."

By this legislation, the Government decided to abolish the existing outmoded Zamindari system and to replace it by a Ryotwari system analogous to that existing in the rest of the Province. The ultimate aim was to acquire all right in agricultural lands, forests, fisheries and minerals including rights held by intermediaries between the state and actual cultivators.

41. ASA, The Assam Gazette, July 28, 1948, Part-V, p. 92
42. ibid
43. ASA, The Assam Gazette, March 9, 1949, Part-V, p. 41
44. ASA, Revenue Tenancy Branch, p. 4
45. ASA, The Assam Gazette, March 9, 1949, Part V, p. 41
46. ASA, Bishnuram Medhi, Budget Speech, 1948, ALA Debates, March 1948
3) While the State Acquisition of Zamindari Bill was pending with the Government of India, the natural wealth of the estates were being wantonly destroyed by zamindars who saw their days numbered. With a view to protect these resources and improving social and economic conditions of the agriculturists, the Government decided to take over management of the estates and accordingly, the Assam State Management of Estates Act, 1949, was passed.47

The objective of the Bill was,

"......for the purpose of improving the economic and social condition of the agriculturists and for ensuring full and efficient use of land for agriculture, and for the improvement, conservation and efficient management of forests, fisheries, hats, bazaars and ferries in the permanently settled and temporarily settled areas of the districts of Goalpara, Garo Hills, Kamrup, Nowgong, Darrang, Sibsagar, Lakhimpur and Cachar in the Province of Assam."48

But this Act could not serve its purpose during Bordoloi’s tenure as Chief Minister because of the delay in its implementation.

The Assam Land Requisition and Acquisition Act 1948 was enacted for maintaining supplies and services essential to the life of the community and for providing proper facilities for accommodation.49 It was subsequently amended in 1949 and 1950 for requisitioning land for the landless, flood affected and displaced persons. Under the provisions of this Act about 29705 bighas of surplus lands of tea grants had been requisitioned and allotted to landless, flood affected and displaced persons.50

Bordoloi’s Government for the first time directed their attention towards removing the disparity of assessment between the ordinary cultivator and the capitalist agriculturist in tea. While the ordinary cultivator had to pay land revenue from Rs. 8/ to

47. ASA, Revenue Tenancy Branch, op.cit. p. 4; Assam Gazette, Part-V, February 1949, p. 17
48. ibid
49. ibid
50. ibid

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Rs 9/- per bigha, the capitalist agriculturists in tea industry held under them revenue free lands of about 4¹/₂ lakh acres since the first half of 19th century. At the instance of the Congress Ministry, the Assam Assessment of Revenue Free Waste Land Grant Act was passed in 1948. To remove the disparity and inequality of assessment between lands under Revenue Free Waste Lands Grants and other lands in the neighbourhood, government held a conference in Shillong on 21 June, 1948 in which there was unanimous agreement that these Revenue Free Waste Land Grants should be assessed to land revenue with effect from 1 April 1948. The Bill was introduced in ALA on 14 September 1948 and subsequently became an Act. By this Act the revenue free waste lands were assessed at a moderate revenue of Re 1/- per acre for 1948-49 and 1949-50 and from 1950-51 and onwards these lands were assessed at a rate equal to similar class of land in the neighbourhood. This assessment brought an additional revenue of about Rs 5 lakhs which was devoted to rural upliftment. Bordoloi’s Government was aware that due to heavy expenditure for relief works during heavy floods or at the time of natural calamity in the different parts of the State, the annual budget grant made for the purpose was not sufficient to meet the demands. In order to provide adequate funds for the purpose of alleviating distress in times of real need, the Assam Famine Relief and Insurance Fund Act, 1948, was enacted and the Government set up a Famine Relief Fund. These Revenue reforms reflect the pro-people attitude of the Government.

51. ASA, Revenue Settlement Department, File No. RSS344/50, pp. 5-6
52. ASA, The Assam Gazette, 1948, Part-VI no.16, 14 September, 1948, pp. 970-71
53. ibid
54. ibid
3) Industrial Development during 1938-1939 and 1946-1950:

Assam possessed tremendous and varied economic potential for the development of industries that could have been effectively harnessed and profitably utilized, but what was lacking was the will of the colonial rulers. "Industrial growth and development occurred only in pockets, groomed to satisfy the requirements of British economy." Thus Assam was at a low stage of industrial development before independence and there were only a few segregated industries like tea, coal, petroleum, plywood and match manufacturing which were started by foreign enterprises under British patronage. But the transport and communication system in the whole province was very poor. The railway and steamer services that were introduced were primarily geared to meet the requirements of these industries. Assam had no marketing facility, no capital and no technical know-how among the local people for starting industrial ventures. Regarding the factors promoting or retarding the industrial development in the past, it may be briefly stated that the general policy of the British administration in India was hardly in favour of the industrial development of the country, particularly when such industries conflicted with the vested interest of the rulers. Even in the Tea industry in Assam, any Indian enterprise in the line was resented and often actively opposed by the vested interest in the past. However, inspite of such an attitude some amount of industrial development had taken place. Two world wars contributed largely to the promotion of industries in India, but unfortunately Assam could not take advantage of these opportunities. The resources of Assam, particularly the mineral and forest resources, held out considerable prospects of industrial development, but lack of industrial tradition, inadequate knowledge about our resources, unsatisfactory transport facilities, absence of trained personnel, and inertia continued to retard the process of industrialization.

"The most important colonial innovation in Assam was the introduction of the tea industry which gave Assam a place of pride in the commercial map of the world.

56. ibid
The discovery of the indigenous tea plant in Assam was of profound political and commercial significance to Britain. But most of the tea gardens, which gradually increased, were owned and managed by British planters and had little effect on the indigenous economy of the Province. As the management and administrative staff were mostly European there was a huge economic and social gap between them and their Indian subordinates in the society. The number of tea gardens which were 906 in 1924 increased to 1120 in 1938-39, but the prosperity in the tea industry could not lead to the development of the indigenous economy of Assam as a part of the huge earnings of the industry was used for financing the expansion of area sown and the rest in the form of dividends was remitted to England.

The development of the petroleum industry in Assam was another significant achievement of the British rule. Though it was discovered in Assam in 1825, the production of petroleum on a commercial basis began with the formation of Assam Oil Company in 1899. Production increased when the management of the company was taken over by the Burma Oil Company in 1921. "Thus the production of petroleum in Assam which was only 11 million gallons in 1918 increased to 24 million gallons in 1926, 32 million gallons in 1928, 56 million gallons in 1931 and 65 million gallons in 1946." Like the tea industry the petroleum industry was also owned and controlled by foreigners, thus the major portion of the dividends was drained out. Similarly, though coal was discovered in Assam in 1825, the exploration and exploitation of coal before independence was extremely low. Besides tea and petroleum no other major industry was established in Assam during the British period. There were only small factories like rice mills, oil mills, saw mills etc. The indigenous people of Assam had only traditional cottage industries like handloom weaving, bell metal and bass wares, pottery, black smithy, bamboo and cane work, ivory, wood craft etc, but they existed in a precarious condition due to lack of finance, market and patronage. The handloom

57. Priyam Goswami, op.cit., p. 64
58. ibid, p. 217
60. Statistical Abstract of India for the relevant years, cited in Dr. A. K. Alam, op.cit., p. 5
and weaving industry occupied the foremost place among the cottage and village industries. But many of the cottage and village industries had to close down their business during colonial period due to unequal competition from the cheap manufactured goods both from abroad and other parts of India. The government realized the importance of these industries in the economy of Assam in the first half of 20th century as the traditional industries not only served as a source of livelihood but also provided scope for employment.\textsuperscript{61}

After assuming office in September, 1938, Bordoloi Government made a survey of the cottage industries of the Province for which no practical steps had been taken.

"Handloom weaving, the most important cottage industry of the province, received considerable impetus through the two weaving schools and the four peripatetic weaving parties which are engaged on propaganda and demonstration work throughout the province. A number of private schools and institutions were helped with non-recurring contribution.

...... A notable feature of the year is that since the opening of the uplift centres under the Rural Re-construction scheme people have shown increased interest in the improved methods introduced in this branch of the industry ...........\textsuperscript{62}

On 5 December 1938, Bordoloi Government passed a resolution in the Legislative Assembly for the establishment of an Industrial Board consisting of leading Economists and Industrialists of the province for preparing a scheme for starting new industries, in particular cottage industries, for the purpose of employing the unemployed Youth of the province.\textsuperscript{63} In accordance with these recommendation the Government passed a resolution on 13 March, 1939 to start some state managed

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\textsuperscript{61} P. K. Dhar, \textit{The Economy of Assam}, 1987, p. 47

\textsuperscript{62} Report of the Department of Industries, Asam for the Year1939-40, Extracts from the proceedings of the Government of Assam in the Local self Government (B) Dept., No. 80-L.S.-G(B), Jan, 1941, AS

\textsuperscript{63} ASA, ALAP, 5December, 1938, p. 8
small industries in different suitable parts of the Province which would not only be remunerative but would also serve as model institutions for training of unemployed youth of the province.

A separate Department of Industries was created by the Government in 1918 for the promotion and growth of indigenous industries in Assam. But the activities of the department were limited as they were mostly confined to promoting the growth of handloom weaving and sericulture and to the administration of industrial and technical education. In 1948 the Superintendent of Cottage Industries was entrusted with the task of establishing an Industrial Research Laboratory in the province for the promotion of indigenous industries such as manufacture of candles, lozenges, hair oil etc, preservation of fruits and manufacture of bamboo and cane products. A Co-operative Cottage Industries Association had been set up to act as a marketing emporium for the Province. Weaving schools were started in Guwahati and Shillong for importing industrial training, Titabor muga silk-worm station for experimentation and a Government Emporium for promoting the sale of cottage products at Guwahati.

When Bordoloi formed the Government in February, 1946 he was quick to notice that apart from tea and oil there was a virtual absence of major industries in the province. His Government was anxious from the beginning to promote a variety of industries as state owned concerns. Under his instruction, a clear Industrial Policy was formulated which was published on 26 August, 1946. Assam was perhaps the first province to announce its Industrial Policy which classified a number of prospective industries into fully state owned and partially state owned categories, with the rest left to private enterprise. Industrially, Assam was a virgin province with great potentialities for development. But this advantage was largely neutralized by the lack of reliable data.
industrial tradition and the difficulty of creating enough organizational momentum for the purpose of effective planning and development. A survey of the industrial possibilities of Assam was made to crystallize a concrete plan of development. Bordoloi realized that in order to be effective, Industrial planning and development required a thorough mobilization of the scientific and technical man power, as well as the material and capital resources.

The Report of the Industrial Planning and Development of Assam 1948 noted the following:

"A rough survey and analysis of the foregoing and appended data in respect of the resources of Assam and the relevant consideration of the various factors essential for the industrial development would indicate the scope of expansion of existing industries and reasonable prospects of development of a variety of new ones which may be grouped according to the nature of raw materials on which they are primarily based, as follows:

(A) Industries Based on Agricultural Products

1. Tea Industry;
2. Cotton Spinning and Weaving;
3. Hosiery Industry;
4. Jute spinning and Weaving;
5. Manufacture of Sugar and Alcohol;
6. Rice Milling;
7. Vegetable oils and allied industries including soaps, paints and varnishes etc.

(B) Industries Based on Forest Products

1. Mechanical Industries, viz., Saw Mills, Plywood, Artificial Seasoning, Bobbins, Matches;

67. Ibid, pp. 25-26
2. Chemical Industries viz., Paper from bamboos, Pharmaceutical Industries, Wood-Distillation, Tan Stuff, Oils from Kusum and certain other seeds, Lac, Shellac and plastic Industries, Vegetable Dyes, etc.

(C) Industries based on Mineral Products.

1. Coal Mining;
2. Petroleum Refining;
3. Thermal generation of power from coal and petroleum products;
4. Carbonization of coal and by-product industries including Fertilizers;
5. Cement;
6. Potteries and Refractories;
7. Calcium Carbide and allied industries;
8. Glass;
9. Candle making and certain other industries including electrodes from petroleum products.

(D) Industries based on Animal Products;

1. Tannery and allied manufacture of Gelatin, Glue;
2. Manufacture of Leather goods;
3. Bone crushing and manufacture of superphosphates, Bone-meals, Bone-black;
4. Manufacture of fertilizers from carcass;
5. Dairy and allied industries;
6. Combs, buttons, knife handles, toys, ornaments, etc., from buffalo horns and ivory;
7. Seri-Culture including Muga and Endi products.
(E) Industries based on Water Products

1. Hydro-electric generation of power;
2. Electro-chemical industries, viz, calcium carbide etc.;
3. Fisheries.

All the industries mentioned above may be conveniently classified according to their size and character under one or other of the following groups:

1. Major Industries
2. Small-scale Industries; and
3. Cottage and Subsidiary Industries.

Although there were reasonable prospects of developing a large number of Industries in Assam as indicated in the foregoing categories, it was of utmost importance to determine priorities for a limited number of industries which could be established in the Province within a short period of about five years. These priorities in respect of any individual should be primarily determined in consideration of the basic requirements of the community, namely Clothing, Food (Sugar), Building materials (Cement), Educational requisites (Paper) etc. but their scope would naturally be restricted by the overall short supply of such essentials as Capital goods, iron, steel and building materials, trained personnel etc.

In view of the above, it was proposed, within the framework of the Industrial Policy of the Government of Assam, to establish the following industries during the next five years:

Fully State-owned Industries

(1) Bulk generation of Electric power;
(2) Cotton, Textile Mills;
(3) Sugar and Alcohol Factories;
(4) Paper Mills;

ibid., pp. 27-28
In pursuance of the Government's decision to own or participate in certain major industries, orders had been placed for Textile Machineries in the U.S. A provision of Rs.2,19,45,000/- was made in the budget of 1948 for expenditure in connection with the major industries like textile, sugar, paper etc.⁶⁹

In the Budget Speech of March 1949 it was announced that the Government of Assam had decided to Nationalise five of the major industries and to participate in a number of major and medium scale industries:

These were primarily the a) Cotton Textile Industry, b) Sugarcane Industry, c) Paper Industry, d) Plywood Industry, e) Cement Industry. The major Industrial Schemes undertaken by the Government were productive schemes to be financed with loans from the Government of India. While making a statement of the Industrial Policy, G.N. Bordoloi as Premier gave the following information in the floor of the Assembly in March 1949, regarding plans and prospectives of industries in Assam:⁷⁰

Sugar Industry: A nursery plantation of sugarcane was started early in 1948 near Dimapur under supervision of a Special Officer in a total area of 30 acres of land and another 10 acres were being planted, the Government spending an amount of Rs.73,180/- on the project. The Government had decided on a scheme of planting

⁶⁹. ASA, Budget Speech of Bishnuram Medhi, ALA debates, 1948 Vol I, p. 68
5000 acres of land. An aerial survey of the Bokajan-Naojan area along the Dhansiri selected for the project had already been made.

**Cotton Textile Industry** : Out of the total quota of 1,00,000 spindles and 2,225 looms allotted to the Province, orders for 75,000 spindles and 1,625 looms were placed in the United Kingdom. The mills were to start once the machineries were delivered.

**Paper Mills** : A Paper Expert was appointed early in 1948 to draw up project and prepare estimate for a paper mill in consultation with the manufacturers of the machinery. Specifications, quotations etc., for a complete paper mill producing 35 tons of paper per day were invited from well known manufacturers of the paper machinery all over the world.

**Plywood Industry** : In consonance with the policy of participation in the industry, Government was taking keen financial interest in the existing two plywood industries at Margherita and Murkong-Salek.

Bordoloi concluded his statement with the following words:

"In conclusion, Sir, I desire to submit that we are not sitting idle but owing to the shortage of resources in the requisite type of men to be associated in these industries, the Government is not in a position to rush through the schemes, immediately. And since these schemes will involve also considerable finances of the Province, they require very close examination before they can be fully implemented. It is therefore only in fullness of time that we may expect to have fructifications of these schemes."  

In this connection Bordoloi had also enlightened the Assembly "..... that to go on with the development of our industries, there must be some generating power which could be made available either by thermal plant or by hydro-electric power." So his

71. ibid
72. ASA, ALA debates, 27 September 1948, p. 1378
Government was very interested in the bulk generation of both hydroelectrical and thermal power. A party of experts deputed by the Government of India in October, 1947, came to the conclusion that the four rivers-Dihang, Manas, Someswari and Barak could be developed for hydroelectric power generation, flood control and navigation. The Government of India sanctioned Rs. 31 lakhs for the Manas and Dihang Project and sought the help of Provincial Government to carry out the work.73

As regards generation of thermal power a detailed investigation in regard to rural electrification was made in the Guwahati Sub-division from December 1946, to the middle of 1947 by a party of experts deputed by the Government of India. A comprehensive report was prepared and submitted by them by the middle of 1948. This report was revised so as to provide for the electrical development of the Guwahati subdivision in successive stages, the supply being initially made available in the immediate neighbourhood of Pandu, Amingaon and Guwahati where the textile mill has been provisionally decided to be located.74

Bordoloi's Government had realized that since Assam is geographically isolated from the rest of India and hemmed in almost all sides by foreign states, it was necessary to develop such industries for production of essential commodities like cloth, yarn, sugar, paper, cements etc. the raw materials of which was available in abundance, so that the state may at least be partially self-sufficient and meet her requirements of these commodities. With this object in view the Government had decided to start certain industries such as Textile, Paper, Sugar Industries, etc, as state owned enterprises with the expectation that these schemes would be financed with loans from the Government of India. But unfortunately because of financial difficulties that engulfed India, the Government was forced to abandon the policy of State-ownership of all big industries for few years. But the State Government

73. ibid, p. 398
74. ibid
was anxious to see these industries develop in the state and was ready to help with all reasonable facilities, data and material, to enterprising private parties who were willing to start these industries in Assam.75

After independence, Five Year Planning laid stress on industrial development in the country. During the First Five Year Plan, 4.9 percent of the plan outlay was earmarked for industries in India. In Assam however only a meagre 0.47 of the total plan outlay was allotted to industrial development, there was no provision for medium and large industries.

75. ASA, Budget Speech of Bishnuram Medhi, Assam Gazette, Part VI, 3 March 1950, p. 62
4) Post War Development Grant

After the Second World War, the British Government in India planned to allot 500 crores of rupees for development schemes as a compensation against the use of resources in India. But, later, the British decided to distribute the grant to the provinces on population basis and on a reduced scale. Bordoloi became elated when he learnt that the expenditure to be incurred on setting up projects under that scheme would be borne by the Centre in the case of Assam, West Bengal, East Punjab and Orissa. A new administrative department named Co-Ordinance Department was instantly set up to decide upon schemes that could be entered into the plan for Post War Development of the state. These schemes were then forwarded for the approval of the Central Government. Bordoloi was hoping that since Assam had to bear the brunt of the war much more than the other states leading to great destructions and subsequent economic problems, her claims for rehabilitation would be justified by the Centre.

According to the agreement made between the Assam Government and the Central Government, the State was expected to be given Rs. Five crores and fifty lakhs during the five years of Post War Development ending in 1952, but Bordoloi requested the Centre to raise the amount to Rs. 10 (Ten) crores. The Post War Development Budget included schemes that were in operation since 1945-46 together with a few other new schemes proposed to be put into operation for the first time in 1948-49. However, because of the fact that money for development scheme was given on the basis of population, the Central Government curtailed the amount committed to Assam as the populous district of Sylhet, had been transferred during partition. In support of curtailment, the Government had also pointed out the Kashmir War, acute food scarcity and the problem of Hindu refugees and their rehabilitation.

76. ASA, Gopinath Bordoloi, ALA Proceedings, 15 March 1949, p. 65
77. Annual Report of Assam Congress Parliamentary Party for 1948-49, Chapter XXII, pp. 81-83, AS
78. ASA, Gopinath Bordoloi, ALA Proceedings 15 March, 1949, p. 67
The Finance Minister narrated in the Legislative Assembly regarding the Post War Grant:

"The expenditure on Development Schemes is imperative and essential for the development of this backward and undeveloped province so long neglected by an irresponsible Centre. The Government of India at the beginning of the current year made a grant of Rs. 2,25,00,000/- for spending on Post War Development Schemes, but this grant was reduced to Rs. 1,05,00,000/- due to the transfer of Sylhet to East Bengal. It is gratifying to note, however, that on a representation from this Government this grant had been increased to Rs. 1,97,00,000/- ...."

Due to the financial constraints the development schemes had to be limited. Educational institutions particularly were hard hit. The village development schemes had almost come to a stop. Irrigation and roadways, developmental activities relating to the tribes living in the plains had to be suspended. But certain activities already started could not be totally forsaken. Finding no other way, Bordoloi once again requested Nehru to enhance the Grant to the State and also met the Central Finance Minister a number of times. But unfortunately he was told that for a small state like Assam, Rs. 1 crore and 15 lakhs was more than what it deserved in comparison to other states. Nehru advised him not to give up the schemes totally, but to proceed slowly.

This led the Finance Minister of Assam to remark:

".....No province which had to depend upon the day to day munificence of the Central Government can safely formulate plans and proceed on with its schemes of development with any degree of certainty ........... It may not be out of place to mention here that during the past years the Centre had collected, on an average, over Rs. 7 crores annually from Excise Duty on Petroleum, Kerosene, Tea and Export Duty on Jute and Tea and Income Tax

79. ASA, Bishnuram Medhi, ALA Proceedings, 11 March 1948, p. 67
within Assam. Our claim for Rs. 40 crores for Post War Grants cannot be said to be extravagant when it is remembered that the Centre had collected more than Rs. 75 crores in the course of the last ten years as revenue on products raised within our province and on income earned therein.81

During the period from 15 August 1947 to 31 March 1950 the Government of India made the following *ad hoc* arrangement for sharing income tax proceeds and Jute export duty:82

(1) Assam's share on income tax proceeds was fixed at 3 percent compared to 21 per cent for Bombay, 19 per cent for U P, 18 percent for Bihar, 12 percent for West Bengal, 6 per cent for Madhya Pradesh, 5 per cent for Punjab, 3 percent for Orissa;

(2) Provincial share of jute export duty was reduced from 62 ½ per cent to 20 percent. Bordoloi Government had to face greater financial problems when the Central Finance Ministry informed Assam in November 1949 that for the financial year 1949-50, Assam would get less than rupees 1 crore and sixty lakhs and during the year 1950-51, she would get nothing. This greatly depressed Bordoloi who immediately wrote to Nehru that if the Central Government did not offer help according to the assurance earlier given, than all development schemes would have to be stopped and if these development programmes were thwarted than there would be no-progress in the state.83

Within a very short time, Assam's economic condition had taken a horrible shape. Bordoloi could foresee that under the circumstances, essential educational institutions would have to be abandoned, thereby causing unpopularity to his Ministry. Bordoloi wrote to Nehru,

"........ already a grave discontent is brewing in the province and amongst the temporary officers, a large number of whom shall have to be retrenched

81. ASA, B. Medhi, ALA Proceedings, 10 March, 1949, p. 15
82. P. C. Goswami, *The Economic Development of Assam*, New Delhi, 1988, p. 333
83. Bordoloi's letter to Nehru, 13 August 1949, File no. PS 4/49, NMML
We shall have to revert to the same state of backwardness we were ten years ago, on account of what we considered to be due to grave inequity in the distribution of finance to this province. Today the value of a rupee is fourteen times less than what it was then. It is quite clear that the province shall have to go in a retrograde direction instead of having any advance whatsoever.  

As all the pleas of Bordoloi were unheeded and because of Centre's unwillingness to provide a grant or subvention, he appealed for a loan of Rs. 75 lakhs. In order to cope with the grave economic situation, two Ministers and three Parliamentary Secretaries had to resign.

The Ministers agreed to a curtailment of their monthly pay by twelve and half percent and the Speaker of the State Assembly and the Advocate General had to remain contented with less pay than before. Bordoloi wrote to Nehru that he would have further decreased his Ministry if there had not been the need to include representatives of all important tribes and communities.

In this way, during the Post Independence period, the Central Government reduced the amount of grant to Assam on one plea or the other. In the circumstances, Bordoloi had to work amidst severe constraints. In the long run it resulted in the retarded development of the State.

84. Bordoloi's letter to Nehru, 3 November 1949, op.cit.,
85. Bordoloi's letter to Nehru, 5 December, 1949, op.cit.,