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Land Reforms: Implications for equity, migration, employment, food production and industrialisation.[[1]](#footnote-2)

**Part I**

Land reform in principle is any change in the pattern of land acquisition, holding or operation. In practice, land reforms are ‘always’ directed towards dispersion of productive capacity, spreading of income and wealth and alteration of rural society to the detriment of the dominant landed class (Cohen, 1979). Why is it that despite so many reforms having been already introduced in this regard in our country, interest still persists in this issue?[[2]](#footnote-3) One intriguing aspect is that this policy finds support from quite opposite ideological platforms. Land reform is not merely redistribution of land as is commonly believed. More important are:

1) Land to be redistributed to whom – marginal farmers or landless labourers?

2) Whose land is to be appropriated – large farmers above 30 acres, 20 acres or 15 acres or Government revenue lands for waste lands?

3) What is the purpose of redistribution?

- increase in purchsing power of a large number of people

- equity and social objective – diffusing rural tensions;

- expanding markets for manufactured goods.

- check migration and pressure on urban facilities by retaining labour within rural areas;

- increase production through increased productivity in small farms which will also mean increased demand for agricultural inputs;

- increased food supplies for labourers in industry, service and other sectors, though some argue that marketed surplus may go down owing to increased consumpton in the lowest income deciles.

- improve risk taking ability of a large number of rural people through improvement in asset base. This might influence entrepreneurial development.

- fillip to the tertiary sector, non-farm activities, village industries, etc.

- output of this sector may be in larger demand because of increased output.

The nature of land reform ultimately related to the political economy of the state where such a measure is being articulated. Thus, we would discuss in this note the following issues:

(1) How was land problem or policy defined historically during the pre-British, British and post-independence and post-green revolution are not only because of varying socio-political interests dominant at various times but also because of the way technological options widened at different stages of economic and political development.

(2) If land reform has relevance today, what are the forces which prevent it from taking place. Understanding of the barriers to land reforms policy and implementation will help us to understand the nature of contradictions better.

(3) How does the policy of land reform relate to the policies for industrial growth, expansion of home market for manufactured foods and employment of labour in the organized and unorganized sectors of the economy though not at such a low level of wages that innovative capacity of an enterprise may be curbed.

It would be worthwhile to briefly review various objectives of land reform. This will help us appreciate the constraints and opportunities in the policy environment today better.

Context of land reform: The objectives and implications:

The implications of land reforms for equity, irrigation, productivity, employment, marketed surplus and savings are discussed here.

(Equity: In 1960-61, the lowest fur groups of households having land less than 5 acres comprised 73.89% of the households and operated an area which was only 19.5% as agianst an 37.06% area operated by the top four groups having land more than 20 acres comprising only 4.72% of the households in the country. Projections worked out for 1969-70 by Prof. Minhas have shown that inequity had increased and the number of households without any land rose from 11.60% to 26.26% during the sixties. The increase in the number of landless had a bearing on increased agrarian tensions. The higher rate of capital accumulations witnessed during the post-green revolution era at larger holding further accounted the economic disparities. This was considered to be the factor responsible for widespread violence in the late sixties in different parts of the country. The policy interventions to quell this outburst were SFDA, DPAP, MFALDA and most importantly the public works programme. However, the fact that all these interventions were not able to remove the basic contradictions is evident from the need to mention land reforms in various five year plans as well as economic programmes announced by government in recent times.[[3]](#footnote-4)

(2) Migration: The increase in the number of landless rural households was simultaneously accompanied by more and more mechanisation in irrigated agriculture where the increase in employment was expected due to HYV technology. With labour displacing technology, people started moving towards urban areas in a much larger number than before. The successive droughts accentuated the problem further. The increase in the growth of slums in the earlier stage of industrialization was tolerated because of the need for cheap labour for industries. However, within industry, the employment opportunities did not increase at the rate at which investments made were expected to result in.

(3) Productivity: The effect of land reforms on productivity can be seen by comparing the yield per hectare after and before reforms. FAO and World Bank analyzed the relationship amongsize of holding, concentration of land and productivity and their studies indicated that an average size of holding and a lower concentration of land ownership resulted in an increse in output per hectare. The similar findings in countries like Sri Lanka, (1966-67-Paddy yield), Central Thailand, Philippines, Argentina, Brazil, Chile, Columbia, Guatemala, Mexico, Japan indicated that yields were higher on small farms than large farms.

In broad terms, land reforms can be consonant with development process from the point of view of productivity (output per ha). The implication is that reduction in either size of holding or land concentration need not be associated with reduction in output per hectare.

(4) Employment:

(1) Labour per hectare is greater on small farms than on large ones – i.e. the smaller the size of holding, the greater input of manpower.

(2) Studies in America (Columbia) and Asia (Punjab) have shown that the number of workers per hectare of agricultural land on the smallest farms was greater than on the largerst farms, the reason for higher productions on small farms is more intensive use of labour and other inputs necessary for adopting high yielding varieties and labour intensive technologies.

(3) Redistribution of land and increase in employment may not be sufficient for increasing output. An effective extension-cum-input supply system must accompany land reforms.

(5) Marketed Surplus:

(i) Reduction in land concentration through land reform reduces marketed surplus in short run. The ratio of marketed surplus to production falls as farm size decreases because the increase in income leads to higher consumption.

(ii) But the surplus ratio fall need not result in a decline in total surplus provided that there is a compensatory increase in total output, since yields in small farms are higher than that in large farms, and there can be sufficient increase in output after reform.

(6) Savings:

(i) The savings rate represents the contribution of a sector to the long run growth of both of its own productive capacity and that of the rest of the economy.

(ii) The saving rate is also similar to the marketed surplus/and, as farm size increases, the savings rate become positive and increases.

(iii) A reduction in land concentration will reduce the average savings ratio. But if a compensatory increase in total income is secured by intensifying inputs per unit of land after land reform, the average rate of savings can be maintained. This indicates the need for introducing effective Agrarian reforms (improved technology and services) along with land reforms. The farm size structure created by the land reform programme, should fix a minimum as well as maximum farm size on the basis of the national norm of minimum family income.

In the next part, we review the historical context of various reform measures.

**PART II**

**MEANING OIF THE LAND REFORMS**

Pro-British Era (Approx. 1500 B.C., to 1200 A.D. – 1600 A.D)

Land during the Hindu period did not belong to the King but was considered a property of the village which made the payment of tax inkind to the king. The amount of tax varied from sixth to one fourth of the crop (depending upon emergencies). The land being the source of most of the revenues and the village being the settlement unit, the latter became the logical agency for collection of revenue. The village leader was responsible for

(a) Collection, hopefully equitably, from cultivators.

(b) Payment of the king’s share. Till then there were no intermediaries but as would be seen later, a whole class of such people emerged during British rule for various reasons between cultivators and state.

The jont ownership of wasteland, range, meadow and their management by the village panchayat led to the emergence of many practices which, in retrospect, reveal the great concern for ecological balance ever during that time. One of such practices was leaving part of the lands out of total village land for god and goddesses called as Auran land. No animal was allowed to even stray into these lands nor was any wood cut from here. The extent of land left as such was probably proportional to the population both human and livestock of the village. Dead wood, dried twigs and trees etc. were used for the funeral and mass feasts etc. In some form the auran lands exist even today in Rajasthan, although with modernization and increasing population and livestock pressure, the size of such an ecological buffer has not increased. Not only that, even the sanctity of these lands has been eroded considerably.

Further, in this era, private property rights in land were not much recognized and there was a strong implication of stewardship in the land. The code of Manu provided very severe punishment for irresponsible cultivation.

The religious sanction behind a particular land use and revenue system was reflective of the power the throne enjoyed largely as symbolic of the supernatural role in this era. However, the fact that the revenue system recognized the conservationist need of village society reflected this as an important meaning of reformist measures till this era. Undoubtedly, the ascendency of Muslim rule led to several changes in the property rights in land which were probably a reflection of the then state’s concern for increasing its share in total production. The stocks considerably to the capacity of state to engage in long warefare at that time.

Beginning from Shar Shah (1940-55) the method of land measurement assessment and classification was followed. “The settlement of taxes was made specifically in terms of individual ryots (peasants) recognizing no interests between the government and cultivator, even when revenue was collected through a village headman or zamindar”. The indifference towards waste land and started in Hindu period but got accentuated during the Muslim era, whoever was instrumental in bringing the land into cultivation received the primary proprietory interest. In a way, it hints at a need which might have been felt for increased revenue collection through increased production possible probably at that time only through expansion of cultivated area. Interestingly, even in post-independence era, much of the gains in production were achieved through expansion of cultivated area (often in marginal lands) at least in the initial period.

British Rule:

The most exploitative tenurial conditions through layers of intermediaries as well as total neglect of conservationist practices came about during this period. Cornwallis in late eighteenth century instituted the permanent settlement. Till the thirties, no genuine cognizance or even admission was made about the rural problem. The report of the Royal Commission on Agriculture in India (1928) did not refer at all to any land policy.

Basically there were two systems of tonurial rights, one, the permanently settled estate; and another, the temporarily settled estate. In the former case, even if production increased, revenue to be remitted to the state remained same and the farmer could benefit with the increase in productivity. In the latter case, the revenue proportion increased as and when the production increased.

Progressively, the British in their anxiety to super impose their sovereignty over the entire country’s peasantry, took away more and more rights of ryots or peasants. The zamindars could extract 1/11th or so as share in the revenue as collection agents for the state.

Without going into details of the land revenue collection system in this era, it can be concluded that the British were trying to maximise their revenues by instituting intermediaries wherever it suited them and by directly collecting revenue through collection agents who could be a village leader, a Zamindar, a beneficiary of state patronge (because of some action of loyalty) etc.

One of the most notable features of the British intervention was the insistence on collection of revenue in money from rather than in kind which meant creating conditions for purchase of commodities that could be manufactured outside village. The traditional village crafts, handloom and cottage industries were systematically crushed through weakening of the barter economy on one hand and monetisation etc. and by one way market penetration on the other. The farmer had to deal with vagaries of both nature and market. The encouragement to commercial crops by numerous concessions and market support led to disruption of soil conserving and enriching mixed cropping as well as crop rotation practices. The meaning of reform in this case was maximization of revenue neglecting any and most other aspects of land use and agrarian relations. The exploitative linkages between money lenders, landlords, traders, and the peasants got reinforced through British rule. The tenancy practices gradually became widely prevalent because those who were made responsible for land either did not have the competence for cultivation themselves, or had no need for attempting that. Their interest in land productivity or food production increase was just marginal.

Five major effects of British rule in tenurial practices in India have been identified as follows:

(i) Due to Zamindari system, emphasis increased on maximum appropriation of rent by the landlord through curtailment of rights of the actual tiller of land.

(ii) The monetisation of economy, insistence on receiving rent in cash and tacit support to moneylenders, worsened the cultivator’s position further.

(iii) The tendency to extract maximum resources from agriculture in the form of raw materials (forcing cottage industries to collapse so that British manufacturing interests could be served) became very strong.

(iv) Weakening communal control over both cultivable and uncultivable land and pastures led on one hand to the neglect of conservationist practices and the other hand, increased control of landlords over the rights of the ryots.

Towards the end of British era, some reformist measures though in a very disjointed manner, did start emerging. These measures reflected the impropriety of most of the earlier revenue collection practices. These measures included, conferring occupancy rights on long term tenants, security of tenure, concessions in collection of overdue rents as well as normal revenue in events of crop failure, etc. None of these measures was programmed into comprehensive strategies for boosting the agrarian economy. Many of these concessions grew out of the increasing agrarian tensions and the set-back to the British economy during the Second World War.

Post-Independence Era

The historical experience of decreasing average yields of most crops except fibre had raised several challenges before the planners soon after independence. The objective of increasing growth in food production, removing inequitous land holding structure and providing employment to about 3 million rural unemployed were to be achieved along with the expansion of the core industrial sector. In 1951, the population dependent on agriculture was 72% of the total while only 51% of National Income was contributed by this class.

This was a time when 70% of credit needs of rural producers were met by moneylenders and only 3% by government and cooperatives. High interest rates (25-40%) were rules rather than exception despite the official limit of 18%.

Although the ‘Grow More Food’ campaign was started in 1943, the emphasis of agricultural research was largely on sugarcane and cash crops. Only 20% of cultivated area was under improved varieties. Consumption of fertilizers was negligible, supply or distribution system was either non-existent or very weak.

About 16% of cultivated area was under irrigation, the rest was dependent on vagaries of the monsoon. While marketing of jute, tea, rubber, coffee, sugar and cotton was integrated with even the world market that of food crops was very weak.

The political climate was surcharged with high expectations. It should be noted, however, that Indian independence was not a result of a more political movement launched by the nationalists. The international conditions had also contributed towards the weakening of imperial control over the country. The implication is that unlike many other countries where land reforms either evolved through strong dictatorial regimes or through the mass pressure from the victims of inequitous land holding system, in India the reforms evolved because of more liberal and moderate considerations.

Abolition of intermediaries, limitation of size holding and consolidation of holdings were three major objectives these reforms

The existence of stron landed interests in the ruling party in a way ensured that, legislative measures for reform contained enough loopholes. The bureaucracy (apparently with its own interests in mind) colluded with the ruling party in the process.

Some other objectives of the land reform in first five year plan, such as security of tenure, distribution of surplus land, improvement in the conditions of agricultural workers and cooperative organization of agriculture with ultimate aim of cooperative village management remain elusive even today to a large extent. A notable achievement has been abolition of intermediaries though abolition of the zamindari system which too in some case was sought to be circumvented through benami transactions.

In Budh Gaya (Bihar) surplus land under the coilings act was elected by the government to the landless but the erstwhile landlords opposed the cultivation of this land by the allottees. When workers organized and tried to assert their rights, the situation was termed as a ‘Law and Order’ problem. The administration, acting as the saviour of ‘peace’, saw to it that the tension did not escalate – implying in effective terms the restriction of theright of land allottees to harvest crop from the land which legally belonged to them.

This is just one instance. Evidence shows how very little land was really declared surplus and still lesser was distributed. Much of it was not even fit for cultivation. Credit, marketing and technical support institutions were not geared to make land reform an effective instrument of increase in productivity of land, labour and simultaneously providing avenues for absorption of increasing work force in agriculture.

It has been argued by some that with high intensity of cropping at small farms which also have high labour intensive cultivation practice, conversion of marginal holdings into viable small holdings would have resulted in a more efficient resource use. It has been estimated that with area lengthening effect of genuine land reform, more than 5-6 million ton, increase in food production would have been achieved at the given level of crop productivity. Contrasting this with the efforts put in the Green Revolution in six years (from 1964-65 – 1970-71), it has been argued that 5-6 million ton increase due to reform in one year definitely offered a more attractive option. 2% per annum increase in food production would have continued even without the Green Revolution but with realization of irrigation potential, fertilizer use etc.

The Green Revolution strategy, if it was really scale natural, would have worked even with post reform land holding pattern. As mentioned earlier, if it is widely agreed that on small farms intensity of cultivation is high, along with higher labour use better per acre productivity; why did then a genuine land reform not take place?

Barriers to land reforms existed both nationally and internationally. Poor Aid which offered a soft option did compromise to some extent the national determination to put its best in increasing food proudct ion. The industrialization process to be long lasting needed not only abundant labour in the early stages but also simultaneous expansion of the home market for manufactured goods together with enough food supply to maintain the price index reasonably low.

The High Yielding Varieties accompanied by intensive package approach implied capital-intensive response to food crisis.

Because of the very nature of technology, the gains were to be localized and the disparities increased. Labour displacing mechanization would have had relevance if industrialization had kept pace with labour absorption.

With localized increase in the production, the increase in the purchasing power was also localized. This led to demand for such commodities manufacturing of which did not more often had to increase in labour absorption. The manufacture of commodities which poorer largely needed were no more restricted to either the small scale sector or the cottage industry sector. Thus on one hand employment in the tertiary sector was getting squeezed, on the other hand the employment in the organized sector did not either increase at the rate investment increased or to commensurate with labour displaced in agriculture. The implication was increase in the unemployed or under-employed work force which had a need for food but not enough capacity for purchasing sufficient quantities of it.\*

The Green Revolution are also lead to reverse-tenancy i.e. big farmers leasing in the land of small as well as marginal farmers who due to partly deficit-induced indebtedness and partly because of cash compulsive character of economy found need for labour wages more compelling. These farmers did not have the capacity to wait for investment in agriculture to yield return because till then they needed working capital to provide for essential consumption in order to survive. This process has also lead to centralization tendencies in land holding structure showing increasing tendency for conversion of marginal farmers into agricultural labourers (as shown by All India Rural Labour Enquiry Report – 1979).

The land reforms thus in the given range of economic options did not appear as soft an option as the others, mentioned above. Land reforms would have meant change in credit, extension and input delivery-institutions to which access of the powerwielders historically had been strengthened.\*\*

Even certain other efforts like land consolitation has met with only limited success. It was ignored that traditionally fragmentation was also resorted to because farmers wanted to deal with risks of rain most rationally. In other words if there were a large number of plots, it was possible that if it did not rain on one plot, it might on others, if rainfed regions, the fragmentation was a mechanism to deal with risk factor. Further it also implied a system in which everybody had share in good as well as bad land. While there are several advantages of consolidation in irrigated and partly irrigated regions, the implementation machinery for this task also colluded with the powerful interests. The result being that those who had the power to influence decisions managed to get generally, the better lands in their share, leaving the poor to reconcile with poorer but consolidated plots. Through the land transfer process also the better lands have generally passed over from the hands of smaller farmers to big farmers.

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\* This phenomenon is sometimes characterized as ‘Poverty of Plenty’. It has been claimed that India could soon become exporter of foodgrains or that it had achieved self reliance in food. What that amount to saying is that food production or stock of food was sufficient to meet the need of those who could register their demand (backed by the purchasing power, in the market. That is how, one can reconcile with food ‘surpluses’ existing together with malnutrition and starvation.

\*\* When resources are scarce, thre has to be a queue. Who got the delivery will depend upon what are the rules of queuing. If rules remain unchanged and the hitherto excluded ones are initiated into a production system requiring there resources, it is quite possible, that either they become more dependent on queue ‘jumpers’ or they quit the production system andbecome even worse off.

Certain other aspects of land reforms needing attention;

(1) When abolition of intermediaries was resorted to, the compensation to the extent of about Rs. 61 billion was paid in form of bonds and cash (Rs. 1.3 billion). Different states had different compensation rates.

(2) The delays were rampant leading to numerous adjustments by the land owning class such that the extent of actual surplus was considerably less than anticipated.

The cash compensation and delay in implementation added to the advantage of landlord. Some of them evicted tenants and took to self-cultivation by investing in machines (in real sense the mechanization picked up in a big way in the post sixties only). There were others who took to money lending, a role which traditionally was limited to traders and professional moneylenders. All India Rural Credit Survey Report (1969) showed that the majority of the farmers still depended upon the informal sources of credit, including farmers traders and the money lender. For the smaller farmers amongst these, the limited access to credit also meant compromises with regard to tenancy as well as ability to self cultivate the land.

Some Issues:

What do we learn from this brief review of land reform policy and practice in our coiuntry? Can we now recognise the close linkage between land reform as a distributive measure and land reform as an effort for increasing food production, employment and market for goods manufactured industrially? Do we realize now the role of tenancy and its security with incentives for investment in agriculture? Whether export led growth strategy of industrialization which progressively delinks industrial growth from agriculture progressively would work for our country is an open question? The points to be pondered are: What are the logical conclusions of increasing unemployment, cntinued vulnerability of food supply towards droughts, limits to increase in productivity in high growth potential regions, existence of large scale concealed tenancy, heavy mechanization supported by cheap credit, soft options of food import etc. in a country where the land holding structure is becoming more and more inequitous?

The land reform is relevant all the more today because stagnation in the Industrial Sector to a certain extent could as well be released through expansion of the market implying an increase in the number of consumers and not just an increase in the purchasing power of the consumers.

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4. Bardhan Pranab K, 1984 Land, Labour and Rural Poverty: Essays in Development Economics, Oxford Univ. Press, Delhi.

1. This draft is a slightly revised version of the paper published in Economic Times, Aug. 24, 25, 1983 [↑](#footnote-ref-2)
2. It is also worthwhile to note in this context that Land Reform is essentially a means of reorganizing the very social structure which defines various rights in land. [↑](#footnote-ref-3)
3. In 1971, 50.6% of marginal land holders owning less than 1 hectare of land had only 9.0% of the total cultivated land of the country. Those owning above 10 hectares, on the other hand had more than 30% of land (Bensil 1984: 194). In 1976-77, out of 81.5 million holdings, 54.6% were marginal. The share of these holdings in total operated area of 163.1 million hectare was hardly 10.7%. During 1963-64 to 1977-78, proportion of Agricultural labour households below the poverty line for rural India is estimated to have increased from 52% to 56%. Over this period the net domestic product at 1960-61 prices, from agriculture went up by about 43% (Bardhan 1984: 191-192) [↑](#footnote-ref-4)