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## **UNIT 5 LAND AND AGRARIAN RELATIONS DURING THE POST- INDEPENDENCE PERIOD**

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### **5.0 OBJECTIVES**

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After reading this unit, you will be able to:

- outline the agrarian structure which India inherited at the time of independence;
- indicate the various initiatives taken in our Five Year Plans on improving the land and agrarian relations in particular, and agricultural development in general;
- explain the concept of land reforms;
- identify the conditions necessary for the success of land reform policy;
- examine the performance of ‘tenancy reforms’ over the period 1951-1991;
- review the trends which suggest the results of implementation of land reform measures in the post-1990s;
- state the reasons why ‘ceiling on land holdings’ has not succeeded in India;
- assess the impact of land reforms on poverty and productivity; and
- suggest the new directions in which the policy perspective need to be reoriented.

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## 5.1 INTRODUCTION

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In unit 4, we noted that the British government exploited the agrarian base of the Indian economy to serve its imperial interests. The first Indian government which was formed immediately after independence, therefore, had to pay special attention on strengthening the agrarian base of the economy. The primary task was to take measures to restructure the institutional mechanisms of Indian agriculture which had become weak due to the feudalistic roots that had set into the system. Towards this end, in one of its first steps in this direction, the government in 1949 made a Constitutional provision to institute 'land and tenancy reforms'. Since these reforms had to be designed taking into account the regional sensitivities, the central government left the task of adoption and implementation of these reforms to the respective state governments. In the years following, the successive Five Year Plans provided consistent policy guidelines and financial support to the state governments to implement the land reform policies at the grass root level. This resulted in varying levels of achievement limited by the regional socio-political constraints and initiatives taken by the state governments. What is the extent of achievement that could be accomplished till the beginning of 1990s when a major policy shift on liberalising the economy was ushered in? As we moved on, for close to two decades now on this new economic policy path, how has the restructuring of the agrarian base progressed in the country? And in view of the continued importance of the agricultural sector to the Indian economy even at this juncture, with close to 52 percent of total population continuing to be dependent on it for their sustenance, in what direction should the policy focus be reoriented to strengthen the agricultural base of the economy? These are the issues to which we shall address in this unit.

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## 5.2 AGRARIAN STRUCTURE AT THE TIME OF INDEPENDENCE

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At the time of independence, India faced a major challenge of setting right the disturbed agrarian relations as promised during the independence struggle. The agrarian structure inherited from the British period varied from peasant-proprietorship in a small proportion of total cultivated land to landlord-owned domains in a relatively large area of land. The land distribution at the time of independence was so skewed that while just 7 percent of land owners held 53 percent of total land, 28 percent of small and marginal farmers (defined as owning less than 2.5 hectares or 1 acre of land) owned just 6 percent of total land. The tenurial (i.e. the period and the conditions under which a land is leased out to a tenant to cultivate on a share-cropping basis) and administrative practices varied significantly throughout the country. Broadly, however, as noted in the previous unit, the system that prevailed could be classified under two heads viz. (i) the *zamindari*; and (ii) the *ryotwari* systems. While the *zamindari* system was characterised by many intermediaries (i.e. between the state and the actual land tiller), the *ryotwari* system was, at least in its design, marked for peasant-proprietorship. Nonetheless, the system not only reduced the holdings to such uneconomic proportion, but it also killed any incentive for investing resources to yield higher returns.

Against this background, establishing the twin objectives of achieving *social equity* and ensuring *economic growth* were the priority for the new Indian government. The agrarian structure at the time of independence could thus be summarised to

have been characterised by: (i) large number of parasitic, rent-seeking intermediaries; (ii) different land revenue/ownership systems prevailing across states; (iii) small number of land lords holding a large share of land, leasing out land on exploitative share-cropping basis; and (iv) a large number of actual tenant cultivators working under insecure tenancy conditions with exploitative production relations. The policy makers had, therefore, to contend with the two critical issues of: (i) eliminating the intermediaries by effecting new tenancy contracts that would motivate the farmers to adopt better production methods/practices; and (ii) re-establish the land records which were in extremely bad shape giving rise to a mass of litigation.

To set right the distorted situation, the Indian constitution under *Article 39* provisioned that '*the ownership and control of the material resources of the country (primarily land) should be re-distributed so as to serve the common good*'. With this as the goal, a national 'Planning Commission' was established to lay down policy guidelines through a series of Five Year Plans. Instituting a new 'land policy' was to be one of the important components to be incorporated in all its plans. The plans prepared and implemented, therefore, broadly aimed at: (i) reducing disparities in income and wealth; (ii) eliminating exploitation by providing security to tenants; and thereby (iii) achieve social transformation through equality of status by providing opportunities for different sections of the population to participate in development initiatives.

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## **5.3 EFFORTS MADE THROUGH THE PLANS**

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It is possible to identify India's 'land policy' to have gone through four distinct phases since independence. These are: (i) the *first phase* over the years 1951-74 focused primarily on 'land reforms'; (ii) a *second phase* over the period 1974-85 in which the attention was shifted to increasing the cultivated land (by bringing the uncultivated land into its hold); (iii) a *third phase* (1985-97) with the focus shifted towards 'water and soil conservation'; and (iv) the *fourth and the current phase* (i.e. 1997 onwards) centred on debates about the necessity to continue with land legislation. The latest phase is driven by an introspection on the inadequate achievement of the desired re-distribution of land resource over more than *four* decades of implementation by legislative measures. The lack of progress is contrasted with the effectiveness of 'demographic and economic forces' in bringing about an improvement in the conditions of small and marginal farmers. In the foregoing paras, we shall briefly review the specific initiatives taken in the Five Year plans by way of specific issues focused upon and policy prescriptions adopted to tackle them.

### **First Phase (First Plan to Fourth Plan: 1951-1974)**

The major issue in the first plan (1951-56) was to increase the area under cultivation. For this, vast uncultivated lands, locked under large size-holdings, were aimed to be brought under cultivation. Village commons were to be brought under '*community development (CD)*' networks. In order to achieve these, the land reform thrust was to: (i) abolish intermediaries; (ii) restore land rights to tenant cultivators; and (iii) increase land use efficiency. In the second plan (1956-61), the concern was to reduce dependency on rain-fed irrigation by an increased thrust on irrigation-agriculture and also focus on increasing low land productivity. In the third plan (1961-66), the focus was on 'food security'. For this, bringing the

cultivable waste land under cultivation and backward regions into mainstream were emphasised. With continued emphasis on food security, in the fourth plan (1969-74) also, incentives were created for diverting land towards food crops. The policy thrust from the second to the fourth plan were, therefore, to: (i) expand training and extension services through CD; (ii) develop irrigation facilities through minor and major irrigation projects; (iii) integrate land policy approach by 'area development' and 'soil conservation'; and (iv) implement 'land ceiling' Acts to consolidate land holdings.

### **Second Phase (Fifth and Sixth Plan: 1974-1985)**

In the second phase, during the fifth plan period (1974-79) the focus was on tackling the issue of 'degraded land management'. Under this, the policy thrust centred around implementing drought-prone and desert area development programmes. During the sixth plan (1980-85), in addition to continuing the focus on development of under-utilized land resources, attention was also on extending the beneficial reach of '*green revolution*' to areas which were lagging behind in picking up the demonstrated benefits from it. The policy thrust was on implementing 'land and water management programmes'.

### **Third Phase (Seventh and Eighth Plan: 1985-1997)**

During the seventh plan period (1985-90), the focus was on managing 'soil erosion' and combating 'land degradation'. The policy thrust was on taking a long-term view of land management in addition to wasteland development. In the eighth plan (1992-97), the major issue focused was on development of 'dry land and rain fed areas'. A special effort was made on 'peoples participation in land management' at village level. The policy emphasis was, therefore, on implementation of watershed development programmes with an 'agro-climatic regional planning' thrust.

### **Fourth Phase (Ninth Plan Onwards)**

During the ninth plan period (1997-2002), a re-thinking on the utilisation of land reforms set in. Agricultural growth had reached a phase of sluggishness and the fact that the 'green revolution' had failed to spread beyond a handful of states had received wider acknowledgement. There was criticism that not only the land ceiling and tenancy laws had not served its intended purpose but had rather proved counter-productive serving only to kill the land market. Nevertheless, the policy focus continued on bringing the underutilised land under cultivation. A decentralised land management system with the empowerment of '*panchayati raj institutions*' to manage the village lands was emphasised.

The above brief review suggests that even after 50 years of independence, the core issue continues to revolve around a just distribution of land resources. The land policy, however, has changed its emphasis to a fresh debate on the need for a new phase of land reforms. The central issue throughout the Five Year Plans has been on 'land policy' focused both on its 're-distribution' and 'optimum utilisation'. It is not that the efforts of five decades were entirely unsuccessful. But its success remained area-specific with a wide gap between potentials and actual yields. To understand this, we must now turn for an assessment of the specific efforts made under land reforms.

**Check Your Progress 1** (answer in about 50 words using the space given)

- 1) Mention the two twin objectives of the first Indian government for establishing a sound agrarian structure? State the two critical issues with which the government had to deal with in this respect?

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- 2) What were the three aims/objectives of the newly constituted 'planning commission' for bringing about the desired change in the agrarian structure in India?

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- 3) Identify the four broadly demarcated phases/periods of India's 'land policy'? Is there a 'drift' in this thrust of late? Why?

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- 4) Mention the four distinct areas of policy thrust during the course of first four five year plans?

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## 5.4 LAND REFORMS AND AGRICULTURAL DEVELOPMENT

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Within the limits of five year plans' objectives/focus, and the specific policy thrust given to achieve them in terms of programmes/schemes, in very brief, we have in the previous section outlined the basic thrust of the plans on land re-distribution and management. In doing this, we have used the terms 'land policy' and 'land reforms' interchangeably. This is because the former is so much inexplicably intertwined with the latter that the two have almost been treated synonymously in the context of India's land policy planning and implementation. We shall, however, deal more specifically with 'land reforms' now beginning with an elaboration on

its meaning and definition. Subsequently, we shall deal with its other dimensions like: nature and significance, arguments for and against in terms of two hypotheses that have been put forward (called farm-size hypotheses), progress made in India, ceiling laws on land holdings, etc.

#### 5.4.1 Concept, Nature and Significance of Land Reforms

Conceptually, the term 'land reform' is concerned with changing the institutional structure governing man's relationship with land. The institutional structure refers to changing of laws, regulations or customs on land ownership. Note that in using the word 'customs', even the non-formal methods of influencing the changes were also considered as long as they could bring about the changes in the desired direction. In more simple terms, land reforms basically refers to re-distribution of land for agricultural purposes from the rich to the poor. In the context of agricultural development in India, it has mainly been advocated and implemented as a major instrument of government mediated policy for bringing about a more rational agrarian structure in the country.

The economic *rationale* for land reforms has been extended on two grounds viz. (i) as a means of production for the large landless poor for whom a piece of land on a stable ownership means providing the basic economic resource needed for producing the food needed for his and his family's sustenance; and (ii) the motivation to produce a surplus for earning income through sale/profit (from the land on which the investment of 'human efforts' is made) should be assured to accrue to the individual actually toiling on it. At another level, it needs to be recognised that it is a deeply involved political process for the success of which the willing cooperation of all major political parties is very much essential. This is in view of the fact that a redistribution of land rights would alter the relationships within and between communities in a region impacting on the socio-political influence vis-à-vis electoral outcomes. This fact also, therefore, explains why the earliest constitutional provision soon after independence, considered it prudent to leave its implementation to the initiatives of the respective state governments who are better able to cope with the caste and social sensitivities of the issue. The economic significance of land reforms can, therefore, be reduced to its two critical dimensions viz. (i) *equity* by which land as a basic resource is used to tackle poverty of poor unskilled rural labour; and (ii) *efficiency* by which intangible factors like motivation or incentive to produce more is also taken care of by conferring ownership rights on land tilled by a poor farmer. We will explain the efficiency argument more in terms of the two farm-size/productivity hypotheses below.

#### 5.4.2 Conditions Necessary for the Success of Land Reforms

The two hypotheses called 'farm-size hypothesis' and 'tenant-efficiency hypothesis' are based on certain empirical observations. The first, called the *farm-size hypothesis*, is based on the observation that 'smaller farms yield larger output' i.e. the farm-size is inversely related to output (see also 'key word'). Implicit in this observation is the fact that on smaller farms family labour would suffice, or even if some outside labour is hired there would be effective supervision, whereas in larger farms, hiring of outside labour would be a necessity. The second hypothesis, called the *tenant-efficiency hypothesis*, rests on the two empirical observations that: (i) landlords owning larger farms would generally not do self-cultivation but

lease out their land to tenant farmers on a share-cropping arrangement; and (ii) the sharecropping arrangement is generally exploitative in nature killing the tenants motivation to put in sincere labour. Therefore, a tenant-owner (i.e. a tenant given the ownership rights to a small farm which he can self-cultivate) has the *incentive* to contribute more than when he is working on a sharecropping arrangement.

Note that associated with both the *incentive* to produce more in the tenant-efficiency hypothesis or the *higher output* yield associated with the farm-size hypothesis, there is the common issue of maximising the output. Given that the implementation of land reforms needs the state to act as regulator, the two hypothesis (also called as *stylized facts*) raises the question of ‘whether the policies (or the incentive structures) can be so framed/designed that the market forces can generate the stimulus required for producing maximum output or alternatively minimise the productivity losses’? Alternatively, although the ‘rent-extraction’ (i.e. exploitative character of share-cropping arrangement) and the ‘incentive trade-off’ (i.e. if the tenant is offered the incentive to produce surplus by ownership rights to his land) explanations provide a rationale for the above two hypotheses, is there any further explanation available for the effectiveness of ‘tenancy rights’ in ‘smaller holdings’? The answer to this question lies in the underlying assumptions that govern the two stylized facts. For instance, the quality of land is not homogeneous and the farmer’s ability vis-à-vis their skills are also not homogeneous. This means, under the condition of homogeneity assumption the two hypotheses may ensure higher returns or output. But since such assumptions rarely prevail in reality, the higher output realisation is often violated. Thus, under conditions of homogeneity the case for ‘land reforms’ would be upheld but to the extent that heterogeneity of factors invariably prevail, land reform measures will be less effective. The policy challenge is, therefore, to establish suitable incentives by appropriate institutional mechanisms so that the conditions necessary for higher productivity is generated in the market.

In the above context, it is relevant to note the argument made by the Peruvian economist Hernando de Soto. In his publication ‘The Mystery of Capital’ published in the year 2000, Soto advanced the view that with the ensuring of ‘property rights’ to a poor farmer’s land by the state, the farmer’s ability to access institutional credit is increased. With this, the poor farmers are better empowered to ensure their own welfare, contributing in the process to both alleviation of poverty and promotion of economic growth. In other words, establishment of suitable institutions would ensure the twin concerns of *equity* and *efficiency*. However, since tenancy/land reforms cannot succeed without the political support, it is necessary to simultaneously work on ‘political reforms’ along side the ‘institutional reforms’. The two together would then ensure the conditions necessary for the success of ‘land reforms’.

The two conditions of political and institutional reforms, for the establishment of a good political and institutional structure, identified as essential for the success of ‘land reforms’ are applicable to any country/context in general. Related to these two broad factors, in the Indian context, some specific factors which have contributed to the poor performance of land reform measures can be identified. These factors, as can be seen, are subsumed in the above two broad factors but their explicit mention provides a clear picture of the position that has obtained in India. The first is the ‘absence of pressure from below’. This refers to the

unorganised and therefore passive/inarticulate voice of the poor peasants which is also a pre-requisite for the effective implementation of land reforms. This is mainly due to the crippling social and economic condition of the poor which can be improved only by concerted efforts over a long time period. The second is the 'administrative apathy'. There has been a general neglect of efforts needed to forge a suitable administrative organisation equipped by systematic in-service training and periodic orientation courses that is essential for the successful implementation of land reforms. There has been an utter lack of conscious effort to post able and dedicated men with faith in land reform to key positions in the administrative set-up. And in very few cases where some actions were taken by some officials, they have been hastily transferred which is but a substantiation of administrative inaction/failure. The third factor has been the 'absence of correct and up-dated land records'. This is compounded by the deficiencies in the reporting system which is weak and irregular. Fourth, there is a lack of attention paid to a comprehensive concurrent evaluation in the absence of which it has not been possible to identify obstacles and take timely remedial measures. It can be clearly seen that all these factors are but a part of political and institutional weakness to remove which reforms on these two major fronts is the only answer for an effective implementation of land reforms.

**Check Your Progress 2** (answer in about 50 words within the space provided)

- 1) What does the term 'land reforms' basically connote?

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- 2) State the two grounds on which the economic rationale for 'land reform' measures rest?

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- 3) What are the two arguments on which the two hypotheses for the efficiency of land reform measures are made? What is the basic assumption underlying these arguments under which the two hypotheses can be expected to hold?

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- 4) What would you say is the answer to both the concerns of ‘equity’ and ‘efficiency’ in a situation where heterogeneity of factors is an unavoidable reality?

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- 5) State four specific factors which have hindered the successful implementation of land reforms in India.

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### 5.4.3 Tenancy Reforms and Ceiling on Land Holdings

The land reform legislation in India consisted of four major planks: (i) abolition of intermediaries; (ii) tenancy regulation aimed at improving the contractual terms (including crop shares); (iii) ceiling on land holdings with a view to redistributing the surplus land to the poor; and (iv) consolidation of numerous small uneconomic landholdings. Of these, abolition of intermediaries, which had been completed by 1960, is generally agreed to be the more successful component of the land reform process in India. In other respects, the progress made varies across states. *Raj Krishna (1961)* groups the land reform measures into four classes viz. (i) liberative; (ii) distributive; (iii) organizational; and (iv) developmental. While the abolition of intermediaries comes under the ‘liberative’ class, tenancy reforms and ceiling on land holding come under the ‘liberative and distributive’ measures. Application of ‘technological advance’ and spread of ‘extension services’ to make them accessible on a wider scale come under organizational and developmental classes respectively.

The major planks of tenancy reform were five: (i) security of tenure; (ii) termination of tenancy (salvation from old and freedom to recall the new) ; (iii) allowing for resumption for personal cultivation by the landlord; (iv) regulation of rent; and (v) confirmation of ownership rights. Various state laws were enacted between 1960 and 1972. However, due to diverse and complicated nature of agrarian structure in different states, no uniform guidelines could be formulated. The consensus on the policy of tenancy reforms in fact favoured neither complete expropriation of landlordism nor absolutely favoured the interests of the tenants. The national guidelines (post-1972), however, included the following measures for adoption by the states:

- security of tenancy to be conferred on the actual tiller-cultivator;
- for share cropping, fair rent to be fixed in the range of 20 to 25 percent of gross produce;
- land-owners to be permitted to cultivate land for personal use with due safeguards taken for discouraging ‘*absentee landlordism*’;

- surrendering of tenancy rights to be permitted with mutual consent;
- in respect of some specified areas, the landlord-tenant relationship to be ended and the tenant cultivator to be brought directly under the state;
- disabled persons, defence personnel, etc. to be exempted from leasing their land;
- the term 'personal cultivation' to be unambiguously defined wherever landlords are allowed to remove tenants to resume self-cultivation; and
- *oral tenancies* to be abolished and tenancy records to be duly maintained.

### Debate on Complete or Near-Complete Ban on Tenancy

The issue of 'complete or near-complete ban of tenancy' (as was sought to be done in some states) has been the most controversial of all the issues in India. The main issue is preventing landlords from leasing out their land under conditions that are unfavourable or exploitative to tenants. In light of this, it is argued that even if tenancy is technically allowed, provisions giving long-term and protected rights to tenants would have the same impact as a ban on tenancy. In view of this, it was pointed out that permitting termination of tenancy under some circumstances like: (i) tenant has failed to pay rent for a year within the time stipulated in the law; (ii) the tenant has been proved to be using land for purposes other than agriculture; (iii) the land has been rendered/made unfit for cultivation; (iv) the tenant is not personally cultivating the land; and (v) term of the lease period has either elapsed or the landlord has sought to personally cultivate; should be allowed. In recognition of the merits of this argument, some states have made provisions for termination of tenancy under specified circumstances. The *National Commission on Agriculture (1976)* also asserted that given India's ratio of agricultural land per capita, tenancy cannot and should not be totally banned. There are also studies which have revealed that a total ban on tenancy adversely impacts the poor. Empirical data shows that the total area under tenancy did not vary much between 1962 and 1971 (it remained around 10.6 percent) but declined sharply by 1981 to 7.2 percent (Table 5.1). Although there is an increase in the 'area under tenancy' over the period 1981-91 (from 7.2 percent in 1981 to 8.3 percent in 1991), going by the trends in the 'number of holdings' there is evidence of decreased tenancy holdings over the period 1971-91.

**Table 5.1: Changes in Leasing of Land in India (percent)**

Class of Farmers	1961-62		1970-71		1980-81		1990-91	
	No.	Area	No.	Area	No.	Area	No.	Area
Small	25.1	14.0	27.8	14.6	17.9	8.5	14.9	8.5
Marginal	24.1	16.6	27.0	18.9	14.4	9.7	9.3	8.7
Medium	20.5	9.6	20.9	8.7	14.5	6.6	13.1	6.9
Large	19.5	8.3	15.9	5.9	11.5	5.3	16.7	19.4
All sizes	23.5	10.7	25.7	10.6	15.2	7.2	11.0	8.3

Source: NSSO, Report No. 407, 48<sup>th</sup> Round.

Note: Percentages are to total land. No. refer to 'number of holdings'.

## **Ceiling on Land Holdings**

Legislation on ‘ceiling on land holdings’ was implemented in two phases: 1955-72 and 1973 to present. Policy on ceiling on landholdings were guided by three economic compulsions viz. (i) there was evidence for inverse size-productivity relationship i.e. larger the size of land holding smaller will be the productivity; (ii) there was also evidence for large land holders to leave some area fallow leading to uneconomic land use; and (iii) large proportion of poor being dependent only on land for their survival, available surplus land should be judiciously distributed to ensure the concerns of social justice and equity. In view of this, the first Five Year Plan suggested the concept of ‘economically viable holding’ defining it as about ‘2 acres for self-cultivation’. As noted in unit 2, ‘small and marginal farmers’ in India are defined as farmers owning ‘1 to 2 hectares of land’ and ‘less than 1 hectare of land’ respectively. Since 1 hectare is equal to 2.5 acres, the definition of economically viable holding provided by the first Five Year Plan means that a farmer must be at least a ‘marginal farmer’. Data on ‘distribution of operational holdings by size of land’ shows that the proportion of marginal farmers in India has risen from 56.4 percent in 1980-81 to 61.6 percent in 1995-96 and 63.0 percent in 2000-01 (Table 5.2). The corresponding position for small farmers, although increasing, is less steep as compared to the marginal farmers. Going by the corresponding declining trends for the medium, large and very large classes of holdings, the trends for ‘marginal farmers’ are possibly indicative of the effect of implementation of ‘ownership rights’ in the post-1980s/1990s.

**Table 5.2: Size Distribution of Operational Holdings (percent)**

<b>Class of Farmers/Holdings</b>	<b>1980-81</b>	<b>1995-96</b>	<b>2000-01</b>
Marginal (less than 1 hectare)	56.4	61.6	63.0
Small (1 to 2 hectare)	18.1	18.7	18.9
Medium (2 to 4 hectare)	8.0	7.0	6.6
Large (4 to 10 hectare)	9.1	6.1	5.4
Very large (above 10 hectare)	2.4	1.2	1.0

**Source:** Ministry of Agriculture, 1994-95 and Agricultural Statistics at a Glance, 2007.

The implementation of this part of land reforms has suffered due to loopholes or ambiguity in definitions of terms like: (i) retrospective transfers; (ii) large number of exemptions; (iii) basis of fixing land limits; etc. Acquiring surplus land was thus ineffective and hence the redistribution insignificant. Among the major factors which led to this poor state of implementation is the ‘village level politicization of the issue’. Many critics are of the view that the entire exercise of land ceilings has only served to distort the land market. They, therefore, argue that it is essential to allow full play of market forces through either an outright abolition or gradual phasing out of the ceiling and tenancy laws. Despite the limited success in the redistribution of surplus agricultural land, ceiling laws have succeeded in keeping a check on concentration of land in the hands of a few.

### **5.4.4 Consolidation of Smaller Land Holdings**

Of all the components of land reforms, consolidation of smaller land holdings has received least attention. During the earlier 1970s, a NSS report had observed that ‘many landowners had held several fragmented parcels of land scattered across the villages’. In view of this, the exercise of consolidation of smaller land holdings

was under debate. Although legislation on consolidation of smaller land holdings was adopted by as many as 15 states, the implementation of these laws failed mainly on account of 'lack of political will and administrative difficulties'. Three states in which consolidation laws were reasonably better implemented are: Punjab, Haryana and U. P. It is pointed out that demographic and economic pressures naturally cause fragmentation of land causing increased marginalisation of holdings. Due to this reason, it is reported that the number of holding smaller than 1 hectare, and especially smaller than 0.5 hectares, have been increasing over the years. While this process is causing serious concern, there are some stray instances (in Karnataka and Maharashtra) where a few groups of small and marginal farmers have recently come together to cultivate crops like strawberries, tomatoes, rose onions, etc. on 'contract basis' with a price for the produce agreed in advance with the contractor. This approach is, therefore, suggestive of a way out to overcome the viability threshold to cultivate such investment-intensive crops. This experiment provides an institutional alternative to consolidation of holdings.

#### **5.4.5 Impact of Land Reforms on Poverty and Productivity**

Holding political factors as more determining of the success of implementation of land reform measures, many studies by independent researchers have revealed that in the left-wing led governments of West Bengal and Kerala there is a stronger evidence of favourable impact of land reform measures on poverty and productivity. The results of these studies also reveal that a strong political will for implementation in the left-ruled states have marked for a positive impact of land reforms. There are many other studies which have reported that due to 'reduced public investment in agricultural infrastructure' in the post-1991 years, there is an adverse impact on agricultural productivity/development. These results reinforce the need for strengthening of institutions (including political institutions) and renewed public investment for the successful implementation of land reform policies.

**Check Your Progress 3** (answer in about 50 words in the space provided)

- 1) Mention the four major planks of land reform legislation in India.

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- 2) What are the five major planks of tenancy reform?

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- 3) State the five circumstances under which permitting of 'termination of tenancy' was sought to be allowed.

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- 4) Mention the three factors which have contributed to a poor performance of the implementation of ceiling on 'land holding laws'.

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- 5) Which two determinants have been identified as positively influencing the implementation of land reform efforts by the empirical evidence of independent researchers in India?

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## 5.5 CURRENT DEBATE AND FUTURE PERSPECTIVE

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Proper land records continue to be a major problem even after many decades of land reform implementation. Efforts made towards computerization of land records have proved partially helpful. There is a general consensus for liberalising the land market. There is also a debate on increasing the 'land ceiling limits' owing to the consideration that large farms would attract greater investment. This is considered vital in the current situation where effective participation in the world market has become the need. For this, pooling the small holdings of small/marginal farmers to form formal/informal groups of producers, on the lines of some experiments conducted in Karnataka and Maharashtra with 'contract farming' arrangement so as to ensure marketing of produce, risk coverage, etc. is pointed out as needed.

Given the paradox between the fear of landlords on losing their titles to tenants in one-one-one contracts and the continued state of 'tenurial insecurity' of poor lessees due to severe constraints on land leasing, an alternative by way of public land banks (PLBs) has been suggested by a Working Group on Disadvantaged Farmers for the consideration of the government in the Twelfth Plan. Under this, the PLBs would take 'deposits' of land parcels from owners wanting to lease out their land, with full freedom to withdraw their deposit after a fixed period. The deposits of land to the PLBs would be entirely voluntary with the owners not wanting to deposit being free to lease out their land directly. Under a small payment as incentive to be paid to the depositors (the rate of payment to be

derived based on a percentage of prevailing average land rents in the panchayats), the PLBs would lease out land under its command to designated categories of farmers such as marginal farmers, women, dalits, tribals, etc. Other incentives suggested to attract deposits include: (i) minimum return even for fallow land; (ii) an additional rent for land that gets leased out; (iii) development of the land deposited by soil conservation works to be undertaken under MGNAREGA or other means; etc. For those leasing in land, PLBs would provide benefits such as: (i) a guaranteed lease for a defined period; (ii) a calibration of rent with land quality; (iii) lower transaction cost and uncertainty than currently faced by small farmers in negotiating leases, etc. The PLBs, thus, would help match the land supply and demand. On the supply side, it would address the concerns of landowners and bring under-used or fallow land into farming. On the demand side, it would provide small/marginal farmers access to land for which they cannot compete in the open market by themselves. The proposal, if implemented, amounts to the filling up of a glaring gap that presently exists in 'the way forward to break the dead lock in the area of land reforms and agricultural development'.

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## 5.6 LET US SUM UP

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The unit began with a brief review of the state of agricultural sector inherited at the time of independence and in its light the major challenges that confronted the new Indian government in rejuvenating the agrarian foundations of the economy immediately after independence. The various initiatives taken by the government, through its planning exercise, was briefly reviewed. The specific efforts made in restructuring the agrarian relations through tenancy/ceiling laws over the five decade period of its implementation and the current thinking on what needs to be done to reorient the policy thrust was subsequently assessed. The key areas for present policy action identified as required include: legalising the land/tenancy market, contract farming, , etc. As such interventions involve serious implementation issues relating to political and institutional aspects, for any significant success on the agrarian restructuring, it is necessary to undertake measures for both 'political and institutional reforms' in a mutually complementary manner.

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## 5.7 KEY WORDS

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| <b>Land Reform</b>    | : Refers to changing of laws, regulations and customs on land ownership. It modifies or replaces the existing institutional arrangements governing possession and use of land. It is a deeply political process due to which, for its success, both 'political reforms' and 'institutional reforms' are simultaneously required. |
| <b>Tenancy Reform</b> | : This is a component of land reforms in which aspects of tenancy relationship is regulated. This is advocated on account of a stylized fact called 'tenant-efficiency' hypothesis which says that under conditions of secured tenancy the efficiency of farmer and productivity of land will both improve.                      |

- Farm-size Hypothesis** : The hypothesis states that the farm-size is inversely related to productivity i.e. as the farm size increases the output from the farm would decrease. The hypothesis is based on two significant findings about farming in India i.e. crop yield per unit area declines with increase in the size of the holdings and that gross returns from farm production remain constant over different size ranges when all input factors, including land, are taken into account. It, thus, follows that small farms are more efficient production units from the point of view of yield, employment and overall output. It is, however, necessary that farms do not get reduced beyond a certain level, making it difficult for the operators to find full time employment for themselves and their family and for securing minimum consumption needs. (NCA, 1976, p-67).
- Institutional Reform** : Refers to a broad set of rules and regulations which govern the socio-economic transactions. Under well structured and established institutional arrangements, the cumulative functioning of economic transactions is expected to yield optimum results or outcomes.

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## 5.8 SUGGESTED REFERENCES FOR READING

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## 5.9 ANSWERS/HINTS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress 1

- 1) See section 5.2 first para and answer.
- 2) See section 5.2 third para and answer.

- 3) See section 5.3 first para and answer.
- 4) See section 5.3 first para and answer.

**Check Your Progress 2**

- 1) See section 5.4.1 first para and answer.
- 2) See section 5.4.1 second para and answer.
- 3) See section 5.4.2 first and second paras and answer.
- 4) See section 5.4.2 third para and answer.
- 5) See section 5.4.2 last para and answer.

**Check Your Progress 3**

- 1) See section 5.4.3 first para and answer.
- 2) See section 5.4.3 second para and answer.
- 3) See section 5.4.3 third para and answer.
- 4) See section 5.4.3 fifth para and answer.
- 5) See section 5.4.5 and answer.